EPISODE 1511

[INTRODUCTION]

Whitney Sewell (WS): This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today we packed a number of shows together to give you some highlights. I know you're gonna enjoy this show. Thank you for being with us today!

[INTERVIEW]

WS: Our guest is Jason Yarusi. Thanks for being on the show, Jason.

Jason Yarusi (JY): Hey, Whitney. Good to be back.

WS: One topic today, Jason, that we wanted to talk about, I felt like – I mean, even just us talking about it beforehand, like you had this stuff just like memorized. You were just laying these things out, and it's talking to investors and really just – it's such a business, right? Just around that by itself and making sure investors are cared for and taken care of.

Really, you never being in the position of getting close to closing and not having to capital raise. I wanted to say congratulations on up to 450 units now. Congratulations to you all. That's awesome. I know you all are working heard.

JY: Thank you.

WS: But I'd love for you to elaborate on that. Let's get into how you all are doing that, how you've been successful in that process of really having investors ready and talking to them and marketing to them all that.

JY: So we are really just laying the groundwork, and one of the awesome amazing things about syndication or even just multifamily in general, is you have the opportunity to bring in investors, so you both can benefit. Benefit not only from the investment but from the economy scale of being able to do a larger project together, and ultimately reach whatever is your goal and your investor's goal at the same time. Whether it be generational wealth, cash flow, tax advantages, whatever would be the components.

However, there is a number of steps that we partake in that have made this helpful for us, and we generally do this in a four-stage process. Of course, lots of times when we go out and being a salesperson, on the point, it's always focused on the close now. That ultimately, we are trying to create a relationship and really just trying to do something that would benefit people for many years to come and having these investors that aren't only in your first deal but your second deal and your third deal. It's just creating that environment where you, one, would be the first step, understand exactly what they're looking for, because not every investment I have is going to be a good opportunity for them.

And they're going to appreciate when it's not. If it's something that is they're looking for a short-term project and they're looking for a quick turnaround in capital, if we're having a project that may have a lifespan of five to seven years, ultimately we're probably not going to be the best fit for them now. It doesn't mean that we take them off our list, but we ultimately just want to make sure they're fluent for what kind of investments we're offering.

WS: When you do find something like that out? How do you know that?

JY: Sure. So it's based on an initial conversation, depending on where they come from. Correct? So if it's family, friends, or immediate network or if it's someone who has made a referral from somebody else or if they're local, we may set up a meeting. If they're not local, we may set up a call, and we're going to ask them, specifically, what is their risk tolerance. What kind of investments are they currently invested in? What kind of investments are they interested in investing in? What has been their investing experience in the past? What have been opportunities that they have liked? What have been some of the success with those pportunities?

So we can understand it, because investing in apartment buildings is generally a new concept for a lot of people. A lot of people don't know or did not know this was available to them. Or if they didn't know about it, they thought it was only available to larger, institutional players. So you're bringing this to them. It's a brand new concept, so really the first step is just understanding what they're looking for or is it important to them for cash flow.

Would they want the investments to be local? Would they want the investments to have a certain timeline in there? Are they okay with the investment being solely in a passive investor? All of these are going to lead to us understand if this is going to be a working relationship where we could provide something of interest down the line. We do that at stage one.

The second part is now talking about multifamily investments in entirety. Explain to them what we're doing with this and why we're doing it. It can go in two frames. If you have multifamily acquisitions that you've done in the past, then you could touch on those properties and touch on why you did and what you liked about them, how they're going, how you've been performing the numbers, and if you take in a property full cycle, the full results.

If you haven't, that's fine. You can talk about the industry, the class. You can talk about why you like these prototype investments, the five factors, cash flow, appreciation, depreciation, debt paid out and tax advantages. How that forms out to be a great investment. How you pooling resources from investors allows you all to benefit from economies scale to tackle these larger projects.

If you have markets in mind, while you're talking specifically about those markets, if you're in a Dallas or you're in an Orlando or you're in a Greensboro or Louisville, why you like those market dynamics. What you're looking to do to expand yourself to have full knowledge to take on such an investment. Do you have other board members in place that are coming on that are going to part of your deal that have experience. Have you put yourself through rigorous training of some capacity, some CCIM training or other?

Then after that — that would be step two. The third step would be that this is potentially either you could use, if you've done a number of these, show them a past deal and show them a representation of what the deal would be. But if you haven't done these, before our first deal happened, we created a mock deal, and the mock deal basically represented the kind of deal we were looking for and outlaid the type of returns we will be focused on, how the whole period would work, how the structure would be laid out for the investors.

We went over the entire concept, so the investors were fluent with this. And that could happen over one or two conversations, because generally when someone's received with a lot of information, if they don't have time to take it all in and just conceptualize it, the answer is only going to be no if you asked what they like, because it's just too much to take on in one conversation. Then once we do that, we'll give them the idea about what we're looking to do and see if there's general interest. Engage with their interest maybe.

Do they have an amount they potentially may invest? What we find is that at that point, maybe it's not right for them at that time, but we'll keep them involved and let them know as we acquired a deal and keep them updated. Just because they weren't ready at that that time, they may be ready the second deal, the third deal down the line.

However, if they are ready, they've now given us an idea of what kind of investment they are looking to make potentially. Maybe it's $50,000 or $100,000, and we'll slot that down and say that this is no confirmation of capital. This is nothing that's guaranteed money, but this is now general interest that we've now created about telling them and ask them what they're looking for, telling them about what we're doing and what space we're operating in, and tell them about the potential opportunities that we're going to be looking for.

So again, we don’t have a deal yet. We’re not even in that point of having that. But once you have a series of these conversations, you start really having an idea of how much capital may be ready for you, for your investors, however you’ve made the connection and you start to lay this out and start to build your groundwork with your investors. Now, it also makes you comfortable to the point where you can understand what type of product you can look for.

So if you have the ability you feel potentially to, say, raise two million dollars and generally a good landscape would be total price, total acquisition. Maybe a third could be needed just in capital raise. So then if you can raise potentially two million dollars, then potentially you can look for a six million dollar acquisition. So then it makes you have that warm feeling inside, that you feel good that when you do go out there and now find a property and get it under contract, that now you have done the groundwork that you can go back to potential investors and now consider that you’ll be able to have a successful raise.

Once you actually find that deal, you’re not going back to investors cold, and you're not going back to the point of saying you’re not trying to understand what they want and then you’re not trying to understand why you're doing this, and then you’re not trying to understand what the whole multifamily deal looks like. Then now, you’re trying to pitch them on a deal.

That’s just too much, and it makes you look in need, instead of really what the ultimate goal is, how can we help the investors meet what is going to be their goal expectations for their life and their future and how can we work together. That is a much better scenario and how we like operate, so we’re now providing investments for people that we fully understand what may be the right investments for them.

So when we do have the right investment, we can bring it to them, and it’s already a conversation we laid weeks, months, potential years before. Now it can be a very easy conversation, because remember the kind of opportunities we had we’ve been speaking about in the past.

Here is that opportunity. We have this great deal. We like it for these reasons, just in line. We’re looking to hit these returns as we spoke about before. We’re looking for this deal structure as we spoke before. Would you still be potentially interested? At that point, it’s a lot cleaner of a conversation, a lot more beneficial of a conversation for everyone, going forward.

[INTERVIEW 2]

WS: WS: Spencer, welcome to the show. I was just expressing that I can’t believe we’ve not met before in person, it’s amazing what you have accomplished, just reading your bio and the platform you have built, I’m looking forward to learning more about that and getting to share that with the listeners as well, but let's get started a little bit about how did you get into the syndication business or in commercial real estate, what does that look like? And let's dive into your platform a little bit that you've built.

SG: Yeah. Whitney, first off, I really appreciate being on the show, I've been listening to your podcast for a while, so it's great to actually be here and actually meet at least on Zoom. My Way into real estate syndication was not at first as intentional, I was intentional about wanting to get involved in real estate, but I started getting involved in real estate syndication before I really knew what real estate syndication was, the desire was to get involved in buying multifamily real estate investing in multifamily, but I didn't have all the capital or the teams or the knowledge or systems to do that.

So, I guess backing up just a little bit before I got to that point. I've been a little bit of a serial entrepreneur, I've started several businesses in different fields, I originally went to music school at Indiana University. (What do you play?) Well, I'm a little bit of a jack-of-all-trades master in that I can play a little bit of everything guitar, drums, keyboard, saxophone, you name, and I can make sand, I can make step thing… I make some notes on it. (Okay, absolutely. I had to ask), especially was a recording production and composition, so they let to New York City for a little bit after that, working in recording studios in build, trying to build my own book of clients, and I kind of figured out I love doing it, but I didn't really see a path to really build a scalable business, and as my two passions that point were music and building a business, being an entrepreneur, and so I start focusing on it. What else could I do to really build a business? And a little bit after that, I ended up moving back to Indianapolis, which is my hometown. Started a business with my wife and one of my best friends after we were sharing a kinda double IPAS, so craft forward brand, we situate all these hops coming from these craft brewers that are popping Marrero using…

Realize there was a hop shirt going on, we thought Indiana is a great state for agriculture, why don't we produce hops here for all these local craft breweries, I actually found out that just Indian is not the best climate to go hop, but in that process, we started acting as a broker between hop farmers out on the West Coast in Washington, Oregon, and craft brewers at first in Indiana, but eventually we started distributing tours all across the United States, we essentially found this niche kind of being a craft broker to all these craft brewers and so we were the fastest growing hot broker really in the United States, who became the largest in the Midwest, and then about 2015 decided to sell that business. All along the way, I had been investing in real estate, single family homes, duplexes, and I loved investing in real estate is something I always told myself I would be involved in on the side, but then when my wife and I, Alex, we were looking for that next business, that next step said, We love real estate, why don't we build a business around real estate and investing in real estate, and so we started networking, trying to figure out who was in the space, who was buying and managing apartment buildings.

We had the idea that we'd be doing it all on our own, if we could know more, we learn the more we learned that we didn't know, and again, just trying to grab coffee and lunch with anyone who would take a meeting with us, and eventually we formed a relationship with a syndicate, you're in Indianapolis, we first want to invest in his own deals, but we wanted to do our deals onshore, eventually offered an opportunity to co-GP and co-sponsor one of their projects, and we saw this as a great of middle ground of getting our foot in the door, getting some experience, just investing to also on the GP side, also getting some loan guarantee experience of putting up our own balance sheet to help with the lung guarantee, and then we eventually went on to co-sponsor and co-GP about 14 syndication with that one, sponsor, and then after, I would say probably after our 12th or so, he said, okay, this is going really well. We really understand this business. We have a good relationship with our partner, but there's some things that I think we could do a little bit different, we wanna build out our own brand, build out our own systems, and so really kind of early late 2018, 2019, we made it a very concentrated effort to start doing…

And then in 2020, of course, right as the pandemic was surrounding us, we had our own sponsored projects, we did three deals last year in 2020, and we've got a couple other projects we've done this year, and all in all, we've invested in over 9000 apartment units. We've got a little over 500 million of assets under management of projects we actually control and continuing to build out our team, build our investment platform, and again, just try to build a group of individuals trying to allocate to real estate and have a similar line strategy and goal that it's been a lot of fun along the way. And we're still having fun doing it.

WS: Wow, now it's incredible. I appreciate you just elaborating, and we had this other successful business that you sold, you mentioned you were investing all that time in real estate, what were you investing in.

SG: But I was most like flipping houses, always trying to have a house flip going on the side, 'cause that was kind of my idea of real estate investing from the beginning, I actually… Even before my first real estate investment, and I was actually just getting out of high school, I had a opportunity to flip a house and that kind of plan to see how was that initial spark of saying, Okay, this real estate investing thing, it's possible. I can do it. It's not rocket science. You have to know what you're doing. Honestly, I learned that I should not do everything for the project, learn how to delegate really kind of early on, but I didn't think that was gonna be my core focus of what I wanted to build a business around until a later on to my life. Looking back, looking at all the options and saying, why not kinda go all in on real estate, best decision that my wife and myself a made for ourselves.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being with us again today. I hope that you have learned a lot from the show. Don't forget to like and subscribe. I hope you're telling your friends about Real Estate Syndication Show and how they can also build wealth in real estate. You can also go to LifeBridgeCapital.com and start investing today.

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