

**EPISODE 1519****[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 Tony Castronovo. Thanks for being on the show, Tony.

**Tony Castronovo (TC):** Thank you, Whitney. Glad to be here.

**WS:** Tony is a founder and managing partner of Novo Multifamily Group and Novo Investments. Tony is focused on buying hold investing, initially in the single-family space and now exclusively in multifamily apartments. He's the owner and operator and asset manager for 80 units in Bryan, College Station Texas, a home of Texas A&M University. He's also a committed veteran of the Houston Marathon.

Tony, thank you again for your time. I appreciate you being on the show today and being willing to share your story and helping the listeners and myself. Give us a little more about your background in real estate and let's talk a little about the single-family and moving in to exclusively the multifamily like your bio mentioned, and let's jump into your superpower.

**TC:** Absolutely. Yeah. I think, there are probably quite a few real estate investors out there that start in the single-family space. I was one of those. I think it probably took me about four months to find my first single-family rental home. It was one of those things. You watch all the shows on HDTV and you get all excited. I purchased this house and took the whole family out there. It was demo day and everybody was excited with their sledgehammers. That lasted probably about three hits with the sledgehammer before everybody was caput.

We were pretty hands-on. That's a theme for me, but we did that full renovation as a family and a lot of my weekends and nights, but the interesting thing about doing it that way was I really got to learn what it was all involved, regarding the contracting and the renovations. Then as I just took that and kept it going and had to fill that unit with a tenant and then had to be a landlord and what does that mean, and just being a management and IT guy for many years, I knew I had to develop processes and systems.

The turning moment for me was when I had a tenant who wanted to make sure that her payment was on time and she showed up at 11:59 at my house and stuck a check under my doormat. I said, "That's it. We have to go online. We have to have systems." It snowballed from there. One led to two, two led to eight, and eventually, I moved into multifamily.

**WS:** Wow. Yeah, you had a tenant show up at midnight at your house. You probably thought they didn't know where you lived.

**TC:** Well, unfortunately, there is a little clause about where to drop off your rent check and the lease. Unfortunately, that was my home address. I've learned since then.

**WS:** I think most of us have some story like that that caused us to learn some better processes, right? Why multifamily as opposed to single-family?

**TC:** We had a great business in single-family. If you're familiar with BiggerPockets and the term BRRR. We're doing a lot of the BRRR strategy, where we'd basically buy a distressed home, we'd renovate it, we'd get it listed for rent, refinance it within 90 days and pull out equity and move on and do the next one. That was great. It was just another log on the fire every time. We were building a good equity base, building good cash flow.

For me, I was looking to make a big step change. I just couldn't see going one property, even if it was every three or four months. It just wasn't fast enough for me. The amount of effort that you have to go through just to turn one property and then start over, I just didn't want to do that again.

I was expecting the inflection point when I got to 10, because of the financing and having to maybe move that into a portfolio loan. I just accelerated the whole thing and said, "You know what? I'm going to sell this as a package, so that I can take advantage of a 1031 exchange and one transaction and then roll that all into my first multifamily." I was out there looking for multifamily that I could get into by myself, because I didn't know anything about syndication at the time. I was just looking to stretch as far as I could go.

At that point, a 20-unit multifamily was about as far as I could stretch. We did just that. We are 1031 into that. I guess, about two years ago we got into the first multifamily that was in Bryan, Texas, very close to College Station, Texas A&M. We basically did like I said, a hands-on approach. I didn't do all the renovations myself. I mean, what I realized by taking on that property was being from the Houston area, it's a little too far for me to physically be there all the time. I needed a team. I needed to have third-party property management. Even though I was doing it, I couldn't scale that way. It was a rip the band-aid off and hire third-party property management.

I had a Rolodex of contractors here in the Houston area from the single-family days, but I had to re-establish that and really get into finding people I trusted out in this new sub-market. We got started and just that property was a very clean property in the way that it was structured, because every tenant was on a month-to-month lease. I had an opportunity to just control the rehab and it was this methodical plan of every couple of months – well, every month we were going to do two units and we were going to move the tenants out, rehab it, bring new tenants in, rinse and repeat until we get all the way through.

It started to be okay, but we realized pretty quickly that critical mass is important. Nobody wants to move in and be that first one or two tenants into a great unit, but it's a dud of a property. We had to accelerate the whole thing. I'll fast forward here to the story, but we basically got through renovations in about seven months.

**WS:** 20 units in seven months?

**TC:** Yeah, we actually did 19. We had one tenant that simply just didn't want to go and we couldn't necessarily get him out. He was a great tenant and he wanted to pay more. I mean, he didn't want to pay more, but he was willing to pay more and we didn't have to renovate it. We just kept him in there and he's been there now for several years. We got one more looming.

**WS:** Nice. I know just from our previous conversation, you'd like to have a hands-on approach. I'd like for you to elaborate on that a little bit. You had mentioned earlier too, just how people say working on your business versus working in your business. I love to know how that applies to your thought process regarding this hands-on approach.

**TC:** Yeah. You hinted on the saying there. A lot of people will say, you have to work on your business, not in your business. For me, it's always worked that if I'm in my business, it's like working under the hood of your car. You get to know everything about it. You know how to optimize it, and what makes it tick. To me, it's like if you've ever seen the show, Undercover Boss. If you're sitting in the ivory tower, you may not really understand what's going on on the ground in your business.

I don't necessarily mean to be an undercover boss, although I think a lot of my tenants think I'm the maintenance guy. Beyond that, I mean, I love being there in it, seeing what's going on, seeing the difficulties that our contractors are having, let's say, with the renovations, or maybe with our property management and what they're dealing with on the ground, because these are things that I'm a process guy. I can fix things if I know what the problems are. I can't really know what the problems are unless I see them firsthand.

**WS:** How does that work, say with employees, or do you have employees that are helping you, working for you? How do you see that scaling?

**TC:** We're not at a point where we have employees at this point. Everything that I've done, I'll say our partners, not even vendors, because I do treat everybody that way. We're all in this together. I think that's one of the nice things about multifamily is, I know I've heard this a million times, it's a team sport.

I try to be transparent with everybody. Even the general contractor that I work with, he actually wanted to be one of my investors. My attorney encouraged me not to do that through just a conflict of interest. The reason why I'm bringing that up is that there was this mutual trust there that he understood my business model and what I was after. I understood what he needs to be successful as well.

We've all been there, where we're trying to nickel and dime a contractor and trying to squeeze out every last dollar. I'm guilty of it just like anybody else. For me, it's making sure he understands why I'm pushing in certain places to make the business successful, because at the end of the day, if it's not, then he doesn't have a job either. He's now been with us on a couple of different properties. It's been more of a long haul. That's just one example. A property management team is the same way.

**WS:** The hands-on approach, how do you see that scaling? You buy another larger multifamily property, things like that. It's going to be hard for Tony to be that maintenance man, right? How do you see that working long-term?

**TC:** It's that stabilization factor. My other property, the 20-unit that I mentioned, and the one actually that I'm referring to now has a 60-unit as well. That one, we picked up at the end of last year. That one is still going through stabilization, so we're heavy into the renovations and really trying to improve the tenant base and so forth. I'm very hands-on.

The funny thing is I sometimes feel a little guilty because I'm 2 miles away from my 20-unit property. Many times when I'm in town, I don't even go there. It feels like I'm deserting a child, but it doesn't require my attention. It's stable now. It's running. It's optimized. I mean, there's always something I can do to make it better, but I have a team in place and I really don't need to worry about it very much.

[INTERVIEW 2]

**WS:** Our guest is Travis Smith, thanks for being on the show Travis.

**Travis Smith (TS):** Super glad to be here, thanks for having me.

**WS:** Travis started his career with Morgan Stanley but realized the most direct path to true wealth and financial freedom is in the private markets. He is now a partner in several investor groups he calls tribes, that invest in single-family rentals, multi-family, and commercial real estate. However, his favorite investor group is one that enabled him to own vacation homes and even a racehorse with his brothers. That's so interesting.

Now, his obsession is to level the playing field, and he knows firsthand that forming investor groups is the great equalizer. As a result, he built Tribevest, an online platform where people can assemble their tribe, align, form, and operate their own investor group. Travis, thanks again for being on the show, I'm looking forward to hearing more about Tribevest, just exactly what that does, and how that enables investors. I know there are investors listening right now that's perked their ears, they're wondering how that's helpful to them, and just diving into that.

I would love to hear a little more about this racehorse story just a little bit as well. But tell us a little more about who you are and how you got into this type of business.

**TS:** Absolutely. I am and was a lot like, I'm sure, a lot of your listeners, I thought I was doing all the things that I was supposed to do going to school, getting good grades, getting a good job, you know, making a decent income but, you know, realized that there had to be a better way of building wealth.

I always saw real estate as a way to hack wealth without having to give up my day job. But the problem was, one, we never grew up learning how to invest in real estate and, two, of course the biggest barrier for any private investment, especially real estate, is capital. Anyway, on a fishing trip, about 10 years ago, a little more than that now, my brothers and I were talking about this and we kept talking about getting in on this deal, and that deal, and we kind of stopped ourselves and said, "Guys, we just don't have the lump sums of money we need to get in here. What are we going to do about it?" And our breakthrough was, that we each agreed to a manageable monthly contribution of \$500 each a month.

That was \$2,000 between the four of us, \$24,000 a year, and within that first year, we had closed our first deal. Then, as real estate does, one, turned into two, turned into three, and then again and again. We looked back at our multi-million dollar portfolio, and we realized that, by forming and funding that investor tribe, we secured a future we could have never dreamed of. Eventually, led to all sorts of investments, not just real estate but we got into single-family, multi-family, a bunch of syndications, and even a racehorse at some point.

**WS:** Wow, you all recognized that you need to be investing, right? But you didn't have the capital by yourself, but by pulling it together, you could invest it and start growing your capital faster or earlier on than maybe if you just waited till you saved it up yourself, is that right?

**TS:** That's right, you know, there was more than just capital that was the barrier for us. That's always the most obvious one but the truth is, we didn't have any experience, we didn't have a network of people to help us find the right deals and navigate those deals. You know, we didn't have the guts on our own.

You know, tribe, by pulling together with a tribe, of course, we pooled our capital together and then we also got learned and had the confidence to move forward together too. That's really that the power of the tribe is all-encompassing and, ultimately, you end up investing in things you wouldn't or couldn't on your own and that's where we were. We wanted to invest in something we wouldn't or couldn't on our own and now, the tribe serves a little bit of a different purpose. It gives us the ability to invest in more, faster.

**WS:** Wow. Well, why don't we dive into that a little bit? Just why that tribe is so beneficial, and how those things work, and why it's been officially a part of that, and how that helps us?

**TS:** For sure. You know, I think anybody that was in the position I was in, and I think we've all been there right? We've all been in that position where there is that barrier of entry. By forming a tribe, I want to just take a quick step back here and say, listen, we didn't invent tribe investing.

Arguably, we've been tribe investing since the beginning of time, you know, thriving and surviving together, but what we did do is made it 10 times easier, and a tenth the cost to do it. By doing that, we really introduced this concept to people that probably didn't consider it but now that technology exists out there, really, anybody can come together and pool their capital and ultimately put themselves in a position to invest in things, again, that they just normally wouldn't have done.

**WS:** Nice, you know, what are some ways that you've seen investors maybe invest quicker or maybe with less risk by being part of a tribe?

**TS:** Yeah, you nailed it. There are tribes, now we have thousands of them on our platform who are investing in all sorts of things. Real estate, you of course is kind of the biggest reason or always the biggest goal for all of our tribes. Or most of our tribes I should say, about 85% are investing in real estate, and that goes for anybody that's like investing in the single-family down the road or you know, someone's trying to do a multi-unit for the first time and coming together with their tribe to do that. Then we also see people participating in syndicates and you think

about how, most of the time, when you get into a syndicate is \$25,000, \$15,000, \$100,000 minimum, to get in.

You know, if you're new to real estate investing and this is people with a lot of money in a lot of cases too. Even though they have the capital, it's, you know, they're not familiar with this. This is new territory for them. They're way less likely to put \$50,000 down or \$100,000 down of their individual money on a solo investment. It just doesn't feel right, and so, what forming a tribe does for people like that, you can go out and bring in another three people. So instead of \$50,000, everybody is in for \$12,000.

Instead of \$100,000, everybody's in for \$25,000. You kind of get this confidence that you wouldn't have on your own, and that comes because you really spread the risk, right? You weren't all in on it but you were still participating from a very exciting deal. You know, spreading that risk is so important and just getting that confidence. I think that was the thing, like I looked back at my brothers and I. We didn't have the guts, we didn't have the experience, and we didn't have podcasts like this one to kind of get educated on.

It really was you know, we were willing to go out there and kind of do immersive learning but we wouldn't have done that on our own, but together, we would.

**WS:** How do we go about forming a tribe like this and I think about okay, who should be in my tribe and how do I. Should I just be anyone or just thinking about the legalities behind that, you know, how picky is this? Is this a partnership or is it just kind of like, a mastermind, you know, that's investing together, how would you think through that?

**TS:** Great question. To answer your question, it is a partnership. You know, most of our tribes in the end – I kind of start with the end here, they're forming an LLC, they're filing their LLC, and you can do that on our platform in any of the 50 states. We automate that all online, where you get your articles of organization, and you get a number of templates for your operating agreement, and we kind of help you think through those things.

But yeah, you're filing an LLC and everybody that's in the tribe is an owner, they're a business owner, they own that LLC, and therefore a member of the board. When major decisions come up, per the operating agreement, but in most cases, there's a vote to be had by the members of that tribe. To answer your question, they are partners, and that's an important thing, you know? This is a pretty sophisticated audience here and, you know, tribe investing is super simple in that it's just – it's not just, but it's an LLC and everybody that's in that LLC is not just investor but an owner, and that's important because that they're considered an active partner. They're not passive.

That's an important thing but what it does do is it gives that entity, that LLC, to go and be a passive investor in a syndicate, for example. But the members of the LLC are active and business owners of that LLC, they make a decision to go participate in syndicate, let's say, where that LLC, that entity, is a passive investor in that arrangement.

Anyway, that's kind of the end in mind and by the way, you know, you form your LLC and get your EIN, we help you open up a business bank account, all online, so now you're operating and have a business bank account, and you can actually link your external business accounts to do easy capital calls, right? Even on a monthly manageable way, that's a little bit of the solution. Now, you mentioned who and how and that's a real important question.

We start with people you know, like, and trust. It's funny, almost as long as we've been told, stranger equals danger, we've been told, you know, don't invest with friends and family, but Whitney, you've been around long enough to know that – and successful enough, that most successful business owners, most successful owners will tell you the opposite. They'll say, do business with people you know, like, and trust. That's where Tribevest really comes in, we help you eliminate some of that uncomfortableness that comes with starting a business with a friend or a family.

We do that due diligence, so making sure that each partner is vetted, and that they can be in a position to participate in such a venture. All that stuff falls on Tribevest, and then the tribe can just focus on the fun, finding the right deal, and getting business done. But the answer is, you know, find people you know, like, and trust, and that have the same world view and similar world views and aspirations that you do, and by the way, are in a similar position financially, that's also a really important qualifier.

[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](https://LifeBridgeCapital.com) and start investing today.

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