

EPISODE 1526**[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 Nathan Milazzo. Thanks for being on the show, Nathan.

NM: Thank you. Thank you for having me.

WS: Nathan found real estate investing by browsing through podcast while mowing lawns during high school. Today, he is 25 years old and invests in small to mid-sized apartment buildings in B and C areas in the Baton Rouge and surrounding markets. Head done wholesaling, live and flip, or house hack and 100% seller financing deals and department deals. Nathan, welcome to the show. I'm grateful to have your own. It's great to see your success. I wish that I had learned about real estate investing when I was in high school. Man, I wish I gotten started a long ago. I can't imagine how much further we could have been down this road. But anyway, lord has handled all that and I'm grateful. But it's awesome to see what you've done, and I'm looking forward to getting into it.

Tell the listeners a little more about who you are and let's help them to also, especially maybe the younger listeners or people who are looking to get started in the real estate business or younger in their entrepreneurial journey anyway, and help them to see how you've done it and maybe they can do the same. Get it started with who you are and let's dive in.

NM: Right, yes. So I come from a blue-collared, hardworking family. Hard work has always been a good model my parents taught me as a young age. So I actually stumbled into real estate, believe it or not. I had a little lawn business because I was a little hustler. From day one, I just always want to hustle and make a living for myself. So actually, I started browsing into money and investing while mowing lawns and stuff like that. And I just stumbled into real estate. And started from wholesaling and then turned that into buying my first live and flip. I have to say. I did that for no money down. I was a seller finance, completely seller-financed deal. Then I turned that equity out of my savings into buying that fourplex.

Then here we are, I have a 32-unit complex that we're doing a remodel on now and we're looking at another 64-unit complex to hopefully close. Hitting on with COVID and stuff like that

and helping financing it. It's the end of the year, so yeah, we're still pretty busy. It's definitely a building block. You start small and you just kind of work your way up to the big stuff. That's my goal. My goal is a thousand units. That would be pretty nice when I get there.

WS: Well, good for you. That's awesome. Tell me a little about — you had the lawn business and you're in high school, right? You're just striving to have your own business. I think it's incredible. It's just great. Then you started wholesaling, so you're learning about real estate. You did a live and flip, and then all of a sudden, you're buying a fourplex. And then a 36 unit. I mean, that's awesome. Tell me some, maybe some pain points through that process of growth that you can help the listeners with.

NM: Right. Yeah, a lot of pain points. The live and flip was probably the most painful, just because you're living in it. I had roommates at the time, and then my current — my wife now, she was my girlfriend at that time was living there with all these guys. Living in a construction zone. So that was definitely not the easiest part, so I don't recommend that. But it's a learning experience. I still live in the house today. I'm actually sitting in here now, but it's really the hard work. I was actually very blessed to have a situation where I was financially pretty stable for my age. I was making more money than people I knew, still am most likely. Yeah, I didn't spend that money like most kids would do. I just save, save, save.

The next thing, you know, got 150 grand in your bank account. Instead of going and buying car like most kids would do or whatever, I was like, "Okay. Well, what can step I into — the bigger step now." It's a scary step. You go from a single-family home to an apartment complex and you're like, "Wow! That's scary." And it's even scarier when you tell your family about it and they're like, "Wow! Are you crazy? Have you lost your mind? You're 22 years old and you're trying to buy an apartment complex." Yeah. So that definitely was tough, but once you get past that and you surround yourself with the right people — and I'm blessed to have great partners today. Like I said, now, we're working on a 32-unit complex, looking at even a double-sized apartment complex. It's really not even the size anymore that matters, really. We had the systems in place to take it down now and it's pretty cool to see how far we've come in a few years.

WS: Nice. Well, I have some questions there for you. I was thinking about, you know, you said, like you didn't spend like most or the live and flip was the most painful. You came out of that and it's like you learned a lot. Then I like how — when we can learn more about — if we act like everyone else, we're going to get what everybody else's got, right? You had to make some hard decisions through that time and whether to live and flip to — tell me a little bit about going from a live and flip to a fourplex. And then obviously, well go to that 32-unit. Thinking through being able to manage that and finance something like that.

NM: Yeah. So the live and flip, I was blessed enough to actually rent out the house from a lady, and I negotiated because she just kept telling me, every time we pay rent like, “Oh man! I can’t wait to get rid of this thing.” All of a sudden, I was so nervous to ask her to sell it to me, because at that time I was only 19. So I was just like, one day I just told her, “Hey! Ever thought about selling this house?” She goes, “Yeah, definitely would” and she didn’t even think that I was interested in buying it. So when I brought her — did the opportunity to seller financing, she’d never heard of it. But I actually was able to get the house for \$118,000 and I only put \$2,000. And actually put about \$10,000 into it to repair it, and ended up putting more money in it since.

My wife likes to call me cheap but I like to call myself frugal. It’s cheap for a reason. We saved — I mean, at the time, I was probably saving about four or five grand a month. I would just — literally, every penny I’d make, I’ll live like I was broke and just save, save, save. Then by the time I was doing my live and flip, the lawn business actually — I had a client. It’s pretty cool how it works out, but I had a client that I was cutting this fourplex for. And the same thing, older the lady, she told me the same thing. She didn’t know how to manage it as she was older. There was a lot of bad tenants there taking advantage of her. I actually was able to buy that fourplex for only \$7,000 down,

WS: Wow!

NM: And negotiated terms on that. I still own that building today too. It’s finding the problem — and that’s what she wanted because she wanted to avoid taxes and stuff.

WS: Wow! Were all that seller financed deals.

NM: The first two were, yes. I guess that’s people who are used to having that monthly income coming in, and I kind of made it to where, especially the fourplex, because she was actually losing money every month because the tenants were just completely taking advantage of her. So I turned the loss every month into a \$1,400 a month gain. She couldn’t believe it. She asked me at closing — she was like, “Are you sure you want to buy this thing?” And I said, “Oh, absolutely.” Because we have a big university here, LSU, so I knew I could easily rent it out. She just didn’t know how to market it or anything like that. So I definitely went really, really big in that one. And the equity plus my cash turned into into this 32 units.

WS: Wow! So you found that by mowing a lawn and getting to know her, then you created a win-win situation for both of you, which is incredible. That she’s stressed out about this. I mean, I was there at one time. Not knowing how to manage these tenants, getting taken advantage of, losing money, losing sleep. Now, all of a sudden, she doesn’t have to manage it and she’s getting \$1,400 a month for income. What a great way for that story to end for both of

you. But then you said you took out a line of credit. Was it on the fourplex that now you can do a larger property?

NM: That was on the single-family home. I have about \$120,000 equity in this thing.

WS: Congratulations.

NM: Then I had about \$100,000 in my cash — yeah, thank you — that I also have. And we bought this 32-unit. Again, we bought the 32-unit for a really good deal too.

WS: How did you find the 32-unit and how did you finance it.

NM: Yeah. The 32-unit is actually in the same area near LSU as the four unit. And it was actually listed for a year and we had known the guy who was managing it. We negotiated with him for months, and then when we're about to close, COVID hit. So it delayed us a few more months. But yeah, they're originally asking a million one for it, we got it for \$878.

WS: Wow!

NM: We've got a \$150,000 line of credit on it. Yeah, I know. COVID was definitely a motivating factor for that. But yeah, we actually got it for \$878, \$150,000 line of credit and we put \$150,000 down. Once we're done with it, we should be all in about \$7,000 dollar in unit renovated. We're kind of being real frugal right now just because we don't know where the refinance market is going to be, whenever we go to refinance that. But the good thing about it, the way the debt is set up is, it's a rollover loan, so we had — it's kind of like a bridge loan but it's a local bank. Say we don't refinance, it would just roll over with the line of credit on top of the actual loan. We don't want to do that because the rates aren't very attractive, but if we actually had, so we could.

[INTERVIEW 2]

WS: Our guest is Josh Ferrari. Thanks for being on the show Josh.

JF: Yeah man, thanks so much for having me, we've kind of come full circle here. I've listened to your show a lot and so it's really nice to be on this end of the show now instead of the listening end.

WS: It's neat, I'm hearing that more and more where guys and gals have been listening and now they're doing deals or they're growing their business and then they become a guest, it's

really neat to see that happen. Welcome to the show, look forward to hearing more about your experience and your growth or your business and what you've done.

But a little about Josh. He's a multifamily syndicator based out of Mobile, Alabama with experience in raising private capital, locating, negotiating and acquiring value add multifamily assets and teaching others how to follow in his footsteps. His ability to raise private capital he's gotten him the title of primary capital raiser at over six million dollars raised in his three-year real estate investing journey.

Josh, welcome to the show, I know there's many that are listening that are trying to do the same thing that you have done and accomplish what you've accomplished in a short period of time and so I think it's important we spend a couple of minutes just to figure out a little about your background before multifamily syndication analyst, work through that just a little bit and then I do want us to dive into just the investor relation side and how you do that well.

JF: Yeah, a little bit about my background, I'm an aircraft technician by trade. I do that, I still do that actually, still working full-time in aviation. I'm from Memphis, Tennessee. I moved down here about three and a half years ago to start my career as a technician. I always thought I was going to be in the W2 world for just ever, really. I was going to climb the corporate ladder, get my experience down here. Because a lot of people call [inaudible] a sweat shop, which is what I work at, and then eventually go work at like FedEx or UPS and a bigger company. Then, about six months after having moved out of my parent's house, moving down here, kind of starting my career, my dad calls me one day and tells me, "Hey, your mom and I are going to start flipping houses." I'm like, "What the heck? You guys are going to start flipping houses? Like first of all, I know you're not wealthy, where's the money coming from, how does all this work?"

I had so many questions to wrap my head around – first of all, the fact that they were wanting to flip houses and then how they were going to do that. After like a four-hour conversation, my interest was piqued and this, learning I could make more than my annual salary in one transaction was mind-blowing, like man, there's something to this.

I didn't think I wanted to do flipping at the time but I said, "Obviously there's something about real estate that I need to dive into." So started reading books, listening to podcasts like yours and BiggerPockets and a bunch of different other ones going to local real estate meetups, there was two that we had here in Mobile and one we had at Pensacola. Trying to learn as much as I could.

Then I got started in wholesaling, did that for about five or six months, really wasn't for me. I ended up not ever being able to close any deals. We had like eight or nine that we got under

contract that we were trying to flip but never had anyone buy anything so we thought, “Well, we’re kind of throwing money away on marketing, let’s just save that and buy something.” Because that’s what we wanted to do anyway. That’s what we did, we bought a fourplex about two months after that, we house hacked it and syndicated it. It’s a very interesting model and I would not recommend it to anyone but it was, it was great experience and –

WS: You syndicated it?

JF: “Syndicated it,” before I knew what syndication was, it wasn’t the standard model of syndication. It was more just like, “Hey dad, I need some money to pay for this down payment.” Because we did a 203(k) FHA loan on it so I had all the money for the renovations and everything else.

He just helped me with the down payment but he didn’t get any quarterly distributions, he didn’t get K1’s, he didn’t get any of that stuff, it’s just like, “Hey, I’ll give you a piece of equity and when we sell it, that’s’ what you’ll get.” That’s how I structured it before I knew what syndication was and he was happy with it.

We actually just went full cycle with that deal and he ended up getting all his money back in like a 50% return after like a two-and-a-half-year period so it wasn’t great but it wasn’t horrible either. Great first experience so then fast-forward a little bit, we ended up – I ended up finding my business partner and we did a 21-unit single-family portfolio syndication together and then we were realizing obviously, multifamily is where we need to go. We need the economies of scale, we needed all of those properties to be in one spot so we could have property management, maintenance and everything else.

Then, fast-forward about another year, we found a third partner and now there’s three of us. We closed a 42-unit multifamily apartment complex at the end of last year and we got another 34 units under contract before we closed that.

WS: Nice, I am making some notes because there’s some stuff I want to ask you about there. I want to back up just a little bit. The house hack, were you the one that was living there? Why would you not recommend that model?

JF: Well, maybe it was a poor choice of words, maybe I would recommend it to someone if it makes sense for you and if you can get the financing right and if the deal’s right. I think for my particular situation, just being that was our first deal ever, you know, first house that we bought as a married couple, first investment that we bought, first multifamily we bought because it was a fourplex. First renovation that we did, first house hack, it was like first everything. Just jumping into all of that at such a behemoth-sized deal for a newbie, it was a whirlwind of

problems and it was a hundred-year-old house so already, we were buying problems right there.

And the 203(k) FHA loan was absolutely horrendous for us. What was only supposed to take six months to renovate took us a year and a half and a lot of that was because of paperwork and making sure that everything was – we had fire our first contractor and it took five months to fire the first contractor and get the new contractor signed in to all the paperwork and ready to go. We already had the second contractor before we fired the first but they couldn't touch the property for five months until the paperwork was done.

WS: Now, give us a couple of things here that you would have done differently to alleviate some of those issues. I can relate to actually, my wife and I hadn't been married the first year or a whole year yet and we bought a house, we were in the middle of remodeling and bought a couple of triplexes and we're self-managing. Lots of brain damage there, I talk about it often. The first year of marriage, right? I would imagine, a similar situation, even though we weren't living there but give us a couple of things that would have helped you be better prepared, or maybe you and your spouse or that you would do different personally?

JF: I wish I would have known more about the intricacies of the FHA program. The specific, the 203(k) FHA program as far as how the paperwork goes and what needs to be in line to move to the next step because I thought that I knew everything at closing after we had gone through all the steps. It took us about four or five months just to get to closing, which should have been a red flag right there, like, "Holy cow, it's going to be a lot of paperwork throughout this process."

I'm thinking, the contractor that we had, they had mentioned the idea of needing to fire someone and bringing someone else on but they hadn't stated the fact that it was going to take such a significant amount of time, they were just like, "Here's the process of what's going to have to happen," and I'm thinking, "All right, if it does happen, worse case scenario, it takes like a month. It can't be that bad." I also thought, like probably everyone else, that well, "I'm not going to need to fire my first contractor, they're going to be great. They're going to do me right, they're going to get everything done on time," you know?

The first contractor ended up tripling the timeline and doubling the budget on the first unit that they renovated. So I was like, "Obviously, I can't keep these people around, they're not timely and they could care less about my budget." It definitely – the paperwork side of it all, I wish I would have known the processes and procedures and the steps that were going to be involved because it might have veered me away from wanting to take that loan program and instead, maybe making it a legitimate syndication model or stopping and saying, "Hey, if this isn't something possible that we could do, maybe I need to buy a duplex instead of a fourplex. Maybe this isn't the right deal."

So just figuring a lot of those things out before just kind of jumping into it because my personality, I'm a very optimistic, like a go-getter, let's just go do it, let's not [inaudible 0:08:56] analysis-paralysis, let's not worry about the what if's. Obviously, we're going to have a little bit of conservativeness built into some things and definitely do some analysis but being that that was our first deal, there wasn't much analysis that I knew how to do, it's just like, "Yeah, looks like a good deal from everything I've ever learned. Let's just do it."

WS: Okay, similar to me as well. It sounds like you would have educated yourself a little more maybe beforehand, before jumping in so you understood the process a little more and what to expect. Is there any kind of mentor involved, anybody helping you through that or was it just you trying to steamroll ahead by yourself?

JF: Yeah, at the very beginning of that, there was no mentor. I had a couple of contractors that I knew that I hadn't met from my local real estate meet-ups that I thought were going to help me with this because they were who I brought along.

When we were kind of doing the initial underwriting and figuring out that this was the deal we wanted to get under contract and that we wanted to pursue. Then, none of those – I had like two or three of them that I knew and kind of trusted and none of them wanted to actually take on this deal. That's another thing, that should have been another red flag of, "Why don't they want to take on this deal? What are they seeing that's going to be such like a behemoth about this that they're unable to handle it?" I guess, it would be that.

WS: Okay, I want to move on because we got a lot to cover. I want to get to the 21 unit, your first syndication, you met your business partner, give us a couple of key things to help you to get to that first syndication and what was your role in that?

JF: It's funny. The 21 unit was yes, the first legitimate syndication but I kind of came in on the back end. I met my partner actually through BiggerPockets. He reached out to me and we met at a local coffee shop here. He lives in Gulf Shores and I live on the west side of the bay at Mobile. We met up at a coffee shop and the initial –

[WS: How did he reach out to you or why did he know of you to even reach out? Just because you all live close and he looked you up?

JF: That's what I would think. I think he just found me on BiggerPockets and saw that I was in Mobile and that my tag line was like that I was trying to be a syndicator and trying to be in multifamily and he's like, "It's super cool. I'm working on some stuff and that's kind of what I'm trying to get into," and so we just met up but the initial purpose of meeting up was just to kind

of know each other and learn more about other people in the area that are doing these kinds of things.

There wasn't any thought, at least in my head, initially, of like, "This could be my business partner." It was just like, "Yeah, just be cool to meet someone else." Then it wasn't until a few months after that that he had this 21 unit that he had gotten under contract and that he was primarily working on and raising most of the money on that he was like "Hey, how'd you like to come on and kind of fly under my wing I guess and kind of see how everything goes? We'll kind of see how we work together and you can maybe help me raise a little bit of money and that will be –"

[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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