

**EPISODE 1534**

[INTRODUCTION]

**Steven Gesis (GS):** You know, we sought out those deals, we found what was tough to find. We did the tough things we did on our own against the lot of naysayers that said, 'No, you can't do that. Oh, that's not a good business. Oh, that's not popular. Oh, that's different.' You know, that's not something we do.

**Josh McCallen (JM):** So, hello. Welcome back to The Real Estate Syndication Show with Whitney Sewell. Now, my name is Josh McCowan. I get to step in today to support the work of The Real Estate Syndication Show. Thanks to our good friend, Whitney Sewell. Thank you so much Whitney for letting me co-host or guest host as some might call it. It's an honor. I'm a part of the community with all of you the thousands, and maybe hundreds of thousands of us that listen every week, and every day.

[INTERVIEW]

**JM:** So today's a great show, we're going to start a multi-show series with a true pro in the multifamily world. Today, we're going to meet Steven Gesis. And, it's exciting because he comes with a lot of experience. So let's welcome Steven to the big show. Welcome.

**Steven Gesis (SG):** Thank you, Josh. Thank you. Great to be here. Thank you so much.

**JM:** Yes, yes. And Whitney is just a hero to so many of us. It's an honor to be on his show today. And, I've been on his show as a guest. But you guys, you're in for a great treat, Steven, the community of The Real Estate Syndication Show is awesome. So welcome to the community.

**SG:** Thank you very much.

**JM:** Today, we'd like to get to know you a little bit. Why don't we ask you to share your background for a few moments, and maybe even about your family, where you live, and all that type of great stuff.

**SG:** Yeah, thanks a lot. So my background, arrives in the United States in 1990, as an immigrant from Odesa, Ukraine, that was approximately 32 years ago when they were just drawing the lines. And now, you know, as you see in the news today, our thoughts and prayers are with those people in Ukraine. So we began there, and we began our journey out of Cleveland, Ohio. My aunt and uncle were our sponsors. And interestingly enough, they used to

sew the interiors at the gym factory. Yeah. And so went to the Ohio State University. Yep, I want to make sure that we highlight that it's Ohio State.

**JM:** We got to put the T-H-E in it. For some reason, every football player teaches us that.

**SG:** Yeah, that's right. That's right. You gotta make sure it's memorable. And so, it's ingrained in you when you arrive to sign a loan document. Then I thought, actually, early on in my journey, I thought I was going to be a dentist. So, I was pursuing a career in that. And so, I actually have an undergraduate in biology. And then, as I progressed through that world slowly, you know, I was kind of deciding what I was going to do and came back to Cleveland was working out of the Cleveland Clinic, working on a master's degree as I continued my pursuit of being a dentist.

And, slowly but surely, that kind of fell off. And I met my partner, who was working at the clinic. I had worked for him, then I had worked for him when I was a teenager, made a call. Yeah. And today I'm in Smartland, one of the co-founders of Smartland. So very proud of that. Father of three married my wonderful bride, Meghan, who supports the household and makes this effort effortless. And so very, very gracious to that.

We began our journey long ago in 2008, approximately. And we began with like one single house, and it was an idea, the market and bottomed out, we kind of were birthed out of this, like really tough place organically. And so we began that journey. And I joined my partner in action in 2010. And so as with that journey kind of progress, we began with some single-family homes, we matured into a very, very sizable, scattered site, over a thousand single-family residential homes. And then we sold that business in 2015.

**JM:** Wow.

**SG:** And that was our journey. That's been so far a journey, and that progressed into multifamily. So I didn't want to digress. But so that's a little bit about my background, and kind of how we began and kind of where I began from,. You know, sitting at eight to five kind of job thinking about, is this going to be the end of my journey? Or am I going to be a dentist? Or where am I headed in my professional career? And I found myself in real estate. And ever since then, it's kind of once I got that bug, and, you know, had I done a little bit here and there, followed by father along that chucking truck home flipping, you can call it right, okay. Very small scale.

And so, over the years, you kind of got, you saw some of it, but we never really imagined that we would take it to scale, right? And so once we took it to scale, and then we exited that in 2015, our intent was that we're going to actually build something more of a uniform Ford model, right? This Ford model, the idea of this standardization, sounds so sexy, right? Because when you think about the scattered sites, when we began that journey and scattered site, we were very unpopular. Okay.

So, in this sense of this was not a hot topic. If you ask, you know, Wall Street today, a scattered site is the bee's knees, right? And so it was a tough, tough marketplace to capture. And so we wanted to go to scale. We wanted to have uniformity. We wanted standardization in the process. One of the things that scattered-site did along the journey, as we grew the business and as it became an exponential growth, one of the channel was dealing with all of the unique kind of administrative hurdles, but also some of the unique physical hurdles, when it came to either removing residents or replacing residents or placing residents. And then that journey unit turning. And so we wanted to find this kind of uniform product where it was a simpler time.

**JM:** But no, that makes a lot of sense. You said a few things here on this show. Whitney covers so many different ways people get into real estate, and this is a great journey. Sounds like this person who helped, was it your father-in-law? Who was the partner originally?

**SG:** No, no, no. So actually, I joined my partner Vadim, who was one of the co-founders at Smartland. He was the founder initially, of then it was Cleveland Property Management Group. And so, I joined him a year and a half into his journey. And we did it all on our own, there was no outside help because this was not a popular subject matter at that time. So actually, you know, institutional capital or large capital, and at the beginning of that journey, kind of extra, you hit it right on the center there, because the one thing that you just brought up is that who was your investor? Do you know how to do that? No, we put gritten to it. You know, we sought out those deals, and we found what was tough to find. We did the tough things we did on our own against the lot of naysayers that said, "No, you can't do that. Oh, that's not a good business. Oh, that's not popular. Oh, that's different." You know, that's not something we do that stock common stream. And so that's been our journey. You know, we always laugh, but we say that we operate as a startup all the time.

**JM:** That's good. No, that's good. And there are a few cool things. And also you brought up that we want to just get some color on if you don't mind. You said you had this great partner, Vadim, I believe and you joined him on his journey, but it sounds like you guys exploded together. So, as I've heard Whitney talked about before partnerships, they're always an interesting opportunity. And, how did you guys divide your labor in that partnership, originally with the scattered site properties?

**SG:** Yeah, great question. So my background was more scientific kind of putting things in certain categories, and his background was in it. So we were able to kind of mash those things. And interestingly enough, we run on an entrepreneurial operating system in our business. And that's a whole other conversation. But, interestingly enough, you know, after we've done all these years together, and we recently did these culture index tests, right, where we're trying to identify characters, and we're 100%, black and white, as far as how we look and see things. And actually, he's much more IT-inclined. So he's much more technically savvy. And he's the guy, he's the early adopter, in the office on every single possible thing. And I'm gonna lay it out there, I'm not gonna lie. I'm slower to get to it on the techie side. But, that's been really you know, this kind of like Yin Yang, black and white. We're a good counterbalance to one another from a partnership perspective. And we are able to look at things globally and triangulate information from multiple, multiple views. And I think that's really been a successful part of our journey, is that we're not necessarily singular in our one path.

**JM:** You know, there's a lot of great things here too, on the issue of multifamily. We're going to get to multifamily. We have a whole masterclass coming up from you on multifamily investing in the next show we run later this week. So we'll get to that. But before we get to multifamily, let's talk a little more about SFR. Single-family rental, it's your original bread and butter. At one point you had 1,000 you managed. How many of those did you own as a group?

**SG:** So we probably owned a good percentage, maybe 20-30% of that.

**JM:** Okay.

**SG:** And so, yeah, and out of that journey, we, we did continue some of that so far.

**JM:** Oh, you still have some of those original portfolios?

**SG:** No. We sold the majority of that. And then, you know, we standardized the model as well. And then just, you know, we put a few hundred away for a rainy day.

**JM:** And that's another thing that's listeners who are starting businesses or owned businesses related to real estate, or maybe syndication or single-family portfolios, like you were able to do, it sounds like you leveraged the management part, to get scale in order to be an investor and buyer. Is that how you looked at it? Did you look at it as a strategic opportunity to build a bigger management company than your own portfolio?

**SG:** Yeah, that's precisely it. And then within that, we're able to gain that scale and efficiency because we were able to encompass all those things under one uniform umbrella for pursuing maintenance and administrative costs and software costs. And actually, over the years, what we did as we exited that business we grew and we had a turnkey operation where we had a lot of investors coming into us just like you would come into a Walmart or a Target and you'd be able to just a buyer can purchase a direct turnkey from us.

**JM:** Oh, that's how you did it. Did you sell it out that way? Or did you sell it to one portfolio buyer?

**SG:** We actually sold initially to one portfolio buyer and after we exited that we continued this turnkey operation where --

**JM:** Very cool.

**SG:** You could only purchase it from us if it was done to the standard of the caller. So, you know, we wanted to run it more like 100%, like a business operation, right? And so a lot of people to make the right business decisions. And so out of that, as we bought a lot of our own volume, we were able to sell some volume we had at this point, you know, we were accumulating investors that were interested in just the turnkey business, right? And so, that allowed us to continue to scale and grow. And the beautiful thing about SFR is its ability, and how agile you can be with it, if you do have the scale. So when the market takes up, you know, you can push them all for sale. And when the market begins to kind of soften, as we're seeing now you can, you know, regenerate that back. So if there is their scale, and obviously, if they have the mechanisms, and the tools, and the staff, it does take time, you know, we didn't do it overnight. It's taken us over a decade to --

**JM:** How big was your staff at that time when you were full speed and scattered sites, single-family rental?

**SG:** Right before we sold, we had a decent operation. I think we're up to maybe you know, 18 full-time staffers.

**JM:** Plus contract partners?

**SG:** Yeah, yeah. Lots of contract partners. You can't scale without that. Yeah.

**JM:** Absolutely. This is great. Because our listeners are either in syndication or getting into it. And this is now we're about to get to that part of your life. I imagine you did not raise syndications for the singles, you probably raised money a different way, what was your method back then to raise \$200,000 to buy a house or whatever it was?

**SG:** They're really simple, friends and family. There is nobody else, right? So the first day is, you know, as you slowly progress, so there were some friends and family funds that we rolled out there, probably a little bit more than that. But also, when we were beginning to kind of pick up a little bit of scale, there are some really unique things that were happening in the marketplace. Things were shifting because you had crowdfunding platforms that opened up.

**JM:** Then you participate in those?

**SG:** Yeah, we participate in some crowdfunding platforms. We rolled out our own platform at one point. You know, we purchased a platform out of Chicago. I mean, you know, I told you, my partner is he's a techy guy, right? So he's always at the forefront. And so even now, we use some of that tech, and then our investors are able to utilize that. And, again, over the years, we've evolved.

And so we just had this evolution talk, you know, we kind of began with a very small space, small office space, small journey. And then recently, earlier this year, we bought a new Cleveland office, it's a large five storey 50,000 square foot, large facility. And so that progress has been so amazing. And just to, you know, we're so grateful and thankful to everybody that's helped us along the way, and the journey with the staff and all that.

But at the end of the day, it does boil down to one thing, it's still grit, and you still have to be, you know, hungry, and you have to be out there. You have to be putting yourself out there and maintaining a very good track record, right? I think that's a piece and, and always, it doesn't matter if it's your money or investor money, it's investor money focused first, right?

So it's always making the right decision where it's an investor-focused decision. And sometimes that means that it's not the best financial decision for your personal pocket, but that's what has to matter. Right? So as long as you're out there, and the intent is that you're doing the right thing for the right purpose. And, you know, the people, the crowd, the focus,

the investors, it all comes naturally organically, but you have to build off of something and I think we're going to transcend into --

**JM:** We're gonna get into multi. So here before we end this opportunity to get to know you, why did you end up choosing multifamily? And is that the primary asset class of Smartland? And would you tell us a little more about your company and multifamily for a moment?

**SG:** Yeah, so multifamily has become ours has developed into being our primary category. Absolutely. And for us, it's about managing scale. And that exponential growth, and as we've grown over the years, also, we have brought in accredited investors alongside of our money, and that's been part of our growth journey. And so, as demand grows also on that side of interest, we're looking to have a larger footprint, a larger geographic distribution.

We've really honed our technology down and we are looking to build that exponential momentum. And this year has been one of our breakout years for sure. You know, we'll look at five or 600 deals in the multifamily space, we may only buy five or six in a year, but we're buying 100 plus at a time. And so bringing that scale and being able to emulate our DNA and our business model and to each particular property and asset. That's an amazing journey and changing those properties.

So we're heavy value-add opportunity buyers, that's who we are. That's what we hunt for. That's why we have the outsized returns that were very disciplined in that perspective. For us, you know, again, it was building that scale, we have a decent size, again, staffing and software in place, and so forth and so on. So it only makes sense for us to go down the multifamily space, plus the opportunity struck, right?

For us, just like a single family, we had to begin with something small. We had to test the market ourselves with our own money. You know, we bought something really rundown that was really crappy. We brought it up to snuff, we figured it out. We put our DNA into it, we put our model into it. We put our standardization into, we put all of those elements that were making us successful in single-family residential, and we wanted to put it to the test. And that was our journey into multifamily. And then slowly but surely, as we did one deal, multifamily is really tough, because the thing about multifamily that makes it tough, is the grind is accumulating the track record to be able to sit at the negotiating table to negotiate 100 plus units.

**JM:** Okay, so to describe that to describe what you mean, there, you mean, you may have the money, and you may actually have the skill, but the brokers need to know that you're a viable buyer. Is that what you mean by that?

**SG:** Precisely. Yeah. And so in between, us and the brokerage, you know, that's why passive investing is so interesting, I think for a lot of folks with a high net worth or that are accredited because, yes, you may have access in different ways to different things. And so that's where the syndication model and this bridge, right, I call it a bridge essentially, to the access to real estate, for accredited investors or for individuals that are just looking for passive. That's what it is.

**JM:** I can't wait to ask you a whole bunch of questions about how the model works. You are incredibly experienced. We love having you on the show. And I appreciate your willingness to go deeper in future episodes.

**SG:** Thanks, Josh. Appreciate it.

[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 the 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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