EPISODE 1578

[INTRODUCTION]

Leslie Awasom (LA): Number one is persistence. And we've been very persistent in going after this asset class or building this platform. Even when in the beginning we didn't have any results. We believed in the value that we were trying to create for the community and we stayed with it. Our “why” was bigger than any kind of financial gain for us so and that “why” remains bigger than any kind of financial gain or assets or whatever that we acquired and that has been the driving force keeping us persistent along this journey.

Sam Rust (SR): This is your daily real estate syndication Show. I'm your host Sam Rust joining us today as Leslie Awasom. Leslie is the Director of Operations and Co-founder of XSITE Capital Investment LLC. He manages the company operations, market/data analysis, cash flow, and budget analysis. Leslie bought his first investment property in 2017 and transitioned to multifamily investing in 2019. Leslie is a trained Nurse Anesthetist and entrepreneur who lives in Hanover, Maryland. Leslie and the XSITE Capital team host a rapidly growing multifamily-focused meetup in Maryland where they provide resources and add value to individuals interested in growing their wealth and changing their financial future. Leslie is a husband, father of two beautiful girls and a son, and loves to spend his spare time reading and flying drones.

[INTERVIEW]

SR: Welcome to the show. Leslie, thanks for joining us today.

LA: Thank you so much, Sam. Thank you so much for having me.

SR: Fantastic. What is the drone of choice for you? If you're enjoying flying around? I'm curious.

LA: I have the Mavic Pro, which I like a lot. I think it's the Mavic Pro 2 that I have. And also, I recently got the Mavic, like the Mini, because it could give me around anywhere. I could take it to some places where the bigger drone is not allowed to. So yeah, I love those drones.

SR: I don't have one. But I've had the privilege of flying some friends. And there is a lot of fun, especially with the FPV.

LA: Yes, yes, it's, it's a lot of fun.

SR: Oh, that's fantastic. Well, as much fun as drones are we brought you on here, Leslie to talk about real estate. You were a guest on episode 498, back in February 2020. A few things have changed since then. But, I'd love, maybe just a brief sketch of what you were doing up to the time we interviewed you last time for those folks who may be new. And then, what has happened over the last three years for you and Xsite Capital.

LA: Sam. Again, thank you, guys, so much for having me. And thank you again, Whitney and yourself for this platform and for having us, having me here three years ago. Three years ago when I was on this platform is when it was like the early phases of our journey into multifamily investing. We just started Xsite Capital a few months earlier to focus on multifamily acquisitions. And one of the key differences three years ago is I didn't wear glasses because I was much younger, but I've gotten home given out on me for spending too much time on screen.

LA: So, since then it has been an amazing journey of growth since then. You know, we started Xsite Capital Investments because we identified a need in that community. But we definitely underestimated the need. And the growth that we've had over those years as is approved the underestimation of that need that we had in the beginning.
When I was on your platform earlier, it was just my initial partner and myself, Tenny, hitting the ground, trying to figure this multifamily game out. And right after your podcast, I did reach out to CEO right now to be an investor with Xsite Capital. And after he became aware of what we're

doing, he decided that it's such a great value to bring to the community that he wants to be a partner, not just an investor.

LA: So, we have grown from one from two partners to three. Then we've been blessed to acquire over those last three years, we've been blessed to acquire about $160 million of real estate assets, both as lead sponsors and as co-general partners. We onboarded over 250 investors. And I've given out distributed, over $3 million to our investors over those two years as well. We've successfully exited one day, we've gone full cycle on one of our acquisitions as well. And we provided education to more than 1,000 people. I think that's all the stats of all everything that has happened over the last few years, that's one piece that we're very, very proud of – the amount of people that we have educated along this journey. So it's been a great journey of growth over the last few years and really grateful to be sharing that journey with my partners and our community.

SR: Oh, that's fantastic. Congratulations on such tremendous growth. I was reading through the transcription from your interview a couple of years ago. And as you mentioned, you're at the very beginning of your journey with Xsite. You know, to get to almost $200 million in assets purchased over that timeframe in over 250 investors, that's a ton of growth. What do you attribute that growth to obviously, it's been a pretty optimistic, you know, good environment to be investing in over the last couple of years, but there are a lot of groups who have tried to get started and have had nowhere near the success. What are some of the specific practical steps that you guys have taken that you think have led to the outcomes?

LA: Number one is persistence. And we've been very persistent in going after this asset class or building this platform. Even when in the beginning we didn't have any results. We believed in the value that we were trying to create for the community and we stayed with it. Our “why” was bigger than any kind of financial gain for us so and that “why” remains bigger than any kind of financial gain or assets or whatever that we acquired and that has been the driving force keeping us persistent along this journey.

LA: And the other piece that I will say has been very key to our growth is the attitude of giving. Giving, giving, giving. I will say the three keys to success are to give, give and give more. Along the journey as we've given value to people, the little that we know we share, we function under the principle that there's more than enough for everybody, we don't lose anything by sharing everything we know with the next person. So that has been the attitude that we've taken as we build this company. And it has given us back 10 times in return. So I'll say those two things, and many others have been like the key to our growth in ourselves so far.

SR: Yeah, that's fantastic. I was browsing through your website, and you guys have a cool partnership with skill Bridge, which I think is part of your giving back. Could you outline that a little bit for folks listening?

LA: Absolutely. As part of our giving back, we mentor a lot of people, one of the mentees that came to our platform was military was part of the US military. And he brought to our attention the opportunity to provide a platform for ongoing service members that service members that are getting ready to step out of the military to transition into the civilian world by working with a civilian company for about three to six months. So that was a natural fit for us because we value the work ethic and the value that this servicemen bring to our community. So we reached out to the US military and applied and signed up for the skilled bridge program. And we are blessed to say that we've had some really talented service members have passed through a platform, we actually ended up hiring one mouse, mouse, I'll show you, you touch base with mouse. He's an amazing guy. And we look forward to continuing in that partnership and continue to provide value to service members.

SR: I wondered Leslie, if we could dive in on a deal as as browsing through your LinkedIn profile, you mentioned that you guys sold and went full cycle on a deal called the view. I assume it's the view at St. Andrews and Columbia, South Carolina. Is that correct?

LA: That is correct, Sam.

SR: So I'd love to kind of walk us through from when you got the property to operations to the exit. You know, what were the obstacles along the way? What was the opportunity? Let's spend a little bit of time here on packing this. And it can give our listeners a little bit of a sense of what a lifecycle in a typical investment deal looks like?

LA: Oh, that's great. So we when we acquired a property was actually called Churchill Lesson Andrews, what attracted us to this property. First of all, prior to getting this asset we had, like I said, stay persistent working, we had identified Columbia, South Carolina as one of our main markets that we're going to focus in on. So went down to Columbia, South Carolina, and we build that team down there. One of my partner's telling total fairy actually sold his house in Maryland and moved over to Charlotte, North Carolina, so he could be closer to Columbia and all of our other markets in that area. So Teddy did a great job of building relationships on the ground with our property management team.

LA: So every deal we'll have, we'll run it to our property management team and our boots on the ground to make sure that it fits our criteria, what we're looking for the viewers and I just came to us to a broker relationship that 22 Director of acquisitions have been working on. Another evidence of that persistence is he actually had to drive three hours one way and three hours another way for a 15 minute meeting with a broker in order to get this deal. Because we had to do we've been on the writing a bunch of deals, and nothing was penciling. So once we had this deal on the road, and the numbers made sense, our property manager was very excited. She's local to Columbia, she had that burst of excitement about this property and the possibilities that we can bring to it. So at the numbers made sense. So we we went in put in an offer, and who awarded the deal. And this was a first deal as leads, for instance. So you could imagine the excitement and the nervousness that came along with that.

SR: Yeah, what was the overall if you could just briefly purchase price What did you underwrite investor returns to be and how much capital did you have to raise?

LA: Absolutely purchase price was $2.55 million. At that point, it was about 95,000 per door is 132 unit building. And we on the road investor returns at that point to be 7% of cash on cash, and 18.5%, average annual returns are 16.1. Ir, those were our projections initial plan was to go into a value add 88 of the units 7500 per unit in renovation Cost and value add rent of $150 very conservative on rent growth because we bought this property right around the COVID era. So there was a lot of uncertainty of where the market was gonna go at that point in time. So we're very conservative on the numbers going in. And we had to raise our $5.3 million for the for the closing of the asset.

SR: Oh, that's fantastic. So you close on this asset in roughly summer of 2021. Is that correct?

LA: So we closed on this asset in April on April 21 of 2021. We executed this transaction in 60 days as required by the contract. And that is, thanks to the work that our CEO, Dr. Julius oni had been doing on the investor side or during the investor base. So once we had the acid acid, there was a lot of excitement from my investor base. And we're able to fund this quickly.

SR: And so you raise the capital, he closed it in April. Operationally, how did the plan change once you actually brought the property on board? Nothing is ever as it seems on paper once you actually get into the trenches. So what went right? What went wrong? Would you learn?

LA: Like I say, all the time, you got to have the humility to admit that your pro forma is always 100%. Wrong. But you want to make sure that is wrong in a good way that protects you and your investors. So the first thing that happened, Sam is after we close on this deal, we had a meeting in Atlanta. So we're in Atlanta, celebrating with the team met with the brokers, and we're all excited driving back to Colombia, to go meet with the property management in that week after we closed. And our property management team called us. Well, we're about an hour away and said there was a fire in the building.

LA: So you can imagine the thoughts that are going on in our heads, you know, at first, I thought it was some kind of a joke, or some kind of late April Fool's joke, but there really was a fire in the building. So we jumped straight to the property. Thankfully, it wasn't as severe, nobody was hurt. And it also gave us an opportunity to observe our property management team managing a crisis situation. And needless to say, we left that they really impressed and really grateful that we're on the ground to witness this. So. So that was the first maybe the only big surprise that we had on the operation side. One of the great positive surprises that we had was the rent growth, the organic rent growth that happened over that time, there was just a lot of demand for units and the building and rents were growing significantly. We also found that the previous owner had some leases on there that were way, way, way on the market. And we're able to bring those to market and bring those to market.

LA: Our value our plan liike I mentioned earlier, we were projecting to renovate units at 7500 per unit 450 Rent bomb. But when inflation came in, the cost for construction went up a little bit. And we ended up averaging about $10,000 for unit construction construction. Thankfully, we had enough funds in reserves to cover for any surprises. Other things is like the a lot of things also worked in our benefit because underwriting the deal. We underwrote the deal with a ton of reserves. We have reserves that were required by the lenders, because at that point the lenders required COVID reserves and all these other reserves the deal still pencil with that and a lot of those reserves that returned back to us after about six months of operations.

SR: What kind of debt did you place on the property?

LA: We had a fixed that Fannie Mae fixed that three years interest only with a prepayment penalty, yield maintenance prepayment penalty. And that was also one of the things that worked to our advantage, because with the interest rates going up on exit, the prepayment penalty was next to nothing. So it will to exit without any significant effect on the investor returns on the yield maintenance cost. But this property this property did really well. I'll say credit to the team that we put on the ground. But I'll have to say that's probably the biggest secret to the success of the managing of this asset because we partner with experience operators, and we all manage the assets together. credit to our partner Steve, Chris lento, with em capital, which which was my partner with on the asset management side as we manage these assets.

LA: So that thing, we ended up renovating about 40 of those units and renovated units, we're getting an average rent boom of about $200. And a lot of the other units were getting organic rent boom of anywhere from 100 to $150. So we're able to significantly increase the NOI over time, and we exited the deal after about 21 months. During those 21 months, we want the beautification hour as the most improved property in Columbia, South Carolina, with significantly changed the look of this property improve the leasing area from the 70s that it wasn't like a more modern apartment complex will build like nice play areas for the residents. So we were not only increasing on the NOI side, but we've significantly increased the value that we're giving to our residents in that area, which is something we're very proud of.

SR: Oh, congratulations. So I assume that your original plan was to renovate the units and hold this for a five year term. What led you decide to explore a disposition early?

LA: Well, at that point in time, the numbers made sense for from a disposition perspective because we had met our exit projection price and so by ask that, right. So we were already there on the exit site, the deal was doing very well. And we had a relationship with the buyer who came into the market, I was looking for the deal. And he gave us an offer that made sense that we thought also made satisfy investors to work with at this point in time, so we decided to exit.

SR: Yeah, that's fantastic. So, you know, obviously, you saw some expansion in the cost to renovate units, we've seen that as well. Our first property, we were able that we bought back in 2018, we were able to renovate units, small one beds, but still for like 40 505,000 a unit. And now it's much closer 10 to 12, depending on the size of the unit. How many of the original ADA, did you actually renovate? Did you get through the full amount in the 18 months that you held it?

LA: No, we ended up renovating 38.

SR: Okay, now, and maybe walk through why you chose to go that route, I have a sneaking suspicion, it's related to leaving some meat on the bone for the next buyer, and natural rent growth, but maybe explain why you didn't go through the full renovation plan and opted to sell instead.

LA: Part of the problem is we didn't have enough units to renovate, the occupancy stayed really, really high. And we were getting organic rent growth from some of the units so and the occupancies that really are most of the tenants were not moving. So with the initial plan was renovated about four units a month, but we could only get by to two units some months. So that is part of the problem, then the organic growth. And you got to understand our renovation plan was to do all of that over three years for the increase in occupancy and then the lack of units to renovate. So we were just able to do those create over the over the first 24 months of ownership.

LA: And our strategy usually is to start from outside in. So going in, we focused on the exterior capex work that needed to be done, which was the leasing office, the pool area, doing some repayment, repayment landscaping, we rebranded the property, changed all the signs and all that stuff. So that was our initial capex, Gordon in the first few months of ownership, then, by the time we moved into our unit renovations, the market started turning, there was not there was not enough units to renovate. And we did leave a lot of meat on the bone for the next buyer for sure.

SR: Yes, that's awesome. And a lot of times, it's kind of counterintuitive, and in some ways, but you actually get more or you can get a better purchase price. If there's room for the next guy to come in and maybe get that 150 to 200 bucks, a unit pop on renovations that they do allows them to stabilize it potentially a higher cap rate and purchase at a lower cap rate coming in. So there's $1 amount or a ratio there that you want to keep an eye on and then just a time function as well, both the time required to renovate those units, and then the management time and and the overhead required to manage that level of a project.

LA: Absolutely. right on point.

SR: So did you guys end up offering a 1031? Or did you return the capital to investors? What was the final story for investors and what level of return did they achieve?

LA: So I investors achieved 29% Average annual returns back to them over a 21 month period. And yes, we did offer 31 On to the asset we just closed on on December in one on one Elwood in Baltimore, Maryland. I know most of our investors elected to our territory one over to the new asset, there's some of them actually excited to to pull their phones out.

SR: Now, it's fairly standard, you're gonna get a bit mix of both of those. So I'm curious, Baltimore, Maryland, I saw that project in your portfolio list. You know, there's a lot of folks that are syndicating in the southeast or in Texas, you guys your portfolio, Columbia, South Carolina, Georgia, Indiana, but then you're investing in Baltimore, which I think is pretty close to where you live, but it's not high on a lot of people's lists for metros to invest in. So why Baltimore?

LA: Because it's a market we live in. This particular property is in an area that I know and understand my partner. And I wouldn't want to understand very well because like I mentioned to you earlier, I am our healthcare provider. I'm a nurse anesthetist, my partner is orthopedic surgeon. We met at Johns Hopkins Bayview Hospital, which is five minutes away from this property. And we have seen the transition that this area of Baltimore is going through and has been going through over the last seven years, the East Baltimore area, the Canton area, there's a lot of growth that is happening in this area. And we know what the Johns Hopkins medical system, the amount of investments that is putting in this area over the next few years. So it's a very unique area is an area that we're very familiar with.

LA: We see what is happening on there, and we see what's coming and on this property, we actually have a few of our colleagues that live on the property. So the property that we saw, it made sense, we realized that it was really really on the Manage that was poorly managed and it came as an opportunity as a basis entry basis that made sense. They have This market, and that's why we're going after it. And it also made sense for four to five investors, because it's a unique opportunity that is rare to find.

SR: Yeah, that's fantastic. What do you see as your focus for 2023 moving forward, Leslie?

LA: I go for 2023 is to acquire $200 million of assets in the southeast. So we have been blessed with a significant amount of growth, we do understand that the economy is changing and things are the market is changing. We're keeping a pulse on the market and the changes that's happening, but we're forging straight ahead, being pushed for in acquisitions, looking for deals, underwriting deals, even more deals than we did before. Whatever comes to market, we're taking a look at it that meets that criteria. We are looking forward to presenting so great and unique opportunities and investors infinitary.

SR: That's fantastic. Well, Leslie, I really appreciate you joining the show today. Thanks for sharing your story going deep on a deal. Before we jump out of here, what's a habit personally that has contributed to your success.

LA: So many that have built on over the years, Sam, but I have to say one of the biggest habits that contributed greatly to my success has been meditation. When I got on this journey, or real estate investing, I never knew anything about meditation. But when I started reading about a lot of successful people that are wanting to mirror, learn that a lot of them spend a lot of time and spend some time in silence with themselves in the morning. So that's something that I started doing. And it's just been amazing how much how much power it has over your mind and the way you carry the rest of your day. So I've to say for me, it's meditation. But there are many other things too, that are habits that I've built over the years that has been very helpful.

SR: That's awesome.Well, again, appreciate your time, Leslie, if folks want to reach out learn more about what you're doing and Xcite capital, how can they get in touch with you.

LA: So the best way to reach out to us is you can go to our website, which is www.xsitecapital.com and we can reach any one of us from our website. Our contact information is available on there. And we encourage you to reach out, engage with us engage with our content or come be part of the community. We look forward to providing value to you.

SR: Fantastic. Thank you to our listeners for joining us on another episode of The Real Estate Syndication Show. This is your host Sam Rust signing off.

[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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