Episode 1585

[INTRODUCTION]

Patrick Soukup (PS): When I got involved with real estate, it was all about control of the asset. And when I saw the syndication process, as a general partner, there's so much ways to make money. Asset management, fee acquisition disposition, interest theory, waterfall effects, there's just so many different ways to make money as a syndication and I appreciate it. And I think maybe there's a lot of ignorance on my side of not understanding it too well. But when he [a friend] asked me to partner with them, I just said, no, I'm a firm believer in owning the asset outright, having complete control. And if I make a mistake, I lose the money if it's not somebody else's money. And so that's the route that I went

[INTERVIEW]

Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Our guest today is actually not a fan of syndication, okay. But I love this dynamic. And I knew that going into it, or we talked about it ahead of time a little depth, but he's still an amazing entrepreneur, and man, a real estate investor, right? And so, he just has an amazing business, amazing drive. So many things you're gonna learn from him today.

But I love this perspective, and just thinking through how he's investing in real estate and his thoughts behind hey, I'm not really a massive fan of syndication. And this is why and so I, you know, I want you to know that going in, man, you're gonna learn a lot from this guy. He's having a really athlete turned amazing entrepreneur, right, and you're gonna hear a number of things that have propelled him forward.

WS: And I even focused back on this conversation that a friend's father had with him, that propelled him into business. And I stressed that at the end of the show, but I'm gonna stress that again at the beginning here, that you do not know the impact you're having on other people. And man, think about the impact that now our guest today has had on so many other people his name, Patrick Soukup.

He's the owner of Soukup Real Estate Services. He's a third generation Fort Collins resident, a graduate from CSU in 2011 with a degree in business administration focusing on accounting. He joined the family business managing properties for Old Town Square properties. And you're going to hear his real estate investing philosophy. And even you were talking about leverage and why he has leveraged or does not, or, or does he do the burr method? Those things you know, compared to syndication and why not syndication?

Patrick, welcome to the show. I'm looking forward to getting to know you a little bit, you're close to a market that they were in in a big way. I'd said it's great. Great to know you're there as well. But I'm gonna tell the listeners a little bit more about your real estate business, your focus, you know, in this space, and I'm gonna dive into some of your expertise and I know they're gonna benefit from.

PS: Yeah, absolutely. Thanks for having me. I appreciate you taking the time today. I'm a broker here in Fort Collins, Colorado, two hours north of Colorado Springs now north of Denver. We have a small team of five, got started in real estate in 2009, did a first fix and flip kind of bit by the bug, and opened up shop as far as my broker did 2016. But I've been brokering deals since 2013. All with the intention of buying my own investments, bought my first non-fix and flip on my first investment property in 2012. And really have just been picking up property since then.

But organically opened up a brokerage, have a couple agents, couple assistants. And really the main focus right now is the brokerage but we funnel pretty much all of that cash into investments all generally in northern Colorado, northern Colorado. Colorado is Larimer and Weld County. So that's kind of our focus, which is a little bit different than, you know, out of state investing in a big multifamily. But you know, I have a vast knowledge of multifamily investing with kind of my background working for my uncle.

WS: Yeah, no, that's incredible. And just from what we talked about a little bit before, and I'm looking forward to talking about it. Yeah, you mentioned you bought your first property in 2009. You know, how aware were you of the market crash? And like, man, maybe this is a great time to buy, you know, were you thinking like that then or was it you're just trying to leave it up to or, you know, or what were you thinking man really making that first step into real estate at that time.

PS: I was actually an athlete in college at that time, and a buddy of my dad, who was a business owner, played in the NFL, very entrepreneurial, and self-came to me and my buddy and said, hey, you guys are both injured. You guys are both phenomenal athletes and have that kind of competitive drive. Let's transition that into business.

And the way that we're going to do this is by what's called fixing and flipping properties and he had already had an agent that you worked with that did all the kind of contracting and literally, I think him to this day, I see him at the gym and this is you know 13 years, 14 years later, and I see him at the gym, and I just say, I always am thankful because without that opportunity, I don't know if I'd be where I'm at today, but he just with no money down, no real even besides some physical labor at the property of like ripping off tile doing some landscape painting, I came into this kind of joint partnership with two brothers, we bought a property in Fort Collins, and it was a foreclosure.

PS: And we bought it for $125, we maybe put $15,000 into it, did it within a couple months, and then turned around and sold it and I was like, this is wild. This is not you know. It seems so easy. And I think there was a lot of ignorance with that. But I think back to that now. And I wonder to myself, you know, with three kids' mortgage, all of the risks that I have now in my life, would I still do the investing that I do today without the childlike mentality that I might have had at that time, and willingness to learn and be a sponge.

But from there, we got lucky, we bought the property at doorsteps of the courthouse, essentially, you know, we've been on properties. From there got kind of popularized fixing and flipping, you know, 2010 and 11. So we kind of pulled back, that

partnership kind of dissolved organically, it was we're friends, but it's just people we're young, 19-year-old boys, you know, lots of lots of life things. So hit at a good time, great learning experience, but from there kind of went our own ways.

WS: Yeah, you know it's interesting, you talked about this, this was that saw how you all were athletes, and there's a specific drive right behind an athlete to go perform a riot and all the things that have to happen to perform well, before the big game, right? Or whatever it is, your game is, you know, if you're an athlete, man, it's you're thinking about it every day, right?

You're thinking about every bite you take, or every time you work out, or you know, I mean, it's this consistent thing that you are working on nonstop. And it's interesting that I've seen it so many times between athletes, and you know, military, law enforcement, just that type of structure and discipline that it takes to do any of those things.

That man when you then go set that over in a business arena, man things happen, right? It's like, it's so neat. Are there any other connections from that, that you can think of that would be helpful for the listeners as you've thought, you know, what, that drive that stamina that just day-to-day grind has taught me so much from the athletic world now to business?

PS: Yeah, I think so. I think we were talking about a kind of a superpower. And one of the things that I can do is add, you know, consistent action on a weekly basis. And Darren Hardy wrote a book, *The Compound Effect*, and is one of my favorite books. And I've had that implemented in my life since 2017. But before then, again, like you said, you know, the athlete lifestyle of, I think people do really well in school and their athletes because their time so constricted, that they have to be so structured with, I wake up at six, I got to get to the gym, because classes at eight and then practice that three, and then I gotta get home and eat because then I gotta do my homework.

And they're forced into this structured lifestyle. Whereas when you're outside of that, if you're working either a nine to five or have freedom and flexibility in your life can really get out of sorts, because you just have so much time, which is crazy to think about working in 9-5 having so much time.

But without intentionality behind it, I think you really can get lost. But if you put some consistent action, by way of daily habits, weekly habits, you start to see the impacts and the real results, years and years to come. And you're just looking it's a direct correlation to the work that you put in.

WS: Yeah, no doubt about it. I can really relate to that great book and also appreciate the recommendation. But yeah, this, the consistent daily actions, weekly actions, definitely pay off, right, long term. You can't see it in the moment, that man, long term. You know, you and I were talking beforehand about you know, you said you're a boring investor. What does that mean to you? And let's talk about flesh that out a little bit.

PS: Clearly, my uncle was kind of my mentor of sorts for real estate investing. And, you know, if you were to look at the traditional investor kind of rulebook, you know,

you want to lever up, maximize your return, look at your yields and see how you can maximize your returns, whereas, he's an individual that has been a buy and hold guy his entire life, you know, there I worked for him for a decade and I think he sold two houses in Scottsdale, Arizona, they were just kind of fun houses, but he owns over 400 units of multifamily and 100,000 square feet of commercial and is owned it for 20 years, and it's just been amazing returns.

PS: He's the sole owner of it, and that's where I got my kind of background learning and so when I buy a property, I just had a young kid reach out to me and asked me what my buying philosophy is what how it was my whole strategy 5-10 years, and I just sent him skull and crossbones. And I said till I die.

And you know, and that's true to a certain point, because I still have the ability to temporary when exchange and all of this equity builds up, but I don't lever up, I don't cash out refinance, I don't follow the birth strategy, where I could probably really accelerate my investment portfolio to the number of units that I have currently to where maybe I want to be but I paid on that principle, I take my depreciation.

I work, you know, as my brokerage to build enough money for a down payment, traditional 25% down on investment properties, and put that into my portfolio that's managed, and move on to the next.

WS: Yeah, most investors if you're smart anyway you love boring, right? You love boring? You don't want the flashy stuff, typically, right? Yeah. I love that just the long-term approach that delayed gratification really. Speak to, and some people will say, well, why now Patrick, why not put another loan on that deal. So you can go buy the next thing?

Like you said, right, you might have some of that might happen faster. There are some thoughts behind maybe why you're so strict on no, you know, I just don't ever want to do that.

PS: I think that I view each one of my properties as kind of an asset in my overall portfolio. I've got three kids, I have a condo, that set aside and like this is known as college fund. This is our 1031 property, if in the event and opportunity that opportunity does present itself. This is a property that I just have an emotional attachment to. And I would say I do have some emotional attachments to buy properties at 3.25 interest rate on the house that I bought in 2013, that I just don't want to part ways with that loan.

And I see that I owe, you know, my principal balance on its $250,000 in the market value $650,000. So $400,000 of equity, just sitting there. The return on my debt service on that is about $1,900 a month. And my rents are extremely under-rented at $2,350. So you're like listening to this. You're just like, you're itching, you're scratching your eyes out, like what is this pool doing.

But for me and my family like we have we make really good money on our daily businesses. And all of this is for the future. Now, I am doing a $100,000 kitchen remodel right now. It's one of the first dollars I've spent on myself probably in the last decade. And it's so hard for me to write these checks.

But we bought a house last year, we put $150,000 down 32% down for $0 cash flow. And I looked at my wife and I said why? Why are we doing this? I said, let's start to spend some money on ourselves. So we are kind of transitioning right now to actually enjoy some of the fruits of our labor over the last decade.

But I would say that property that has $400,000 of equity, if the right opportunity presents itself, I'll absolutely leverage it. But right now, you know, between this depreciation for the next 20 years, the principal paid on that it's giving me and the really security net? Because I mean, right now, I think a lot of people are talking about what's happened in 2023. Well, yeah, if I have to sell for 50%, I still make $100,000 on that sale.

WS: Right now. Now, it's interesting. You have options, right? Speak to you and I talk a little bit about it. But even just the syndication, like you mentioned, it was tough for you, or just to think about, you know, investing that way versus owning these deals yourself. And I'm sure there's listeners who have thought about the same thing, or feel that, you know, partly the same way, but just wondering your thoughts on that?

PS: Yeah, I have a friend that is involved with syndications. And he tapped, you know, we actually were partnered on a couple of deals, and he tapped the relationship because I'm very connected here in Northern Colorado, and a lot of people with a lot of money. And, you know, I think it was intelligent of him to connect with me, because, yes, I can connect them with 100 million dollars, you know, with probably 10 to 15 phone calls to different investors. But it was difficult for me and I didn't give him any of those relationships, as I use them personally for different investments, funding deals and off-market properties.

But when I got involved with real estate, it was all about control of the asset. And when I saw the syndication process, as a general partner, there's so much ways to make money, you know, asset management, fee acquisition disposition, you know, interest carry waterfall effects, there's just so many different ways to make money as a syndication and I appreciate it.

And I think maybe there's a lot of ignorance on my side of not understanding it too well. But when he asked me to partner with them, I just I said no, I'm a firm believer in owning the asset outright, having complete control, and if I make a mistake, I lose the money if it's not somebody else's money, and so that's the route that I went and he's done a couple of deals since you know, we've not parted ways but you know, since he's gone about his own thing.

WS: Yeah, you have some skills that maybe many don't have to write, you know, that allow you to go buy your own deals to write, you know, and make some of that happen. And oftentimes, our investors out there, they're too busy to go search for their own piece of real estate, right to rent, you know, or to manage it and make those things happen. You know, so, ya know, it's interesting.

I mean, a lot of them want more control, right? And then, and sometimes it's just a matter of a conversation, you know, it's like, well, you know, how much time do you have to take that control? Right? You know, do you really want that control? Yeah,

it's, I think, in your seat with your business, your brokerage man, it makes sense for you to be able to buy some deals yourself. Right?

PS: Yeah. And even today, I think I woke up and it was negative six degrees in Fort Collins, and I've got a property and it comes with its own headaches. Right? And which is a lot of investors that I think get involved with syndications, on the LP side of things just don't have the time necessarily to deal with a hot water heater that's not working at negative six degrees and has the resources to call a plumber that's on site can go take care of it.

Those take years to build those relationships up those connections and the trust that you're going to get it taken care of. And also the stress that comes with it, because I will say this too, on the strategy in the way that I do things. I do think economies of scale are vital. We were just talking about last year, we spent $80,000 on only five different units in our portfolio last year for upgrades, ah, back lots of different things.

And if I didn't have the umbrella of properties to help pay for that $80,000, I'd be you know, like, you're digging into your savings. And you're, you're like, how am I doing this? So I do think the strategy that I take is, you do kind of have to syndicate in the sense of multiple units. Because if I didn't have, if I only had one, I don't think I should be in this business.

You have to be 10, 15, 20, 30 units for it to start to make sense for vacancy factors, parlaying cash flow to other units, maintenance expenses. So there's very much a syndication type conversation that I think you should have, if you're a small individual investor. You either are going immediately to five to 10 units. But don't sit with one because you're just, it's not worth the headache.

WS: Yeah, no, I think that's well said. And I think it just goes back to what you're saying about syndication versus doing your own deals. And man, are you ready to do that? If so, man, go after it. Right. But you know, no doubt about it. What do you wish you had done differently? You know, knowing what you know, now you tell yourself, talk to yourself back in 2009, 10, 12? What would you say?

PS: Yeah, I would say, well, one: buy a lot more.

WS: That should be the first thing you say?

PS: Yeah, as I'm sure everyone would appreciate that. But really, I would say, and I talked about this with my, really with my sister, because she was considering buying a new house. And she just really wasn't comfortable with the debt service, the mortgage payment, and I said there was not one mortgage payment that I was ever, ever comfortable with buying it. But that's gonna stay flat over the next 30 years, and my income is going to increase. My assets are gonna go, you know, get better as far as loan to value, there's gonna be a lot more flexibility. And so I would say having that understanding of discomfort is part of the process. And being comfortable with being uncomfortable. Right. Buying, there were opportunities that I should have bought, but I was concerned because the cash flow and the debt service and the operating expenses was just too close. But with a long horizon, I think every deal can ultimately make sense. So I would say different underwriting.

WS: Yeah, for sure. What about you know, we talked about this a little bit, but I like to ask, especially anybody in your shoes, but your predictions, right for the just what you're expecting over the next 6, 12, 18 months and how that's affecting the decisions you're making, buying, selling, you know, how you're looking at deals now based on what you expect to happen.

PS: Yeah, my team and I just held our meeting, and we do an annual trip for you know, education, team bonding, and we go to Vegas, different locations. You know, it's a decent, it's a pretty penny and I told him that I said this year, just based off of the uncertainty, let's go ahead and just do a big Airbnb down in Denver, go to a game, something along those lines, spend maybe 50% of what I would have spent on a normal year's team trip, but also that I spoke with my team last June, I said, hey, imagine that every deal that you closed today is the last deal that you closed for the year. And then some because right now, there's just so much uncertainty that I think being financially prepared to take advantage of opportunities, because I absolutely think there's going to be opportunities as far as investing goes. But two, it's just about surviving this game, right? And it's about how long you can be in this game that I think really results in success.

PS: So I would say for Fort Collins and northern Colorado in general, I think the market’s gonna do quite well. Well, it's a place that a lot of people are moving to, I think it's a very desirable location, I think the real estate market is going to get more focused on kind of its diet, you know, it's basic economics of location specific areas like I would be concerned about, as in Topeka, Kansas right now and who the hell wants to live or work in that area. I want to be in an area that's growing, that has desirability, and ultimately, the fundamentals of it are going to be strong, because I think right now, there's a great amount of investors who've done very well for themselves who have underwritten deals well. But I think there's also people that have overextended themselves, and they're gonna have to dump whether it's a big syndication that, you know, just really just needed a place capital.

PS: And there's plenty of those syndications out there that are sitting on a crap ton of capital that need to have some type of return. And so they buy they maybe they lessen their standards, and I think that's happens even on smaller investors is that they've like me, looking back, I wish I wouldn't have bought that single family house last year, and I would have been patient, because I bought a property for 35% down that cash flow, $0 and the location that I'm not really excited about. But we're in a position that we can handle a lot of different things. I don't think there's gonna be a lot of investors that feel some pain, with all the boats they bought in and the third houses that they've bought, that they're going to need to start disposing of some assets. And I'll be there ready to pick some of them up.

WS: Yeah, for sure. Have some cash ready, right. Patrick, what were some of the most important metrics that you track personally or professionally?

PS: Yeah, so I have the kind of like, we're talking about Darren Hardy's compound effect, I follow a weekly rhythm that essentially follows 28 things. One of the things that I think, you know, I kind of mentioned here is how important a personal brand is building relationships and community. And that's not done by accident, it's done

intentionally. And that's my way of, essentially daily and weekly habits. So for me, some of the things that I do are a lot of us on social media.

PS: And I think a lot of people should be on social media, building a brand so that you can direct investors or clients to that to understand who you are as a person. But I do three YouTube shorts a week, two YouTube videos a week on our living in Fort Collins channel, 20 interactions personally on social media so off, like through a direct message, and intentionally build those relationships. And for me, that's just some of the main metrics, and I'm calling right now on social media. We're all in on YouTube, we are all in on Instagram, and it's paid in huge dividends.

WS: Wow. That's incredible. I love how you know those metrics just right off the bat like it shows you're following them shows you're, you're very consistent, just like we were talking about earlier, in the show, no doubt about it. What about other habits that you have, that you're disciplined about that have produced the highest return for you?

PS: Well, I work out seven days a week, I'm very intentional about the love that I have with my wife, make sure that I write her a love note each week, make sure that we go on a date every week, I think that one of the things that I try to do well is when I'm with my family, I'm 100% engaged with my family. And when I'm at work, I'm 100% engaged at work. And that's difficult, especially in the world that we live in with our cell phones, we're always attached to it. And at a moment's notice, you get a phone call or text.

But from there, I journal every day with our team, I reach out and I release a blog every week. And it's just small, consistent actions that compound over time, you know, we're a team of five. But if you look at best real estate agency in Fort Collins, we rank in the top five on Google. And that's over two years of just activity every single week. And I just again, kind of relating back to being a boring investor, I, you look at my life, and I can be boring, and I'm good with it.

WS: Love it. It's still what we consider small but it's the consistent actions, right? Yeah. But I feel like it's the theme of your success. But I want to ask you, you know, if you can contribute to one thing, your success your what would that be?

PS: One thing to my success. I do talk a lot about when younger investors come and reach out to me and ask me things like, what I did, how I would do it and a lot of my stock responses. I wish I could tell you I was smart. But I had a lot of luck and timing. I just happened to really start investing in 2009, 12, when the market was just bottoming out. And you look at people that are trying to time the market right now. And you're just like, I don't know what the markets are gonna hold, but be prepared on both sides. Another thing that I talked to people about is I dollar cost average into my investments, I try to buy one to two properties every single year, whatever's happening, that's the goal. And that's where I would say, up down, or whatever, I'm putting the money and at work. And each time I look back I've told myself at least up to this point. I wish I would have bought three, four or five of those, but at least I'm buying one or two a year. So I would say it's just you've got to be willing to take that risk and you've got to put a plan in place and follow it.

WS: How do you like to give back?

PS: Well recently, we just did a gift. So like I said, we do one give each year, a percentage of our revenue. And we, just last year, have a video editor out of Ukraine. And he edits our videos, does a phenomenal job, has worked with me for three years. And he sent me a message and he said, as far as sorry for this video being late, the Russians knocked out one of our power stations, and I had to go buy a generator, so that I could finish the video.

And I said, forget the video, how are you? Are you okay? And he said, doing well, we've moved three times. And so we did a GoFundMe, we put in a big portion of our own and over two and a half years working with them, we've probably, you know, I think paid them out $15,000 or $20,000.

And we gave them basically a $10,000 donation in one swoop. And I said, take this money, whether you move, whether you don't ever consider financial considerations, just make sure that you and your family are safe. Our goal and intentionality with superb real estate is just finding one kind of give each year and really making an intention as impactful as we can rather than small gifts here and there.

But timewise, that's one thing that I talked to my assistant about a lot . It's an excuse, but I just have very limited time with three kids under five and a brokerage to run and investments to operate that I don't have the time right now but to volunteer. So right now, a lot of my give is financially.

WS: Yeah, no, I love that intentionality even, you know, this guy that you have a connection to in Ukraine, man and definitely needs the assistance. Right. I think it's a, we just, we live in our own bubble here. I feel like and we have no idea what those folks are going through there. But we just couldn't even imagine that.

PS: Perspective.

WS: Yeah, that's right. That's right. Well, Patrick, I'm grateful to have met you. And just really think through your perspective on buying and holding, right, and just the safety net behind that, I think as well the dollar cost averaging applied to, you know, buying a property, you know, every year and even going back to the weekly and daily consistent actions, or whichever, like, you know, being an athlete, you know, so much of that moves forward to in business. And I appreciate that analogy to even the guy that was it that, you know, brought you aside and really helped that make you help you to make that connection in the business? Who was that?

PS: Yeah, it was, it was my friend's dad, who was an NFL player himself very successful in business, but just helped me transition out of that mentality to business.

WS: Yeah, it just reminds me too, it's like, you never know the impact you're gonna have on somebody just by something that's simple, right? And, man, the long-term effect of that, are you and your family and your team, you know, even this guy in Ukraine, right? He's benefiting because your friend's dad, you know, did this right or said that, so it's just incredible. And the compound effect like we talked about. So,

Patrick, thank you again, for your time grateful to get to know you and have you on the show. How can the listeners get in touch with you and learn more about you and your brokerage? Your team?

PS: Yeah, I'd say the easiest way and probably the most connecting way is through Instagram, but that's probably where I build the most relationships. And actually, you know, a lot of people reached out through direct messages and definitely not big enough to ignore any direct messages. So, I would say through Instagram right now, it's probably the easiest and quickest way to follow and to ask questions if they have any.

[END OF INTERVIEW]

[OUTRO]

WS: 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 and start investing today.

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