

**Episode 1587****[INTRODUCTION]**

**Wagner Nolasco (WN):** We studied very hardy with door-to-diligence to see who are the employers. How much is the average household income? What's the demographics look like? What's the ages, what the professions that are coming, what companies are coming to that area, and then we make the decisions on purchasing the land or adjoining an area because we know appreciation is going to come because of the jobs. We believe in jobs, we believe in growth. And this is how we measure. Actually, even the rental areas where we go is really by the quality of the companies, how many jobs are on demand, who is coming here, what year.

**[INTERVIEW]**

**Josh McCallen (JM):** It is so wonderful to be here at the Real Estate Syndication Show with the world-famous Whitney Sewell. Now as a guest host, you're probably wondering why Whitney Sewell's voice has changed. It's not Whitney. I'm Josh McCallen, honored to be a friend of Whitney's. And one of his, he tapped me on the shoulder as a professional podcast guest hosts probably have heard me on Capital Hacking where we do tons of great interviews with great guests, but boy do I love being part of the Real Estate Syndication Show community. So, Whitney, thank you for having me here again.

**JM:** Today's show is a delight. Yes, a delight because we're about to learn. And I know some of you have already learned about it, but it's this wonderful world of building to rent communities, build to rent are they called BTR now we have an expert from the industry to teach us about the industry, to teach us about how the numbers work. He's going to answer all the tough questions about the economy and building costs and why this is a good idea, and how individuals can get involved. So I'm just excited to have Wagner Nolasco here, and we're going to welcome him on to the big show right now. Wagner, welcome to the Big Show.

**WN:** Hey, Josh, thank you so much for having me here with me. Whitney, thank you so much for the opportunity to be here. It's a pleasure being here.

**JM:** Yep. We have a lot of great mutual buddies, including the world-famous Tom Burns.

**WN:** Yep.

**JM:** I heard you've done projects with Tom Burns. He's a buddy. He's a great guy.

**WN:** Tom is one of the most beautiful human beings.

**JM:** He really is.

**WN:** Yeah, he's a beautiful, beautiful guy.

**JM:** So great. I get to have coffee with him outside of Austin, where he lives talking about some of his projects and his history. So, we are going to ask you to step back in the Time Machine share a little bit about Wagner and Wagner's story. So those of us who have not yet met you can learn more about you so we can learn from you. Please share, sir.

**WN:** Thank you very much for the opportunity. So as you can probably recognize over the air I have a little bit of an accident I'm not from Tennessee or Alabama. I am originally from Brazil. I came to the US in 1993. So my story is a little complex, because my father was a bank executive for the bank of Brazil. When in 1991, during a bank robbery, he ended up getting shot five times, he covered thank God.

**JM:** Wow.

**WN:** That made my family move here to the US should the most amazing country in the world, the US of A which we all have, which I'm very proud to be a citizen of. I came here and I'd been in this industry for over 22 years. So I started doing flips, like almost everybody else, you know, buying inventory properties from courthouses, from wholesalers, and just fixing them up, renting them out, then my first investment was over 22 years ago in real estate. I really fell in love, I have very few addictions, but I think real estate is one of them. And we saw you know, 2008 and 9 as everybody else and there's a lot of money to be made in flips. And then you know, we noticed that, hey, I heard a message actually from Jim Rohn that says God is not making any more land. And that really resonated to me, and I started buying land.

**WN:** So we have a land bank in which today we have over 3,250 lots and we develop exclusively built around properties. Why? Because we understood as being investors that a new property is going to cash flow and have less capital expenditure than any other property in the market. As you know, you can actually buy a brand-new flip, you know, but that body those bones are probably 50 years old, so you don't know what kind of plumbing you're going to have, what kind of an electrical you're going to have. And a new construction is exactly the opposite. Let's start with the insurance. Right?

**WN:** It's about 70% cheaper for you to insure a new property because it's built up to code so all the hurricane when mitigation standards, everything else is cheaper to maintain a new property. Second is you have a builder's warranty, so you don't have to worry about anything for one year. And to be honest with you is the best cash flowing asset that I have some single-family homes we all multifamily, we have delivered Josh over \$700 million of properties that are ready to investors. So we're very proud to be here and to be able to help not only the mom and pop because those are definitely important for us. And that's where my heart is, but also institutional buyers to find quality properties that are going to give them the cash flow they expect.

**JM:** What a great overview in just a few moments. I think we've opened up the door to a few questions and if I may channel the listeners for a moment. May I ask you to help us understand a little better. Okay? So let's go back through your history for a moment. 22 years ago, you do a fix and flip you had this banking background was

that also your education, assuming your family had the banking background do you also have that as your education?

**WN:** My family comes from the banking background, I started in construction actually as a supplier of granite. We did several very high-end hospitality projects hard rock hotels and casinos. We did four seasons and Great Exuma. We did Trump Towers. We did Borgata in Atlantic City. So we're a very large suppliers. My family has over 75 quarries have granted in Brazil. So we started importing a lot of product to the US. That's how I got started into the construction world. I did not like it, Josh, to be honest with you to be on the other side of the table from the developers in the builders, right?

**WN:** They hold retainage, they usually don't pay you one time. If you miss anything, they charge your cleaning fees. And I always promise to myself, when I have an opportunity to sit on the other side of the table, I'm going to do things differently. And God was good enough to me that He gave me the opportunity to be more on the build site, on the builder side and developer side and treat my employees, my subcontractors with respect. So you understand this, we pay our subcontractors every week, we don't wait for 30-45 day draws, requisitions we actually pay them on a weekly basis. They submit all their invoices by Sunday or Monday. And then we paid them on the following week. So it's about a week turn around and it just gives them more perspective value. And we really appreciate everything they do for us. We're nothing without those important trades that actually service us and you.

**JM:** Really interesting point there. We're going to come back to that about the weekly pay thing in a moment. But let's go back to the Brazil. Does the Brazil stone quarry business still exist?

**WN:** My family owns it. Now they are one of the largest exporters of stone to Italy, believe it or not.

**JM:** That's so ironic.

**WN:** Yeah. Yeah. Well, Italy is the largest producer of marble in the world, but they don't produce hardly any granite. So import granite and the export marble. And, yeah, we have, my family still have great connections, great relationships, but we're no longer bringing any stone into the US. I'm more on the deuterion side, which gives me I'm not gonna say it gives me more pleasure, but almost a little bit more.

**JM:** Yeah, no, it's great perspective for those of us listening. It's great this the show, Whitney's show here, the daily podcast, the real estate syndication show has always brought an incredible group of guests, and they come from wonderful backgrounds and help us understand the market in different ways. So back to what I heard you say a few moments ago. How many lots? Do you have land bank right now?

**WN:** Yeah, we have over 3,250 lots available right now that we started acquiring about eight years ago.

**JM:** And this is we're digging deep here into since you're going to be in a vertical integration strategy where you buy real estate, you must do the entitlement process. Correct? Do you do the entitlement process?

**WN:** We do. And that's one of the most painful things you can go through, especially in middle Florida, because it's taking us between 14, 15, 16, 18 months sometimes to get through entitlements. Right? So we bought a lot of raw land not entitled. And we went ahead with the entitlements. Today, if we find anything attractive, it has to be entitled or at least close to for us to acquire. We learned to you know, we didn't learn the hard way because we bought some lots for example, for \$4,000 that are now retailing for \$55,000-\$60,000.

**WN:** So there's always a good investment, the time reward for construction purposes, unless you buy them entitled pretty much almost ready, it's gonna take you a long time and then you're exposed to the risk, right? The market can change as we all know, 2023 is here. High inflation can change cost of goods supply, chain corruption, I mean, we can count how much risk we can incur, you know, if we wait for entitlement processes.

**JM:** Alright, this is good. I'm gonna ask a lot of tough questions for you though, because 3,250 Lots is world class. All of those 3,250 lots. Are they all finished the entitlement? Are they somewhere in the process?

**WN:** So about 80% is finished and about 20% is in different phases.

**JM:** That's world class, and it's hard to hold that many lots. So what capital structure holds those lots?

**WN:** So, I've been very lucky to be at the right place in the right time. And they said oh, Florida is definitely a great place to be it got lucky to be here where I've been here for almost 20 years now in Florida. One of my original partners that we had on the land bank is a very world-famous soccer player. He played for the Brazilian national team Liverpool, Milan, world fit and now believe it or not, our largest investor base for delaying bank is international sports people active and retire they wanted to dollarized their assets.

**JM:** Dollar eyes.

**WN:** Yep, we bring their money here we invest in land, we give them the real guarantee of a real asset to back their investment. And we haven't had a set client at all for over eight years that we're doing the land bank.

**JM:** Okay so, the land bank promise is different. You know, for guys like myself and many other people we buy a building and we relent rent it up at a higher amount and we cashflow as fast as we can we pay investors but in land you don't typically get cash flow. So what is your promise to those people other than dollarizing their assets? Which I love that expression.

**WN:** The promise is this, you're only as good as your last project. Right? So I'll give you a perfect example in 2018, we bought 56 acres from five different sellers. So we

had to assemble the deal, we pay \$3.3 million for the five parcels that are now 56 acres. Well, luckily enough, and thank God for having the economical development team on the city's detail is what's coming down the pipeline. So a brand new hospital has opened across the street, and Amazon distribution center of 1.4 million square feet has opened next door to us, we just got an appraisal, on one of our 56 acres, and it's appraising now in \$19 million. So it took us a few years to get here about five years. But that's a huge jump from 3.3 million to \$19 million. And that's how we're investors make their money, right, we find the best deals on the surrounding of the areas of Orlando maximum an hour and a half drive.

**WN:** And we studied very hardly with door to diligence to see who are the employers? How much is that average household income? What's the demographics look like? What's the ages, what the professions are, that are coming, what companies are coming that area/ And then we make the decisions on purchasing the land or adjoining an area because we know appreciation is going to come because of the jobs. We believe in jobs; we believe in growth. And this is how we measure actually even rental areas where we go is really by the quality of the companies, how many jobs are on demand, who is coming here, what year? And actually, we asked the city, it's very simple, people don't get but if you schedule a meeting with the city with the economical development team, or the city manager and say, hey, I'm looking to buy some land and develop here. What kind of a product do you guys need? Who's coming here? To tell you believe it or not, it's surprising, right? Sometimes you have to ask the right questions to get the right answers.

**JM:** To put a bow on that. I think what I'm hearing you say you do not promise cash flow to the land bank people. But when the exits start to happen, they get lump sums.

**WN:** That is correct.

**JM:** Got it. Which is a very, very smart, and it does take a patient dollar for land. And so what an interesting model you created with the international sports celebrities that need put money in the US. That's so interesting. Congratulations to you. Now, when we get to build to rent, first of all, this entitlement team, I did want to ask you, so you told the timeline is 14 to 16 months now, what would you say entitlement costs per lot? How do you factor that into a lot value?

**WN:** It really depends. Because we have to calculate more than entitlements, we have to calculate permitting, we have to calculate the impact fees, we have to calculate do we have to enlarge their roads on the surrounding areas because of traffic issues. And as well, as you know, some of the impact fees can be prohibited. And what we do is we try to negotiate the best land use since the beginning of the city. And if the unit count doesn't make any sense, we may put that land of resale. So not everything that we sell, as far as lands, dear developers out there is not a good purchase, maybe doesn't fit our model. So the cost is not only an entitlement, but it's the time and money is thing investment, it's the infrastructure is the impact fees, so on and so forth.

**WN:** Do you want to have a CDB on properties? We don't do CDBs, because that affects your cash flow. So there's many ways you can skin this cat. But the most

important thing is, it's hard to develop land and unless you have a great team, don't start it because you will lose a lot of money. Or you're gonna buy a piece of land that actually you know, you have already even zone this is how crazy it is. But once you resubmit it for a zone validation, the city may say, hey, we can support the land use anymore with those many units. So your best land use it right now is 1/3 or two thirds of what you expect it. So be careful.

**WN:** Be careful, just you know have good engineers, good architects, good people that actually navigate well on the city of where you're buying the land and developing. You know, you're going to cut a lot of your risk. Now, if you're early and are some of the national builders, you want pet ready lots, you don't want to take those risks, right? There's different models and rewards on each one of those models. But yes, if you are a developer, or if you're a builder that is looking to build charente biped ready lots just like Linari does. There's nothing wrong just a different business model.

**JM:** I love it. great education here. I really think you're doing a wonderful thing for our listeners here and especially those that are have been hearing about the buzz of BTR build to rent sounds like you've been doing it before it got popular, which is great. Now let's go to we've gotten through entitlement, whereas going to dig into one more operational thing before we get into how the returns were, the weekly pay to contractors. Tell us about that philosophy. And why some of this I build a lot we build a lot in our companies, why you would encourage us to consider that model. What are the benefits?

**WN:** The first thing you have to think about is the cash flow. Do you guys have enough cash flow coming in for you to sustain that model right? If you're working with banks, you very well know each inspection will cost you money. If you want to do additional inspection on the job to request additional drawers are going to cost you a lot of money. So the way we do it is we're very cash heavy at the beginning. So we have enough capital to take it all the way to the end with four subs. But what that does, Josh says, if we are competing even against national builders, they will actually come and do our job first because they know they can collect on a weekly basis.

**WN:** And that creates loyalty. Another thing that it's really important is, once we close out a job, or once we top off a building, I will personally come with my family and my team and I will cook a Brazilian barbecue for all the way 100 families.

**JM:** Come on.

**WN:** Yep. So it's really important for us that we build this relationship because at the end of the day, they know if they do their best, they're going to be rewarded with our best. And that's love, care, respect. They're very important to us. Every subcontractor on that job, people don't appreciate them. But I'll tell you what really saved us during COVID. It's the loyalty we built with those subcontractors because labor was at a premium, and we couldn't find any even if we paid more. So loyalty is definitely something you want to carry out over in the building industry, because you're only as good as your last job.

**JM:** Yeah, loyalty and respect are phenomenal. And I also heard a little strategy in there, that means you somehow, even if you're paying the same dollar, but you're paying it faster, you can sometimes get priority over the big, big brands. I thought that was really cool other builders. Let's go let down to a worksheet. Share with us how a bill to rent works and who's the typical buyer? So now fast forward, we've entitled the land you've entitled the land, you've built the building. And now what? Does an individual buy it from you and use it as a turnkey rental? Or do you sell it to a multifamily syndicator? What do you do when you're done with your job?

**WN:** So yes, all of the above. But the right answer is the first thing we look for is positive cash flow, even on today's days is I tell all right, our client says hey, does it make sense does it positive cash flow if the current interest rates if it does buy it, because you know, since 1930, Josh, we have built about 5.7 million homes in 1930. And between 2009 and 2018, we built about 5.8 million homes from 27 million homes a decade before. So there's a huge inventory shortage just yet. My biggest dream that makes me the happiest is really to help mom and pop investors maximize their Fannie and Freddie loans. So they can actually build a cash flow. I have a team that what we do is we work with several networks in the country investment at works and I help investors on a daily basis to achieve their dreams.

**WN:** Actually, Dr. Tom Burns was there with me visiting the site last year when he came to Florida. So I take a lot of pride in what we do and I buy for my personal portfolio as well. The last part of that is you mentioned about institutional buyers. I have done my first institutional sale last year for \$75 million. We sold 244 townhouses that are actually selling for short term and long-term rental in Winter Haven, Florida about seven minutes driving from Legoland. So that was my first exposure. I am getting more knowledgeable with all of the institutional buyers are becoming more popular. They're acquiring a lot more properties by my heart. If I could do something I highly recommend helping mom and pop investors which you know, he's a regular individual that has a W two job and wants cash flow once financial freedom.

**WN:** For example, we met a couple physicians make a lot of money, a lot of taxes consequences, and they want to retire by the age of 60. Didn't want to have \$100,000 on positive cash flow by the time that they retire in 20 years. How can they achieve that? Well, I did the math, they need about 70 homes to achieve the \$100,000 on positive cash flow. And this is if they paid all of them cash \$18 million was going to be the initial investment. So because they're using leverage, we redid how many homes do they have to buy it on a yearly basis with a salary and expendable income so they can achieve their positive cash flow when they're ready to retire. And this is really what makes me happy is bringing financial freedom to people. Now on the other side, I have my own syndication projects that I'm a partner as well on it. So I love investing I love cash flow. I invest everywhere I sell. So I'm doing banner oaks right now, it's a 419 single family home in California to Bellevue near the villages. And I have several homes on that complex as well.

**WN:** And for sure if you've never invested into anything and you don't want to have the responsibility of owning an asset syndication is the way to go. A lot of qualified people 506 B C's, I mean, it's several structures that will help you invest safely and legally in the US so I don't care what's your model, what's your desire, as long as

you build your future. The happiest day for me John as the first of the month rent is due and I collect it. I can be in Cancun, it could be a Wednesday it could be a Thursday can be a Sunday, that day will come my friend when you're doing nothing and you collecting rent. I love that. Love that feeling. I have a friend that loves that show Ken McElroy. We spoken some panels together and just see what he did with his investment platform and his investors. He brought so much wealth to people. He has about a billion and a half or two apartments right now and multifamily projects. So this works, guys, if I came from Brazil and I did it, anybody could do it.

**JM:** Well, that's saying a lot. I don't know if that's the truth for everybody, but I'm proud of you. So what does it look like to buy a property today? There? It looks like there's some available on your website, b two, R. B, the number two, R direct. What is the basic price for one of the projects that's available today?

**WN:** The three choose about 1400 square feet took our garage, concrete block construction is about probably you're going to look at a 269 to 70. And you're probably going to get about \$1,800 a month on rent on those properties. Bombay, we build a little bit bigger for choose above 1910 square feet, you're probably looking at about 320. And those houses are renting for about \$2,500. Those homes, if you leverage at a 7% interest, which we have seen Josh, it's actually February 2023 right now, we have seen interest rates at about six and a quarter. So we just had 25 basis points increase last week, but we have some six and a quarter right now for investment properties. So pretty good.

**WN:** I tell everybody look, as long as you buy it with leverage at a 30-year fixed rate, any positive cash flows, they usually make between three and \$400 a month on an investment like that, and I'm gonna get rich. But remember, you're not paying for your mortgage, your tenant is we do also one thing that we haven't mentioned yet, I do cost segregation and bonus depreciation, my properties, right? What's that Wagner? We hire companies that are filled with CPAs and architects and engineers and the IRS usually tell us a house could be depreciated a residential property could be depreciating 27 and a half years. Well, there's some very smart guys and girls that do cost segregation, and we can accelerate that depreciation for your taxes. So usually, you can claim 30% off that fully depreciation on the first year, and you can accelerate up to 11, 12, 13 years instead of 27 and a half, which what he does is he offsets all of your passive income. And sometimes if you're lucky, you have a good CPA up zero Texas.

**JM:** What about you know, you talk first of all, I think that you said that beautifully. And I love it if a cash flows with higher interest rates, and we do eventually get a lower interest rate environment, you can always refinance. When these families are buying those houses as investment, is there ever a situation where they choose to use it as a residence?

**WN:** Very few, a lot of them, I tell everybody live where you want and invest where it makes sense, right? Usually we handle entry level properties, that's our specialty. So a lot of our buyers, they're more sophisticated, probably that's not the kind of housing they would learn not that a house is bad. It has granite countertops, hardwood cabinets, stainless steel appliances, vinyl flooring, LED lights, we buy commercial or professional water heater for those houses. So we have created a little bit of more of



a model that actually we build a product that is what we call tenant resilient, right? Alright, proof because they can break anything if you want to. But we try to make it as hard as possible for you to have any capital expenditure, which and expenses. So we make this product extremely durable, beautiful, because we want your product to be off the market once you listed for rent, it's going to be rented. And we take a lot of pride into that.

**JM:** And the only reason I drill in on that for a second is over time we've thought about buying stuff for our relatives in build the rent and maybe give them an asset but then also if they needed to, they could move into it. So do these homes ever sell to residents? Or do you always kill keep them as a full community of rental?

**WN:** Our idea and our goal are to keep it our full community of rental. But I wanted to leave some of the parents that are listening to us with something behind their ear to think about. Last year, I have three girls, three daughters, and I bought them one house each and I have a 13-year-old and a nine year old as well. As you know, we don't learn financial education in schools, but my girls, they have to actually revise their rent roll with me on a monthly basis and give me the scenario. Are they making money? How much are they making money, and this is an investment for your college, for the future. So remember Tom Wheelwright, the great CPA or many other CPAs we know Mike fine, I mean great people.

**WN:** They usually say you can actually hire your daughter to help you, for example, on social media, and you can pay up to \$12,000 a year tax free for her and for you. So there's many ways it can contribute on building the downpayment for your relatives, even if they don't want to they want to live there in the future. They may I mean, it's a great house, a great property, but most important is teach them how to fish. Don't give them the fish, make them understand what cash flow is. If we have a few more minutes,

**JM:** I do I want to hear the listening.

**WN:** Gosh, I just wanted to mention this my 13-year-old it's very funny, right? Because I said Hey, baby, if the tenant doesn't pay their rent on time, you make an additional \$150. And she's like, daddy, I don't want my tenant to be late every month and I'm like, no, you don't because not only you may lose your whole rent, you may lose \$150 a dish, and she finally gets it. But it's that concept that we don't take the time to educate our kids and future generations on how real wealth is built in this country, and over 90% of millionaires and billionaires in this country are made with real estate.

**JM:** I'll tell you what, Wagner It is a pleasure to get to know you. And before we go, I'd love for you to see how the listeners can follow up with you. And if there's anything that's going on right now that they, can you can draw their attention to.

**WN:** Josh, I think right now is very a delicate time in the market. As you well know, we're going through inflation, my personal philosophy, and if I can just give a word of advice to you guys is there's never a bad time to buy. As long as the property cash flows. If you buy on a high interest rate market like we are right now and you have positive cash flow by it. Because when the market comes down, you can always

refinance and improve the amount of cash flow being produced, the property that is not going to produce to any cash flow is don't want that to jump on. So people get afraid of making that first move.

**WN:** When you buy your first second, third, fourth property, you probably will think well, what did I do? Did it make the right decision? Is this the right area? After the fourth and become a pro and just go with the flow because you know, it's going to work most important is this, either you're going to live a life that any path you take is going to take you there, or you're going to live a life by design. So what do you want? Do you want to be working till you're 65? What do you want to have positive cash flow, right? I was lucky enough to be in a market that I could actually start investing in I became passionate about investing in real estate and coming in developing. So just to let you know is some pieces of advice. If it cash flows by make sure you have a great property management, manager to take care of your property for you. And if you can buy anything buying you such a great because that's what's going to give you the best return for your investment.

**JM:** And the stability and the bones are going to be right and right and for right now. So we appreciate everything you're doing. Thank you so much for sharing your wisdom with us today. It's been great getting to know you Wagner.

**WN:** Josh, it's a pleasure. Thank you so much for having me. Please send my regards to Whitney and thank you for the opportunity once again.

**JM:** Wonderful.

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

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