

Episode 1591

[INTRODUCTION]

Claude Condo (CC): I usually look at, it's like dating, actually, trying to know the person, trying to know their values, are we aligned with values beside the deals. If the deals agree, I usually look for the sponsor, and who they are as a person, as a human being, are we aligned with the values. Are they giving, those are just the dating process, and then the deal will come and after I vet the sponsor as a human being, as a person, I don't know if I make sense, but that's how I usually, the process might take few weeks, I need to know the sponsor, as a person first, before I even entertain the idea of investing my hard-earned money in their deals.

[INTERVIEW]

Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today our guest, another passive investor, who is very experienced investing and is going to share tips on getting started passive investing but also, he has a number of things that he has learned through years of investing even some goal setting that he does he and his wife on for passive investing and income streams and things like that, that you are going to learn a lot.

WS: His name is Claude Condo. He's the founder and chairman of HCP Compounding and has 21 years of experience in pharmaceutical service and management. He also participates in commercial real estate and is one of the founders of the Condo Foundation where he continues to volunteer and they help communities by rebuilding school infrastructures, supporting primary education to vulnerable children, powering up livelihoods, and creating holistic economic development of underprivileged communities. So just a treat to have Claude on the show. He's helping numerous other pharmacists in his network to invest in real estate now, that but he's invested in numerous projects. And it's just interesting to hear his take on how to vet a sponsor, what that looks like to him and how he's been successful at doing that.

WS: Claude, welcome to the show. I love interviewing other investors and hearing about their experience, especially people like yourself, who has been investing in sponsors and syndications for a number of years and I'm looking forward to the conversation because I always learn a lot from people like yourself, and the listeners will as well. Welcome to the show. Give them a little more about who Claude is and your background. And I want to move to why syndications? Why you moved to investing that way, in just a moment. But tell us a little bit about who you are.

CC: Sure yeah, my name is Claude Condo, even though you say Chondo. So I'm a licensed pharmacist. For the last 20 years, I've been a work for the chain, I opened my own retail pharmacies in Miami, and I started real estate back in 2006, purchase at the wrong time. And then 2008 everything went, you know, really, really bad. And we lost so many, the value of the houses went down, but it didn't stop me. So I was working for the chain. And then I was like, you know, it still makes sense to continue buying real estate. So I started with residential like everyone else read post Rich

Dad, Poor Dad, I went to the training. And at some point I was growing, but I felt like I was not scaling enough. So I decided to transition to commercial.

CC: So I stopped buying commercial on my own my wife and I. And now I was introduced to syndication as well as an investor. So I learned. I hired a coach; I actually like to hire someone else to teach me. So don't make the same mistake. So I hired a coach. They taught me about syndication, what to look for, how to vet a sponsor, and so forth. So I've been doing syndication and doing my own deals for the last 15-16 years. At the same time, as we've been growing our portfolio real estate, I've been getting calls from my colleague pharmacist or nurses asking me hey, can we join you? Can we be part of this amazing benefit of investing in commercial real estate? And that's where we start our journey where we teach nurses, pharmacists, physicians, how to invest in commercial real estate, why? And then when they're ready, they can come on our journey as well. So that's pretty much about me.

WS: Yeah, that's incredible. I just know, there's passive investors that are listening right now that are wanting to do what you're doing. Right. You know, they have a network or that, you know, they're a part of or, you know, whether they're a doctor, or whether they're, you know, a business owner and some other field, you know, whatever, they have a network that, you know, they could expose, right, you know, to this type of investing, and do a similar thing that you're doing.

WS: But that, you know, I want to dive into, you know, what you learn from maybe this mentor, but then also just over years of investing, you know, vetting the sponsor. How you do that, what that looks like, you know, you have a lot of experience as an investor. And so let's dive in there a little bit, and especially if you're, you know, operating a fund, you know, and you have other people that are partnering with you, and it's important, they're trusting you to do that work, right? You know, to vet that sponsor. So what does that look like? Let's walk through that or maybe give us an example. You know, obviously not to say somebody specifically, but maybe how you met them and how you went through that process. I'm saying, you know what, this is somebody I want to partner with.

CC: Yeah, thank you. That's a great question. And thank you for having me in the show as well. But so, to me, I'm always looking at the track record when I'm looking at the sponsor, like what their track record is. Can I speak to their investors, previous investors? Do I know them? Besides, in a syndication deal? Do I know their circle? Do I know this? They're networking, because real estate is a small world, right? We know each other. So you can find information from someone else. And so I usually look at the track record. And the second part too, I'm always asking them if they can share the underwriting model, right?

CC: Because I can see if they really lead too aggressive on their projections, and just looking at as some people won't be comfortable sharing their underwriting model. And that might be nom de that I want to invest in. So I look at all those track record, they're transparent and sharing the underwriting model. Is the aggressive is. They really, really looking at the market wise markets going, what's the deal? What is the location? What's the population growth? And in what's the traffic count, if they retail? Stuff like that. So we usually go in deep and just making sure that the money

that we work for really hard, really protected and preserved and achieving the result that we want to achieve.

WS: For sure. How long does that process typically take? Or well, you know, what are you looking at as far as timeline just to have the maybe you know, even to get to know somebody before? You're even asking for underwriting? Or a specific deal, right?

CC: Yeah, I usually look at it's like dating, actually trying to know the person trying to know the values. We align with values besides the deals. The deals are great actually look for the sponsor and who they are as a person as a human being. We aligned with the values are they giving, those are just that dating process? And then the deal will come and after I've read the sponsor, as a human being, as a person. Does the donor cheat? If it makes sense, but that's how I usually.

WS: Yeah, for sure.

CC: The process might take few weeks, I need to know the sponsor, as a person first, before even entertain the idea of investing my hard-earned money in their deals.

WS: Yeah, of course. And how do you normally go about that? Would that be over zoom calls? Do you try to go visit property or the sponsor? Or what does that normally entail?

CC: Yeah, like I said, before, real estate is really small world where we have almost the same mastermind, we have the same networking group. And that's why I made these excellent sponsors, right? I made them in a, in a real estate, commercial mastermind group. I made them in a different so that's why I really, really try to find people. And that's why you really, really know people, right. So I invest a lot in getting on podcasts, like your podcasts and getting to know you and investing a lot in a mastermind group where we're like, talking and getting to know someone really nice. So I spend a lot of time and resources to be to have access to those groups. So I can really, really get to know someone and, and every relationship as well.

WS: Yeah, for sure. What are some of the just hard stops for you, as far as you know, the operator must do or have these qualities or anything like that, that you could share that are even red flags, you know, where that would keep you from maybe investing with someone? Maybe it's the way they communicate or the track record, maybe a number of deals or it can be I've heard all kinds of thing.

CC: Yeah, to me, I'm always looking at the person as a sponsor, right? Are they value people? Or you ask around? Do you know Claude? What do you think about Claude? What do you think about his investment? And the second part is a track record. I'm really wary or concern if I'm, if it's your first deal doing syndication, I need to have your track record, like you said. So I want to look at you as a person and then your track record. And then the number of deals you have done. And then are you is your first time doing multifamily?

CC: Is it your first-time doing retail? And if it's your first time, then I'm like, no, no, I don't want to be do the, you know, what you learn with my hard money, how to go to a new class of assets, I want to make sure that you have experience in this asset class, and you have proven that you are successful in that in a different period. I want to look at five years from now five years ago, like where were you? What kind of the were you doing? Because the VSS was great the last two years 2020 2021 2022 A great like everyone was making money. Now with this interest rate changing, market changing, that's when you really truly see an excellent sponsor versus in average.

WS: What's your goal and investing passively? Like how do you or maybe some goals that you've set that would help you know the listener think about the goals that they need to set as a passive investor as well?

CC: Yeah, I'm always studying like small like, okay, how can I increase my passive income? How many lines of income can I increase passively? Does doesn't depend on me spending 15 hours earning that so I'm always, my wife and I always you play this game of how many lines of incomes can we increase in a year in a quarter in a month so that the game we usually play and at the end of the year, you look back, you're like, whoa, we have to have line of income that we increase this year. And we chose a passive income. And as you know, there's so much benefit as well, especially for some high earn income that like doctors, pharmacists, that we can offset our income and getting passive income as well.

WS: Yeah, I love that goal of how many streams of income can we create this year. And even breaking that down. What about, you know, how do you feel about diversification across, you know, different operators or asset classes, or even the types of assets that you're most interested in?

CC: Yes. So like, last year, I invested in couple retails retail centers, because I'm a pharmacist. So to me, kind of like can relate to that. And then I did invest in mobile parks with another sponsor that I know well, and we became really, really good friends. And so yeah, I usually try to learn something new, or learn a bunch of about retail and what to expect the traffic counts. And that's why I usually look for a sponsor, am I going to learn something that I didn't know before? And I value your time as well, I don't call you every day, like how is my investment, which is really the right stuff to do. But once a quarter or don't mind jumping in a 10-minute cons like how is investment doing? What's your projection? Are we meeting our projections? Any issue? Anything I can do to help and stuff like that?

WS: Yeah. What about do your current investments, cashflow? Do you feel good about what you have right now going into the into our, you know, this next year? And just the current economic climate?

CC: Yes, yes, 100%. I'm actually really, really looking forward. Our investments are performing well, we actually had two unsolicited offers two weeks ago, trying to buy two of our investments. So that's really looks and will make so much as far as what we purchase for and what we're gonna get with that offer. It's really good, especially in this market. So I'm really excited that the testament for those sponsors that really, really were conservative on the underwriting.

WS: Give us some lessons learned maybe that you wish you had known when you started passive investing.

CC: Lessons, we all have our criteria, how to underwrite the deal, you look at the market, you're like, okay, when I invest in, for example, us when I invest in South East, right. That's where there's a population growth, job growth, and all those great stuffs. But two years ago, I think during COVID, one of the brokers calling me is like, hey, you should invest in this Midwest market. I'm like, well, it's not part of, you know, my criteria, I can't really say, please take few minutes look at it.

CC: So finally, I look at it, I'm like, whoa, it makes sense, right? Because even though it was Midwest, even though it was a different market, but the fundamentals were really, really great, you know. The seller was a little bit adios exiting his commercial real estate, and he was trying to sell it a 9.5 where on the market, that same asset is about like five to 5.5 cap rate. So when I look at that, I'm like, okay, I jump in it. I'm like, well, that makes sense. And, you know, thank God, I'm really by the grace of God, I was, you know. I made the move. So the lesson that I learned was, just don't dismiss. Take a look at what some investors or brokers or relationships are bringing to the table and just take a look. And don't be, you know, just don't focus on your market and deceive the dealer market make sense.

WS: What's your biggest challenge right now as a passive investor?

CC: As a passive investor, finding the right sponsors and finding the right deals, that makes sense for my investors as well. Because, you know, markets changing. I want to make sure that that will make sense to underwrite at 7, 8, 9 cap rate versus five or six copies. So the sellers are not getting to the reality of the market. So that's the challenge I'm having.

WS: Yeah, that's a challenge we're all having. Claude what about, you know, what predictions do you have for the next 6, 12, 18 months for just the real estate market or economic climate? You know, how is that changing what you're doing as a passive investor, you know, or what you're looking for?

CC: Yeah, that's great questions. I was at a conference, a commercial academic conference last week in Orlando, we're talking about exactly your questions like what's the prediction? What's the market? Personally, I feel like there will be couple opportunities coming up our way. And they will underwrite deals will change. Now we're making sure that is the seller willing to do seller financing that's less than the current interest rates that are offered by the market? How can we get to those sellers that we know that want to exit they want to dispose their assets. And so those are the stuff that my team and I have been working on diligently, making sure that we build those relationships with sellers or even brokers and hoping that sellers will come down to what the market is right now. So my prediction is within six to 12 months, we'll see some deals coming through. We'll see cap rates going up will make sense for buyers to really buy at a deep discount. Wait, we just have to be creative.

WS: When you are looking at a project to invest in passively, you know, how do you ensure that that operator is prepared for a downturn? You know, they're prepared for the unexpected, what do you know, what are you looking for? Be as specific as you can.

CC: Yeah. So as I mentioned at the beginning, I usually ask them for the underwriting model. On the underwriting model, I can see their projection, we can see, what's the exit strategy was, is there any value-add components? Are they really factoring in, you know, the labor? The factoring. What's the market in that place? It's a comprehensive list of stuff that we follow that to make sure that it meets our criteria and making sure that the investors who can predict the future but at least we can minimize our risk and manage our risk. Are we okay to manage this kind of risk on this market? So it's a list of stuff that we follow through, but that's why we really, really need the underwriting model to make sure that the assumptions quite realistic, according to our opinion, or our facts.

WS: Yeah. So mostly making sure that operators not being overly aggressive. Sounds like. Any thoughts on like reserves or, you know, budgets, things like that?

CC: Yes. So we usually make sure that they are not over leveraged, and then they ever reserve, right? It depends on which asset class we're looking at could be retail, it could be multi families, but we would like to underwrite like a bank, right? Like, okay, what's your reserve? Is it 5%? Is it 35%? What's your projection? What's the exit strategy? You can tell me that you're going to exit in three years, which might be great, if the interest rate goes down but you might not be the right timing, right?

CC: So like, all those basic fundamental questions of financial, some people will put reserve of 10%. What I've seen a lot is exiting in three or four years, and they're projecting the exit strategy, the interest will be at 4% or doesn't really work. And that's a part of having an experienced sponsor, right, because you can see their track record and they've been through up and down market, and they can they know what to buy, how to buy in a down and how to buy up market as well.

WS: Yeah, no. It's good. I just, I like hearing how other investors are looking at deals right. And you know, in our investment, many of our investors, I'm sure are doing lots of the same. I do the same. I invest with other operators as well. Let me ask you this. What's your best advice for passive investors right now?

CC: Best advice would be to really know the sponsor, check out the track record and look at the deal as well. Right, those three components. Sponsors, as a person, look at the deal, you see the markets growing market shrinking, what's the population growth? If you read that what the traffic counts? How are those tenants financially stable, I can invest in Bath and Beyond? Because I know they're closing right? So like stuff like that, that you will know and make research to look at the market and then look at the underwriting like what's your mod? What's your projection? What your assumptions? Any reserve? What are you planning for a down turn market? So look at those 3 main components, like sponsor, market, deal in particular, and then the underwriting model.

WS: What are the most important metrics that you track? It could be personally or professionally.

CC: On a deal I usually try to me, I usually it's about made it really, really simple to meet a cash-on-cash return, how much cash am I getting? Because I have multiple businesses, and you look at even invest \$100,000, how much cash return will I get a year? Of course, the other party depreciations. Those are like a great benefit. But at the core, I want to see how am I doing with my cash? Because as I mentioned before, I want to multiply my line of incomes, right? I'm like, okay, this year, I invested in 10 deals. I invested a million dollars. What's the passive? What was the cash on those million dollars? And so that's how I look at that, look, the basic cash on cash, and then IR, it can be manipulated as you want. But to me personally, as an investor, or my own deals, always you look at cash on cash return.

WS: Yeah, now that's helpful. I guess I hear different things different people look at right? That's neat to hear. What are some habits that you have that you're disciplined about that have produced the highest return for you?

CC: To me it's I have my routine in the morning, every single month, I'm trying to learn some something new, like new skills, right? But so what makes what has really helped me was to, to really know who what I want, right? To really know my goals. What's my vision for this year? What's my goal for this year? And what asset class I would like to invest. What asset class that makes sense to me? Once I have those goals, then I'll look for a sponsor that meets those goals for me, and then I'll start doing my research.

CC: So if I have to tell someone listening to this podcast would be like, you know, write down your goals, write down your vision, and what's the number that you want to achieve this year? What's \$1 amount? Be as specific as you can, and then write it down and post it and go back every single day, review your goals. So that's what I do every morning. I do my meditation, I do journaling. I review my goals. I pray. And so those habits have helped me be disciplined and really cut down on the noises because there's so much negative outside. They're like don't invest, don't do this stuff, bad timing. So just being true to who you are as a person and your goals and your visions. And that has helped me a lot.

WS: What's the number one thing that's contributed to your success?

CC: That's a great question. Being consistent, just consistent in what you plan or your goals, consistent in your word. If I say I'll do something, I'll try my best to do that stuff consistent in you know, if I said go pick up my kid from school, just like those basic stuff, just consistency, if we decide this year when invest in 10 different deals, or increase a line of incomes by 12. Just that consistency has been a good, regardless of the market regardless what's going on.

WS: How do you like to give back?

CC: Yes, I love that. I believe truly, in my heart, I'm a giver. That's my love language, if I have to be specific, so I love to give. We created a company, my wife and I and other team members where we teach pharmacists for free, how to invest in

commercial, what's the advantages? What are the, what are the risks? How do you manage risk, and then we had a podcast that we do for healthcare professionals.

CC: We teach. We bring someone experienced as a sponsor, or business owner, just to give us tricks and what made them successful. And then personally, my wife and I, we have our own foundation, because children to us, it's number one, so we love children, and we'll do anything for them. So we have our own foundation, a private foundation, that we have kids in Africa, with their scholarship with their schools. And you know, shoes, and you know, all those so they can be successful. I'm from Africa originally. So it's been a, I've been blessed beyond my dreams to be here. And I would like to give someone else a chance to build a successful life. So yeah, that's what I do.

WS: That's awesome. Claude, thank you so much for sharing that. I appreciate you giving back in that way. Use your heart to give, and even helping those children, you know, that are less fortunate, right? And giving them the opportunities just so grateful for your heart for that. And even helping other people learn to invest and whatnot. But you know, I love your heart for the children as well that are less fortunate. But you know, and even just sharing your experience with us today, the lessons you've learned the past investing, how to vet a sponsor, that's a process, right.

WS: And we talked about it often on the show, and but I still see many that make mistakes, right? Investing with sponsors, or you don't, you know, the questions they wish they had known to ask, you know, way back when they started or, you know, I just hear horror stories sometimes. Because investors didn't do proper due diligence, or they rushed into a deal before they really thought it through and, and so I'm grateful for, you know, your transparency, being willing to help. Even you know, our listeners today. Think through just that. It's so, so important. How can they get in touch with you and learn more about your call?

CC: Sure. So I'm really prominently in LinkedIn, so they can find me on Claude@RxREI.com or Claude Condo. And then we have our own podcast, which is Rx – you know, I'm a pharmacist so we named it Rx Investor, where we bring great guests to come and speak to our audience as far as you know, investing and what to look for and stuff like that. And yeah, those are the two, our website is rxrei.com I think I'll share with your audience as well on the show notes.

[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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