

Episode 1614

[INTRODUCTION]

Victor Leite (VL): Yes, we were both practicing at that time, because obviously, we never envisioned going into real estate full-time at that time. But you know, after being able to successfully complete these projects and build a business around it, you know, all that was holding us back was our limiting beliefs. And so after we started kind of gaining a little bit of momentum, we thought, well, it makes better sense for one of us to go part time not only from timestamp point, but to establish certain things like a rep status, real estate, professional statuses and have great tax benefits from that. It made better sense when we really picked it up to do that.

Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell, our guest today is Victor Leite. He's one of the founders of 25/8 Capital Real Estate Investment Company focusing on multifamily syndication, he's acquired managed over \$30M worth of multifamily assets through real estate. He's been able to generate enough passive income to leave his full-time W2 Job in health care. I appreciated him diving into how he and his wife took this massive leap out of you know, the Job, is right, they're both living the American dream, right? And then, man, they realized there's got to be something else to this, right?

WS: And you're gonna hear how they did just that. And it's not a complicated thing. But however, most people are not willing to do it or to take action. And so I just encourage you to listen to his story, how they did it, and go do it, right? Jump out there, you're gonna hear me kind of into it a little bit, because I just came back from this conference. And I see so many people that have not taken action, ever. They've been trying for years, and it kills me. Well, step out, you got to jump out there at some point. And so anyway, you're gonna hear that today with Victor.

[INTERVIEW]

WS: Victor, welcome to the show, looking forward to diving into you know, moving from a real medical professional to real estate professional, right, but also diving into the skill sets now that you have acquired and per, you know, performed and grown in this new business, right or this, you know, the ABS, you've shifted from medical to real estate, I want to learn more, I know that you're going to help the listeners today, whether they're passive or active. You're going to learn a lot from Victor today. Victor, welcome to the show.

VL: Thank you, Whitney. I'm very thankful to be here. Thanks for having me on.

WS: Give us a little bit about that, you know, your background and you know, from medical to real estate, and why and then let's dive in even to you know, this deal that we're going to talk about today where I know, I know you all are doing some quote True Value Add deals, right? We're gonna talk about what that is, and maybe a specific deal that you all have done and mistakes that maybe you learn from, but give us a little more about yourself before we do.

VL: Sure. Yeah, so I was born in Brazil immigrated to the States as a young man alright, so I didn't speak the language. I didn't understand the culture but I, you know, came to this country, my family chasing after that American dream, right? You know, I followed all the traditional path that everybody tells us to follow. I went to school, I dedicated endless hours of studying, right, I got good grades, I had multiple jobs, and especially in health care, put myself through school and I was thankfully accepted to the George Washington School of Medicine received my training medical degree as a Physician Associate there and I began my path towards you know, practicing medicine and you would think, right, that finally, you reach that level of American Dream that everybody's in search of right.

VL: But you know, five years plus into it, you know, working private practice 60 hour plus long work weeks, overnight on call dealing with the medical business world, it just started taking a toll on me, right? You felt this burnout coming, you felt the stress coming and I don't know if any of your listeners are have been in health care or health care professionals at all, but I know that they have dealt with this, especially since COVID has hit right you know, my wife who also practices medicine, you know, she agreed with me, and one day we honestly we had this kind of strong conversation this go and roadmapping conversation and so we decided that we just needed to press the reset button. And so we did we packed our lives into two backpacks and and we took off to travel the world for a year. Nomad style on a shoestring right.

VL: And during our travels, we had a lot of great experience. But we learned a lot of things we did a lot of soul searching, a lot of reflecting and the process of all this, you know, I did a lot of self education, reading and reading motivational books and listening to podcasts like yours. And all these things that started resonating with us is that in real estate man, it's a place that anyone can get started and could reach some form or some level of financial freedom. And so when we got back from our travels, we had a little bit of money saved up. So we got our start in the fix and flip game, right? And so we, you know, we completed a project and how to a great experience, we had strong returns and we say wait, why not do another one.

VL: So we did and we did another one and another one and we completed in close over 200 projects and the fix and flip side of things. And through all that extensive knowledge of systems

and building teams and renovations and operations, we were also able to complete a large amount of burr projects and we built a nice portfolio of single-family rentals. And then that's when we started really getting a taste for that cash flow. And so flash flash a couple years and and now we've now transitioned our focus and our skill sets towards the multifamily space. And we know we can use our value add systems, you know, especially from the residential projects and transition over to the commercial space.

VL: So, you know, obviously, you have to learn the ropes. And we did you know a lot about the deal sourcing the broker in banking, relationships, the underwriting acquisitions, the due diligence, all those things. And on our first large multifamily deal that we did, we sourced that deal completely off market, it was a 63 unit value, add deal and value add with 30% vacancies at that, and this property was three blocks from the oceanfront.

WS: Before we get into that deal, because I want to hear about this deal, especially it being the first multifamily deal, large deal. However, I want to back up because your story is somewhat similar to mine. And, you know, you said you reach the American dream, right, you know, but, but however, that dream looked a lot different than what you thought it was gonna probably feel like, you know, like, 60 plus hours a week, you know, I was right there with you, I had the dream, I had the job, everybody thought it was secure ride and had the benefits and, you know, making, you know, really a higher salary than most people my family had ever dreamed of making that man, there was like, nowhere for me to go, I'd reach the top and just a few years, and, and I there's no way I could visualize myself doing that for the next 30 years. You know, and I was also, you know, had another side business that, that most of the listeners know about, but you know, it's like two full time jobs.

WS: And my wife and I also, you know, we were at the beach, were walking, praying together, and it was like, we just asked ourselves question, you know, is what we're doing now going to get us where we want to go five years from now? It was an obvious No, you know, at that point, you know, we came back. I mean, like, within a few months, we had sold the farm. I mean, literally, you know, we said, okay, we got to make some big things happen here, we got to make some decisions, and most people are not willing to make people want something different. And it sounds like that's what you and your wife did, right? And I love it. You said, you all I clicked the goals, you also you said talked about a roadmap, you know, resetting all those things, give us a little bit though about like having the confidence to come back and make some big changes, right, because I love that.

WS: And I know, we talked about it a lot on the show, but it's like, most people are not willing to go take action like that. And why I'm a little bit stuck on this at the moment is because I just came back from this conference that I've been to every year for like, for the last five years. And I've seen a few people, you know, that I've known for a long time, like really take off. I mean,

I've really gone and done big things, you know, our businesses have grown together. And but I see most have not. Right, most are still, you know, they're still waiting for this opportunity. That opportunity, you know, or they're still waiting for that next thing or, but they've not really stepped out there, right? And taking that big action. You and your wife did that. How? Why?

VL: Right. So it helped him down to what we call our roadmap, our massive action plan. And so everybody's trying to figure out what they want to do how they want to do it, but they never figure out where they want to end up. Like, where is your outcome-driven goals, right? And you need to start at your outcome-driven goals, and work your way backwards, and focusing on prioritizing, you know, the do's, the don'ts, the defers, and then the dumps, right? You have to figure out that plan, you wouldn't go to the airport, and just show up and just say where we're going.

VL: Now, you show up with your ticket in hand, you got your bags packed and say we're going to the Caribbean, like we know that right? So if you don't know where you want to end up, how do you expect yourself to move forward in any direction that's going to stay positive. So that's what we focused on. We focused on building our roadmap to success of our goals, and it's forever changing, but it has to start somewhere. And you said it, right? Nobody takes action. And you know what they also don't do, they don't set deadlines, and they don't timestamp those actions. They just have those actionable steps, and they don't do anything about it. And then next year, they're in the same place. And so that's what we focused on our massive action plan with our actionable steps with deadlines.

WS: Love that? Where did that come from? Like, did you have a coach? Did you have a mentor somebody that was like coaching you and your wife in this roadmap, you know, or where did that come from? Like, or did you all like something you'd laid out yourself?

VL: It's a little bit of what we laid out for ourselves and little bit of our readings and listening to others of how they created their success. You know, everybody, you know, kind of focuses on a different ways of doing things. But we thought to ourselves, well, let's focus on us our situation, not everybody else's. Everybody else has got a different story, a different path. They're driving a different vehicle, you know, so we said, Well, where do you want to be 510 20 years from now? So we just started that way. It wasn't we sat at the kitchen table and we talked about it wasn't anything fancy. We went to a weekend resort getaway, you know.

WS: I love the simplicity. And you know, y'all just sat down at the kitchen table and started talking about it right and then started putting some feet to it. But you know, like, you didn't just go flip a couple homes. I mean, over 200 projects. I mean, that's, that's pretty impressive. Right? And you all no doubt learned a lot from that. Were you still was, same, you were still like practicing doctor at the same time you and your wife as well?

VL: Yes, she were both practicing at that time, because obviously we never vision going into real estate full time at that time. But you know, after being able to successfully complete these projects and build a business around it, you know, all that was holding us back was her limiting beliefs. And so after we started kind of gaining a little bit of momentum, we thought, well, it makes better sense for one of us to go part time not only from timestamp point, but to establish certain things like a rep status, real estate, professional statuses, and have great tax benefits from that. It made better sense when we really picked it up to do that.

WS: Yeah, I appreciate you bringing that up, just so you know, getting into, you know, how you all took action. And because again, I just came back from big conference, and I just see many friends, like I knew five years ago, right, that we're still trying to get started. And guess what, they're still kind of at the same place, you know, and I hate that for them. Right. But man, you at some point, you got to make that decision to you're gonna step out there, right. It's a scary world out there. But you gotta get out there.

WS: So I want to jump into this deal there. So I want us to have a few minutes to be able to talk about that, too, you know, your first multifamily deal. 64 units, I think he's a 30% vacant. And even before we started recording, you mentioned, you know, a true value add, because we do hear that term a lot, right? And maybe you can just highlight what does that mean to you? Because we do hear that term all the time, you know, that true value? Let's dive into that deal. How you found that, you know, how you found, you know, did you raise money for it, you just indicated and let's talk about that? You know, what happened with that deal? A little bit?

VL: Sure. Yeah, of course. So, you know, this deal has you tell everybody, we shouldn't have bought it, because in the hot market that we had over the last five to seven years, it was very difficult to source opportunities that made any sense on paper, but it really came back to you know, being you know, local, knowing the market, street by street block by block networking, talking to owners talking to management teams, and finding out where the distressed properties were at or where the the tired landlords were at. And so we addressed that issue, when we started connecting. And we started, you know, we did a lot of off-market stuff on the single-family size.

VL: So we just kind of transition our systems to that, you know, messaging, text messaging, setting up coffee, setting up a time with owners that and talking about their business, not trying to pitch them, but trying to say, hey, you know, you've owned this property for 40 plus years, like, you know, what has been pros and cons of owning this property? And what's your plan for the next five to 10 years? And what are you going to do with this thing when you're ready to shut it down? And, you know, so once we were able to secure, you know, a loi and a contract for that property itself, we did our, you know, our due diligence processes, right?

VL: And when I say value add Whitney, I'm talking about this property is 30% vacant, but those 30%, we had, you know, five of those units that were down to the studs, meaning no walls, no plumbing, nothing. Okay, they were using a storage units, there's another five units that they were using as more storage units for, you know, they didn't want to get a storage unit. So they put their sofas, their stuff, and all this stuff in there from other people, right, their rents, on average, were four to \$500 below market, because they've owned it for so long, they were cash flowing just fine. They didn't want to even try to push to get it to the market standards, they hadn't even done much of the property in regards to updating the property and keeping to the standards, right for 20 plus years.

VL: And so we had to come in there. And it's not only the physical value, add, it's not the floors, and the paints, and the cabinets and the appliances, but it's the operation side of things, right, turning over the community. You know, we had people there some bad people, people who did a lot of drugs, overdoses, like we had a clear and change over the community. And once you do, you start getting more support for your community, right? And so that's truly what we look at as adding value to a property.

WS: So why a property with that says such a big lift like this right for your first multifamily deal. And maybe you're still both working full time at this time, right, I assume or is that right?

VL: I was I cut it back down to part-time. But yeah, so practicing medicine. I mean, yeah, of course.

WS: Awesome. But still, you're your first office or your first larger multifamily deals. 64 units 3% vacant large value add heavy lift, right a lot going on here. How why what gave you the confidence to be able to move into a deal like that and know that you are going to be successful?

VL: To be honest with you our previous experience, especially in the single-family side of things, right, those heavy value add stuff is what we did day in day out on the single-family fix and flip side of things that didn't scare us. It scared a lot of other operators though, right? But this is what we did rinse and repeat. We had in house construction in house teams that were able to just rinse repeat and renovate units, like it's another day. So that didn't scare us the physical side of things, you know, and we saw the opportunity, location, location, location, right located well in a strong stable market under market rents. **VL:** There is great value to add from multiple aspects of it and obviously we were in the right place at the right time. And we're able to find solutions for the previous owners, right? They wanted right off in the sunset. And we said, look, let us take this over hold it, we're going to add value, we're going to keep the value

of this property here, we're not some out of state fund REIT, or whatever, that doesn't really care about adding value. So that kind of sealed a deal on that one.

WS: Did you syndicate it? Did you raise money? How did you finance?

VL: On that first deal? We, JV, me and a partner of mine decided that we wanted to prove the theory first before we started bringing on a syndication kind of model at that time. So we said, look, we've done it, rinse, repeat, but we don't haven't set our footing our track record. Let's show everybody what we do. And we did. And we completed the entire business plan in one year, completely turned 63 units, not only physically, but from a community standpoint, raise the rents completely, and the value was proven.

WS: That's awesome. I love that. What about some lessons learned right from from a project like that? No doubt, there's things that you didn't expect, you know, I mean, it's real estate, I don't think there's many projects where something doesn't happen, right, that the operator probably didn't expect to some degree, but especially a first one with a major heavy lift like that. What are some lessons learned? Mistakes, maybe that were made that you learned.

VL: I have so many, and I know, we don't have enough time for all of them. But the points that I really want to kind of mention, right? So on the initial side of things, the underwriting of something like that, right, uh, handling the initial underwriting, right? Because that's one of the most key important parts of the entire business plan, right? Having conservative views of underwriting right. So rental growth has been astronomical over the last few years, right eight to 10% growth in some markets. But we stuck to a 3% growth model, we stuck to eight larger vacancy rates, we stuck to a 50%, you know, operation expenses rate. And the one thing that we did that I hear this so often from everybody is that we set a larger renovation budget per door than everybody else does, right? I don't know if you deal with this, but I hear all the time. \$5,000 a door should get it done.

VL: I don't know about you. But in today's market and today's inflationary rate, and today's you know, the supply chain, I don't think you can even start with \$5,000 anymore. So I say when everybody mentioned that I know their level of experience already is not in the same caliber, like if you truly want to add value and have a good product, you have to invest the money into an you have to underwrite for it, because if it doesn't work, it doesn't work, right? You know, also the other thing that we learned from the management side is you got to find the right team for that job, right. So if you have a value, add classy property, but you're trying to hire a class, a property management company that doesn't have the bandwidth for that level of transformation, then you're gonna have a difficult time staying on the business plan, you're gonna get a lot of headaches, find the right management team for the right job and make changes as needed to stabilize the property, right?

WS: But to speak to the passive investor listening that's that's saying, Hey, I don't know if my prayer is the right team on the job right for this specific real estate's a heavy value add deal like this, what's a couple questions maybe they could ask to ensure the operator they're investing with has the right team for that project?

VL: You want to just look at the track record, I mean, obviously want to look at the property, the deal, the location, the underwriting the deal deck.

WS: Specifically for the team, maybe what are some things that maybe your team had, you know, or that you would want to ensure that the team has or skills that they have, or I don't know, something that they can ask to ensure this is a good good fit, right?

VL: Usually, I usually tell everybody, let's look at the numbers. And let's look at the worst case scenario. That's usually what I start with, you know, look at the numbers, look at the worst case scenarios. And worst case scenarios is how it looks like can you live with something like that? Second of all, you know, your experience level and your team's experience level, we're doing this level of project show previous projects, look at previous examples of what you've done as an ownership team, you know, and as you say, review, you know, updates, especially, you know, when being sent out to you, you know, review and ask questions, keep an open line of communication, saying, hey, the decision your team made here, or the massive exodus of vacancies, you guys decided, why did you do that? Like is that normal path of this kind of standard? You know, and so that's usually what I say and, and certain things like that we've done on different strategies of qualifying tenants, right qualifying tenants right now, sometimes it's difficult because the rents have risen so fast.

VL: So you know, we use programs like the gerund tours that assist folks with, you know, finding rental and deposit assistance, for example, but that doesn't sometimes reflect on the p&l. So things like that. I say, you know, you can always look at those things and ask, you know, track record style, previous experiences, property management team, and honestly, I usually say I welcome everybody who's on our deals, come on down, come take a look with your own eyes and see what we do. I talk about this every day, and I love to review progress to walk through deals, explain it from our eyes, what we're looking at trying to accomplish. That's what I usually say at the operator, who is open and communicative and opening doors is the one that that I trust the most.

WS: Sure. Well, let's move to a few other questions. Do you have any predictions or anything for the real estate market over the next 612 18 months that you know steering your decisions buying, selling, you know how you're how you're moving forward?

VL: Oh, yeah. A crystal ball question. You know, I usually say, you know, the game continues no matter what the rules are, right? So you have to find solutions for problems, you know, solutions for the issues that we're having right now, which is pretty much Debt is difficult. And deal sourcing is difficult because of the changing environment. But I usually say, you know, stick to your standards stick to your base level of looking at an opportunity, especially with qualifying a deal or underwriting a deal, right? I usually say, you know, if people are giving you unrealistic kind of numbers, or things that don't meet a standard that you hold yourself to, or that you're used to hold yourself to, then someone's just pitching you a potential deal that may not go in the right direction, right? So stay with conservative underwriting, I usually say that's what we're focused on.

VL: And stabilizing deals are running operations and be ready, right, right now it's being ready to see what's about to happen over the next six to 12 months, when these opportunities that were purchased under short-term lending in 2019 2021, finally have to do have to make a decision, right, I look at what's happening now in the banking, things are going to come up now. And if you're not prepared, if you don't have insurances, if you don't have solutions for them, you're going to be forced to sell. And so we know that. So we're preparing ourselves and our partners alongside of us to say, Hey, stay patient, focus on what we can control and stick to our criterias. Because when we're calling about an opportunity, it means it checks all those boxes, right?

VL: So I say to everybody, just you know, we want to do this, and we're going to do this. And our focus is on creating legacy, creating long term wealth generation, it's not to turn it around quickly. And our focus is on that. And so we guide and focus on investors in the best wealth, developing strategies, which we think you know, real estate and syndication gives people opportunity to do that.

WS: When you're looking at a new project. Now, just give us you know, a couple of things quickly about how you're prepared for a downturn, you know, you know, what are a couple things, even as a passive investor is there, making sure the operators prepared, you know, in that conservative underwriting you're talking about or in other ways, you know, that, you know, hey, we're prepared if you know, if the market takes a major dip.

VL: Right, you want to have obviously, you know, strong reserves on your portfolio to weather some storms, right, you know, you have some fixed rate terms, you have some bridge lending terms that are going to come you know, what we, you know, we have some bridge products that we took on, but we bought, you know, caps and cap rates, Cap protections that we have, with cap rates no longer being compressed, and you're moving up and up and up. So we have some insurance policies in place that allow us to weather this 2324 storm just fine.

VL: And we also say that, like right now is not the time to push the boundaries too much. Let's keep our vacancies low, let's keep our properties flowing, that cash flowing, that is right, because that's what actually makes a difference in the lives of our investors. It allows them to pay their liabilities without having to put any of the work in, it's the magic of the whole thing. So we say let's keep it conservative, let's keep his cash flowing. Let's not push the boundaries too much. We don't want to go out there like the stock market, which we believe is a casino and start pushing our bets will be more or less just keep taking base hits and playing this game for the future.

WS: Right? What's your best source for meeting new investors right now?

VL: You know, we do a lot of word of mouth. And we have, we have a private mastermind for all of investors. And we always recommend that each one of our investors bring a new partner in to kind of communicate and, you know, we do a lot of educational things online, we're in all over social media, trying to provide value to our investors, educating, motivating, showing behind the scenes kind of things, you know, we like to network, and do a lot of networking events for folks. And honestly, we invite everybody to come and see what we're doing. A lot of people don't open the doors, they keep it all quiet. I say Come on, everybody should learn. If you're a partner of mine, and you're a part of this syndication, you are allowed and I welcome you to come in, come learn, come learn, we want you to take this model and replicate it. We want everybody to just grow together. That's usually what what we're doing right now to provide value to all of our folks in our network.

WS: What are some of the most important metrics that you track.

VL: I do a lot of time blocking in my day. And I have four specific things that are focused on in my day, I focus on my mindset, and my spirituality, I focus on my health, I focus on my legacy. And I focus on my family number one, right, all of that can be spread out to different branches of different things. But I focus on those metrics of my life every single day. And the people around me also focus on that if we keep focusing on those basic steps of life, everything will just turn out just fine. You know, real estate is real estate, there's gonna be ups and downs, there's going to be good days and bad days. It's all about sticking to a consistent, persistent behavior, right? Because consistent and persistent actions to me speak louder than words or opinions of others.

WS: How do you like to give back?

VL: Giving back, so I still practice medicine and I still practice about once or twice a month in earnest serve clinic and so I like to give back to my community that way. And, and I also you know, with doing value add and changing over communities, we also get involved in the

communities right, so we just recently got involved in one of the we have a community in the arts district and so we got involved with our arts community. And so we sponsored a really prominent artists to come out and paint a mural on one of our buildings. And not only to provide something back to the arts district, but also to provide a you know, a piece of art for our community to enjoy to be proud of when they come home, right. So those are the kind of things that we try to do is not really just about numbers, sometimes. It's about what you'd like to be proud of at the end of the day.

WS: Awesome. Victor, honored to meet you have you on the show, congratulations to you and your wife, your team, on your success in realizing hey, the American dream, it didn't look as great, you know, or dreamy right as what maybe we envisioned, you know, when we were younger, or you know, thinking about what that would look like, but congratulations on y'all being willing to step out of that right and pursue massive action. I mean, you all did 200 projects, then moving into you know, a very heavy multifamily value add do heavy lift anyway. And having success at that and continuing forward. Congratulations on that. Grateful to learn from you today. I know the listeners have learned a lot as well. How can they get in touch with you though and learn more about you?

VL: Of course, yeah, you can always reach out to us on our on our websites at 258cap.com. We're on every social media source at 25/8 Capital Instagram, Tik Tok, Facebook, LinkedIn, we're on YouTube, you know, we're providing education motivation, insider's look, so just feel to reach out to us in any of those or just follow us and to see what we're all about. We're pretty open book on those platforms.

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[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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