

**EPISODE 1619****[INTRODUCTION]**

**Nick Stageberg (NS):** There doesn't have to be this oppositional relationship between a property management company being a landlord and the tenant, I think if you just, if you really truly care about people, and you really want to serve people, everyone's heart opens, and all these all these barriers we put up, just go away, and you're able to achieve incredible things. And the crazy thing is doing the right thing. It turns out, it's an incredibly profitable thing to do. We paid \$11.1 million for that particular property. And we, I mean, we've never sold anything, we target an indefinite hold period. That's, you know, we've been doing this for 12 years, we've never sold anything. But we probably sell that today for, you know, 14 or 15 million. So that's, you know, like 1,000% AR or something like that on that deal.

**[INTERVIEW]**

**Whitney Sewell (WS):** This is your Daily Real Estate Syndication Show. I'm your host, Whitney Sewell. I have an exciting series, small series, here a couple of shows with a guest who kind of caught me by surprise a little bit, we have some similarities in our business, and in numerous ways, and our give-back. But I was pleased to get him on the show and to be able to dive into a number of things. They've experienced massive growth in a very short period of time, and are just doing some amazing things in their business and how they care for their people and how they are caring for others. And their give-back -- I love it.

His name is Nick Stageberg. He came from a software startup, he's the founder of Black Swan Real Estate, he's a CEO. He and his wife, I'm also going to have her on soon. Her name is Elaine. But ultimately, he was in tech for a number of years and experienced a big setback, what he thought was a big setback, and you're gonna hear about that, but then he changed his mindset on that and how it has been just the launching point for something so much bigger than I think that he ever expected.

And I know that you're gonna be able to, to relate to this story, that man, they have moved so fast or hiring people that they don't even know where they're going to put but that are just high-impact people that are doing amazing things and is pushing them forward in a big way. And we're going to talk about the Silicon Valley Bank collapse, and we're gonna talk about how, you know, all the way back to how they got started.

And what happened even at a Tony Robbins event that changed everything for them moving forward. They even quit their jobs, you know, before jumping into real estate and into personal growth like this and creating some big goals and it wasn't sure what they were going to do. But you're gonna hear even about a hard project that they took under contract and how they tackled

that even, you know, with a smaller team, but no, not much experience at the time. But ultimately, they went from three to 300 million in three years, right?

There's not many people that have done that and are pursuing that kind of growth, and maybe they're pursuing it, but most are not taking the action steps to make that happen. Nick and Elaine have done just that. And you're gonna learn a lot from him today. And tomorrow. Not many people go from 3 million to 300 million in three years. Our guest today did just that. I'm looking forward to diving in and hearing how he did that. I know you're wondering, Nick, welcome to the show.

**NS:** Thanks. It's an honor to be here.

**WS:** Honored to have you give us a little more about who you are. Maybe before 3 million. You know, what happened? What was Nick doing? And then let's you know how you did that? Of course, let's dive in there. And then we're gonna dive into many specific things about your current business to learn from you. But give us a little background.

**NS:** Sure, yeah. So I have kind of a diverse background, I find lots of people in the real estate industry. They came from, you know, different professions, different industries. I'm no exception there. I have a bachelor's degree in ministry and a Bachelor's degree in Computer Science. And I had the good fortune to lead to different tech startups through a very successful growth trajectory. Over a 15-year career in tech, the first startup, we went from 13 million in venture capital to 100 million private over the course of nine years. And the second startup, we went from a handful of employees to probably about 13 team engineers that I was leading over the course of three years. That was a startup idea for the Mayo Clinic, the entrepreneurship movement, just like how Amazon and Facebook, they're kind of too big to innovate.

So they sponsor startups underneath their umbrella to innovate in their vertical Mayo Clinic does the same thing. Doing a software development consultancy, though that would compete with outside vendors for contracts. but repetition is the mother of all skills. So going through that process of zero to 100 employees and massive organizational growth, revenue growth, made it really easy to do the third time.

So about June of 2019. Somewhere that in that territory is when I stepped back from kind of my last tech venture I thought I thought I'd kind of conquered every mountain there was to conquer and along the way built a small portfolio of real estate just buy in, you know, one house the next year or two houses the next year, that sort of thing, enough to you know, kind of put food on the table so to speak for the family if it came down to it. What's my first Tony Robbins event just happened to be like the day after I quit my job and Tony has a way of getting you psyched up and setting massive goals.

And I would say that's kind of where our current organization was born. We said you know this. This real estate thing used to be kind of like our, you know, our side hustle or you know, our

retirement plan. But what if that was like the next big startup. So you know, my wife is my full partner in the business. She's a physician trained at Mayo Clinic, just an incredible professional. We took sort of the culture of excellence for medicine and tech and applied that to real estate.

And that's kind of how our company was born. And I would say just that, that background, having gone through a couple of really successful startup organizations and been a really powerful business partner, is what kind of allowed us to grow our company so quickly and so successfully.

**WS:** So having a business partner is what allowed you to grow so quickly and so successfully. I want to dive in there in a minute. But you know, you mentioned you all went to an event and you set some big goals at a Tony Robbins event, but you'd actually quit your day job before that. Is that right? So what was the plan? Maybe before you set those big goals? What was the plan? You know, quitting your day job, you had to have planned to do something, I would think but what did that look like?

**NS:** I think that many people, when they've worked in a career for you know, I had worked in that career for 15 years, I felt like I was meant for more than this, or there had to be more. And I was very happy with my job. And there are at least 100 people who tried to talk me out of quitting because I had just a fantastic job as well compensated and I was able to create tremendous good for the world.

So I was working on really cool projects for the Mayo Clinic, a heavy particle accelerator trying to fix the opioid epidemic, you got to work on really interesting problems. I just felt like there was more out there, and we had enough money, that wouldn't be a financial hardship for me to step back. And I don't know, I figured I'd be retired for longer than I ended up being retired. Think I was retired for all of you know, 48 hours or something like that.

But I really actually didn't have a significant plan for income or career. I thought maybe I was retiring. I don't know. And maybe I'd spend more time with the family and the kids and my health and travel, that sort of thing. But just that was not what was in the car.

**WS:** You had to go mess that up by going to a Tony Robbins event.

**NS:** That's right. And I, I know myself so much better today, the last several years have been a journey of incredible personal growth. I know myself today, I know that I'm really never gonna retire like this is, this is just who I am. This is when I'm really thriving, the most leading the biggest life I can possibly lead.

**WS:** Yeah, that's awesome. You said you've mentioned a journey of personal growth, give us one or two things that helped you to grow personally. And I'll ask you, or I'll tell you, I mentioned this book all the time on the podcast, and it's a book by Brian Tracy called "No Excuses!: The Power of Self-Discipline" and I usually tell the listeners, I should read this, like, at least once a year, it's just a good like, kick in the tail, you know, and motivational all those things. And but it's

just a lot of truths, you know, about self discipline and personal growth. And so what were a couple of things for you that helped you to keep pursuing personal growth.

**NS:** Sure. So, you know, most people, they don't really dive into personal growth, at least men until they're at least 35. And I guess I kind of live lived out that statistic. And that's kind of a challenging story. But I came from kind of the very adverse background, you know, was, you know, homeless as a child moved out on my own when I was when I was 14, and really kind of powered through by, you know, grit and, and the grace of God. And through all of my entrepreneurship journey, I had made other people extraordinarily wealthy, but I never never really, truly made myself that wealthy.

That's just not how things shook out. So like that first startup, six months before the company was sold, they terminated me sees my stock options. And I had like, like PTSD, like I relived that, you know, that last day, where I was terminated, you know, over and over again, you know, like, every night when I would try to sleep. And I had a big chip on my shoulder, about the whole thing that I needed to be successful despite someone or to prove it to someone. And I still remember that first Tony Robbins event, and Tony gets into a peak state. And he says, 'Okay, I want you to think of the worst day of your life, I want you to think of the worst thing that's ever happened to in your life.' And immediately my mind went to that day that that I kind of lost it all, so to speak, in that in that first tech venture.

And Tony goes, 'Now, not saying this was true, but what if it was my hallucination is, what if that that worst day of your life that worst thing that ever happened? What if that was actually the best thing that ever happened to you? How would that change the story, you tell yourself that the narrative of your life, how that change how you carry your body, like you feel a little more relaxed, just with the hallucination that that's actually the best thing that ever happened to you?' And I thought about it for a moment.

And I realized that that is the truth. And today that is my sincere belief that getting fired from that startup is the best thing that ever happened to me and I had a very significant, you know, short-term financial loss. But like this sounds absurd to say, but I might make as much in a month today, as I made in a nine year career with that first startup, because I kind of had to lose it all. Once we lose everything, we're free to do anything. And I sincerely thank God that that was ripped away from me, I held on to it so tightly, how often do we, in common company say, you know, oh, yes, I am a tech startup guy, whatever your career is, that becomes your identity. Like, that's who I was for years. That's who I was. And even if I gotten that windfall, even if I'd gotten that big payday that I was supposed to get, I would have just rolled it into the next startup, and I'd still be in that tech pressure cooker world, I'd still be working there today or whatever the next turn, you know, the the next evolution of that of that, you know, chain of private equity buyers would have been, and I wouldn't have embarked on the personal growth journey that brought me to where I am today. So I am so so so grateful that that happened to me. Spiritual gifts are always born out of spiri

tual pain, like, like you have to have the breakdown before you have the breakthrough. And you know, if there's kind of one big lightbulb moment, I think that's probably the biggest one that I would point to right there. And if I had not had that moment, maybe I'd be successful today. I mean, I'm sure I'd be, I'd have some level of success. But nowhere near the level of success I have today. And I'd have nowhere near the happiness, the fulfillment, the satisfaction I have that so many people out there that are successful are driven by spite they're trying their daddy.

**WS:** Yeah, some of the biggest billionaires, some of the, you know, most wealthiest people that I've read about, I had some of the worst childhoods you could possibly imagine. Right? I mean, they did and they did, they came out fighting. Because of that childhood. It makes me think also, when you said, you know, being broke down forever breakthrough. It's interesting, the questions you ask as well about your worst day that you know, Tony asked, you know, then what if that was your best day and the man just that mental switch, right, that man, and when I think about it differently, what can happen, but it made me think of even a boot camp, you know, like military boot camp. I know, for me, you know, that was a time of like being broke down, but man being built back up.

And he came out a different person. I mean, you do, but it's really because of the mental change, right? It's yes, you're stronger because of it. But you know, that strength, the physical strength doesn't always last, but man that the mental things that I learned through military and boot camp, and being overseas for a year, all those things, those difficulties and childhood things that happened with me as well changed everything for us. All right, for me, and for our family, and my family, you know, and our business and all these things. So I can completely relate. I'm grateful that you shared that story.

Because I'm hoping that the listeners will ask themselves that same question, right? And so I want to dive into your business that a little bit, you know, you went from what I read a half dozen employees to the 30, you know, in the last year. And so give us a little bit about your business. And you know, let's dive into how you did that and why.

**NS:** Yeah, sure. So we're a very mission-driven organization, a very kind of values-driven organization, very spiritual organization. So we have, we have kind of a radically different structure to our private equity fund, we have of no fees whatsoever. 100% of our profit goes to our investors until they've gotten a full return of capital. And then it's a 50/50 split after that. So I think we really put the needs of our investors ahead of our own in the mathematical kind of sense of the word. Five percent of the profit from our organization goes to charity.

We built a school last year. So I thought that was like the coolest thing I've ever done in my life. I abandoned a 40,000-square foot office building and did an adaptive reuse, converting it into a school that my children now attend. Along with hundreds of other kiddos 5% of our profit goes back to our staff in a profit share. In all that we do, we're asking ourselves, How do we create more real tangible value for our tenants for our investors?

So just how do we create as much value and I think that that relentless focus on value creation on service is what you know, what's allowed us to grow so quickly to raise capital at a time when, you know, it's been challenging for some people to raise capital to, to find really good deals, because I'd say we're willing to work on the difficult problems that most people aren't aren't willing to touch. And we bought a, you know, a 100-unit townhome subdivision a few months ago, where 50% of the units were in rent collections. And, you know, any assumption you can make about that community, probably accurate just with that one piece of data. Like we own our property management company, we're vertically integrated.

You can't hire a third-party property management company to take over a property like that. That's something where you, you have to have a servant's heart to dig into something like that. And we've been able to turn that place around so fast. It's unreal, just by going door to door and saying listen, we're so sorry that the previous property management company you know, failed you and did not help you stay accountable and now you're, you know, \$7,000 behind on rent, you know, we're here to serve you.

There's no judgment in our hearts. You know, if we can help you get caught up, great. If you decide the best thing for us to have a clean slate you can leave any time, give you a refund of your security deposit or prorated rent refund will forgive your back debt, whatever we can do to help you get a new start and move onto the next stage, whatever that looks like.

There doesn't have to be this oppositional relationship between a property management company being a landlord and the tenant, I think if you just, if you really truly care about people, and you really want to serve people, everyone's heart opens, and all these all these barriers we put up, just go away, and you're able to achieve incredible things. And, the crazy thing is doing the right thing. It turns out, it's an incredibly profitable thing to do. We paid \$11.1 million for that particular property. And we, I mean, we've never sold anything, we target an indefinite hold period.

That's, you know, we've been doing this for 12 years, we've never sold anything. But we probably sell that today for, you know, 14 or 15 million. So that's, you know, like 1,000% AR or something like that on that deal, if in some sort of hypothetical sales scenario. So I don't know. So there's a couple, you know, anecdotes or whatever, to give you a little bit of background about our organization. And, you know, I think the values that have really driven us to where we are today.

**WS:** I wanted to highlight some of the things you mentioned right on the structure. And is this every deal is every deal? Are you doing single asset funds? Are they doing it? Are you doing large, multi-asset funds, clarify that or both.

**NS:** And so our journey has been one of service and I come from the tech world. So it's all about incremental improvement and growth. So we manage our company the same way I would manage an agile software development project or something of that nature. So we iterated towards success, we had kind of a small portfolio to start with. And we were at this point that I

think every real estate investor gets to where they have enough properties, that it's a hassle, but not enough that they really have the economies of scale and levels of management and stuff that, you know, it seems like the pot of gold at the end of the rainbow was awfully far away. So we said we really have three options.

So we can hire a third-party property management company to manage our properties, were self-managing, I don't know 20 properties or something like that, or I had the bag of tools in my van and I was driving around, you know, when I was not managing 13 teams of engineers, leasing units and doing maintenance tickets and stuff, we hire third party property management, we could sell our properties to become, you know, LP investors in other people's ventures, or we could start a property management company, and do third party management for other people.

And that would help us kind of race to the economies of scale that we would need to really build a team and I love building teams. So we started the property management company, starting from third-party property management, just over-delivered for all of our third-party property management clients. I think most people most of the time hate their property management company, that's just something about the way...

I think there's a misalignment of incentives, and in most property management kinds of contracts and stuff. But it's not hard to win business. And then those people that we just over delivered for those became our first investors or first partners, and we said, Okay, we've turned around this property that was failing, and we've made you a ton of money, and we're saved your bacon, like, Would you like to come in and invest with us on this on this apartment building? We want to buy here, and we start doing joint venture partnerships, until we had so many of those going, that started to become, you know. I think we had like five different, you know, JVs, under contract at one time, we're like, this is getting kind of ridiculous.

So we launched a private equity fund. And now we've had, you know, multiple rounds, that private equity fund. And you know, we don't get too fancy with it. So you know, all of our investors, they put that money into a bucket, and then we go, we deploy that capital. And we've, overtime, refined that structure I just described where there's no fees, we don't take any profit until our investors could afford to own capital, and then a 50/50 split for that we target an indefinite hold period, it's a business model. So instead of targeting a sale, we target a cash out refi to return capital to our investors.

It's tougher, it's easier to sell than it is to refi. But if you can get to that infinite rate of return, where you have no money in the deal, and then you can roll that into the next deal, in the next deal, you're able to exponentially grow your equity. And this is the business model that we've been using, you know, over and over again, you know, at first with our own personal portfolio, and then when we decided to start working with investors here just a few years ago, so as we've grown, we've pulled more legs of our of our empire, you know, in-house, so we have in-house maintenance, in-house full-time facility staff,

**WS:** Speak to the investor that that works for, you know, just like an infinite hold period. You know, obviously, you know, they many will ask about, you know, when obviously, do I get my funds back, you know, and it sounds like you get that as well, and you're looking for that refi to be able to do that. Just talk to that a little bit about what kind of investors that worked for maybe some of the typical questions, you know, that you would get from investors on this kind of structure?

**NS:** Yeah. So we think this is a generational wealth vehicle, essentially, this is the kind of thing that your children will inherit. And people often ask, okay, how do I get my money back? Well, I mean, you get your money back, actually, quite quickly on the front end of the deal. And then at this point, you have to ask yourself, I have all my money back, I keep getting these checks. If I were to cash out of the deal, so to speak, if I were to, you know, like to sell my remaining equity in the deal to someone else.

You're gonna have like, like a tax liability event associated with that you're gonna have a capital gain and you're going to recapture depreciation. And you'll come out ahead, but it's not going to be a huge difference. We joke, you know, why would you ever want to kill the golden goose and we're Black Swan Real Estate, so it's a fun, fun metaphor to use there.

So the investors who get it like they are, they're all in, we are their favorite investment vehicle investors that are looking for, you know, kind of a short term play, and they're nervous about being invested in something for the long term, you know, we're not a good fit for them. And that's okay for us.

But this is a kind of thing that you would pass on, you know, to your children. And at some point, we will sell at some point, we will get, you know, an offer we can't refuse from Blackstone, and, and, you know, we'd be remiss not to accept such an offer. But we're never targeting a sale. I mean, we get offers, you know, all the time, but we're I don't. I don't see us ever really listing our properties.

**WS:** Wow, no, that's incredible. Just to think through that growth, and just holding on, you know, forever, and not ever planning to sail. It's just a different business model than it sounds very interesting. I love to give back as well, you know, that just dedicating the 5%, you know, going to charity, and even back to the staff to speak to maybe that a little bit, you know, how's that structured, as far as even the gift back, you know, to charity, and the staff?

**NS:** Yeah. So we have a lot of things that we do to serve, to give, for example, we have a course for anyone. Go to MeetBlackSwan.com. And check it out, it's a pay what you can model, and 100% of the revenue goes to charity. We shoulder all the expenses for that. That's just our way of giving back. We see it as just our way of serving the universe, we give away our whole playbook, we joke, we call that the cookbook.

So if you want to do what we've done, like go check out the course, give what you can to support it, again, harvested revenue goes to charity. And then if you implement our business



model, and somehow put us out of business with it, I think that would make the world a better place. I'd probably be just as excited as like Elon Musk, if Ford put him out of business with electric vehicles or something like that. So we joke, we call it the cookbook, and then our private equity fund, that's the restaurant. So if you take a look at the cookbook, and you say, Man, this looks delicious, but seems like a lot of work.

And it seems like these people know what they're doing, so we're gonna go to the restaurant and check it out. That's your option there. And that that course is essentially like our operations manual for our team, we have the light fixture we install in the flooring we install and how we get the debt and everything in that course. And then we just love to give back. So you know, I mentioned, you know, building a school here.

So every morning, I dropped my kids off at this school. And that is the best moment of my day there. My wife serves on the board of directors who found a scrappy startup school that was in the basement of a seven-year-old church building. And it wasn't exactly the greatest facility to enjoy. And we thought, man, what if our kids don't even go to school, but we really liked the energy. You know, the principal, like their school uniform, says gratitude is my attitude. There's no signs on all the walls like the power of yet, you know, I don't know how to do that yet.

Or I'm not big enough yet. There's mindset training from the youngest age, my three year old came home or I'm sorry, a four-year-old came home. And he doesn't know how to write yet. He doesn't know how to write words yet. We had this grid, this little 12-blank grid. And he had pictures that he had drawn with crayons of various things. And I'm like, Well, what is this? And he said, Well, this is my goal for the year, down to 12 things they wanted to do or experience or whatever, throughout the year.

And so he wanted to ride his bicycle in the summer, or maybe get a new bicycle. And so we went through his goals for the year, like, I didn't even know goal setting was a thing until like five years ago. You know, I'm 39 years old. So I can't imagine what your life is like, when you learn how to set goals and learn mindset before you even know how to write. But I think the kids are gonna have some interesting outcomes. I just felt like something that I felt called to support in a big financial way.

And I don't know how to run a school. It's not something I have the heart to do. But I would love to build a school to use my real estate skill set. My wife serves on the board of directors and we do everything we can to support them. But you know, we were building a local homeless shelter, and we're helping them upgrade the residential commissioned kitchen to a commercial kitchen. There's another, it's a shelter for women and children. So not a homeless shelter. But I guess I don't know what . I guess it is kind of a homeless shelter.

**WS:** The profit share - I love that, you know, as far as to give back to employees as well. How's that structure? What does that look like?

**NS:** Yeah, so our employees get 5% of my wife and I's equity in all of our ventures, basically, as a discretionary compensation scheme. You know, trying to do something like a profit only interest or whatever can get legally complicated. There can be tax consequences to people receiving equity, but not yet receiving income.

So I recommend just doing it as a discretionary compensation scheme. And it's a very significant amount indeed. So I'll go ahead and calculate here's what equity we have in the whole enterprise and here's what this individual equity is based on their years of service and role in the company. So that if we were to sell the whole portfolio today, you would get a check for X number of dollars, and it's a fairly significant amount of money, especially for our staff who have been with us for a long time, a long time being you know, two years, so they have a huge incentive to make sure that those those assets deliver at least once a month we do education talking about net operating income and how when we can, you know, push rent an extra 25 bucks a month or reduce expenses on you know, cleaning or maintenance, that has this hugely exaggerated impact on the value of the asset.

Everyone in our company from doubt down to our cleaners understands our business model and how it's a race to get to a cash out refi. We do that by improving the net operating income of the business. And by getting to where we return on capital to investors, that's when we profit. And that's when we can hand out profit share checks to our staff. So there is like, you know, very perfect alignment of incentives.

And in the moment, staff can see, okay, we really knocked out of the park on this asset, I can see I can feel how we turn this asset around. And now I'm getting a check, because that outcome was achieved. So we really love to just financially reward our staff period. But we also really love to align incentives, so they understand how the business makes money and how they financially benefit from the business making money.

**WS:** Alright, Nick, there's so many other things I want to get to. So let's continue to another episode, I just want the listeners to know, you know, we're gonna dive into a couple other things that Nick is doing at their business. And they went from a half a dozen to 30 employees, or you know, all these things. And what was it three to 3 million to 300 million in three years? I want to learn more about those things. But you'll have to come back tomorrow to do that. But before we do, Nick, how can listeners get in touch with you and learn more about you?

**NS:** Yeah, anyone here can go to [MeetBlackSwan.com](https://MeetBlackSwan.com). We have a link to our mailing list. If you want to sign up for that. We do an educational event almost every week, you know, several times a month. We actually just did a webinar last night to you know, on the spot webinar on the Silicon Valley Bank collapse and how that impacts real estate investors. You know, all of our educational content is 100% free.

People are welcome to donate if they want to, but 100% free. There's a link to my calendar. If anyone wants to just block down my calendar, I'm happy to connect and offer value anyway I can. We don't have any investment options that are open right now. But there's a waitlist for

when our next investment opportunity opens up. You can be at the head of lists when that comes along. So lots of ways to connect, just go to [MeetBlackSwan.com](https://MeetBlackSwan.com).

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

**[END]**