EPISODE 116

[INTRODUCTION]

Charles Carillo (00:00:00) - If you talk to the big money, you talk to family offices where they're putting money. Yeah, they'll put some money in the short-term rental over here, you know what I mean? But they're really chunking down into the multifamily.

Tejas Gosai (00:00:12) - Ladies and gentlemen, welcome to Real Estate Investor MBA. My name is Tejas Gosai, and I've had the honor of helping hundreds of investors achieve the American dream by creating generational wealth through real estate. I've spent the past few years interviewing the most knowledgeable experts I could find in the business to cut your learning time and conquer the hardest subjects in the game. Check out rei.mba, which my team and I have packed with over 75 interviews and free access to our real estate roadmap, webinars and publications. If you're listening, I am rooting for you and you're already on your way to financial freedom. Cheers and happy hunting!

[INTERVIEW]

Tejas Gosai (00:01:10) - All right. We're here with Charles. I try to get the best guest on the program. As you've seen in the past few episodes. We're amping it up a bit. Charles, thank you for being here.

Charles Carillo (00:01:11) - Thank you so much for having me on. It's great to be here.

Tejas Gosai (00:01:14) - For sure. We have a lot to get into first. You're very busy, man. Can you bring us up to speed on how you got here and definitely share the story of your growth? A lot of our listeners might have not invested in real estate yet and keep barking at them to do so, but welcome to the show. Let's hit it.

Charles Carillo (00:01:32) - Sure. Yeah. So a couple minutes' background on me is that I'm originally from a small town in Connecticut, grew up in a real estate investing family. My dad was a multifamily investor. He started a few months after I was born in the mid-80s. That was my second education of going around with him. He self-managed properties. These were D-class and C- properties. So less ideal properties, ones that you probably don't want to be investing into. And difficult properties, difficult areas, difficult tenant base. Everything was difficult. And so as he started growing in his business, he started buying better properties.

Charles Carillo (00:02:00) - And when I got out of college in ‘06, I purchased my first multifamily property, which is now they call house hacking. But back then it was really just buying a property, multifamily property, living in one and renting out the others. And that's exactly what I did, was a three family property, purchased it, I rented out the other two floors, and then a couple of years later, at the beginning of ‘08, I did it again, or at the end of ‘08 I did it again, which is a much different time between the end of ‘06 and the end of ‘08 and then off to race there. And in ‘09 there was a ton of commercial properties that came available because of everything that happened with GFC, in 2009, 2010, I purchased my first commercial property, which was a mixed-use property. So like apartments on top and office on the bottom, which you'd see in any kind of city center, so normal kind of configuration and then grew from there.

Charles Carillo (00:02:46) - A couple of years later I moved down to Florida in 2012, where I've been since. All those properties. I put in charge of a third-party manager because I was self-managing myself for those six years.

Tejas Gosai (00:02:54) - Isn't that far?

Charles Carillo (00:02:55) - Ah, in the beginning it was really overwhelming and then little by little I started doing some delegation, which I should have done delegation earlier. And it's like everybody says, right? No one's like, you know, I delegate too early. It's always like, you know, you brought on people too late. And which is fine. I mean, you learn your lessons and now, you know, when you talk to people that are newer, you tell them, listen, get someone to do all this stuff and, you know, don't deal this and get a bookkeeper and all this stuff that I hated doing. But I did. To have third-party property manager really kind of shed light on because my dad never had one before. So for all the decades that he was investing, he never had one. And so it was something that when I brought it on, it was much easier for me to focus more on, you know, what? I was doing my business, which was I had online business, which is at this point my, my main source of.

Charles Carillo (00:03:39) - And then I was investing in real estate on the side, and it allowed me really to focus in my real estate business on, on really buying more properties. So once getting down to Florida, started looking and purchasing larger properties, and really a few years after that to like 2018 or so, we've really been focused mainly on syndications and here in the southeast. And so that's really where we are now.

Tejas Gosai (00:04:01) - What kind of properties? Yeah. How big? Asset class? All that fun.

Charles Carillo (00:04:05) - Our our box is really 1985 or newer, B-class properties and a 100-unit plus. And I mean that can change a little bit. But the main thing is ability to have two on-site people without it costing a ton. You know what I mean? Because if you go down too small, you can't have the people on site there. So it's really, you know, let's just say 80, 90 or above, really. But really when I would tell people it's 100 plus is really what we're focused on, and 1985 or newer, all the stuff I'd been buying when I started all that, like it was like really old C-Class. And there's just like continual issues with it. We're out of all of our C-Class properties now, we're only in B-class. We sold our last one a few months ago and.

Tejas Gosai (00:04:45) - Congratulations. That's a big deal.

Charles Carillo (00:04:46) - Yeah. Thank you, thank you. Yeah. I mean we've been selling, we sold six properties in the last year and a half. So mainly all C-Class properties. But it was just something that it's harder when you're working with passive investors, investing with you and dealing with C-Class properties. They're a little bit more volatile and the cash flow isn't always consistent because of the demographic of your renter base. You know what I mean? They don't have as much money. They don't have savings. You know, everybody reads all the articles. You know, 60-something percent of people living paycheck to paycheck. And I read an article earlier this year and it was like $400 is the average savings that a C-Class resident has. So even if you're renting apartments for 900 bucks, or even if that's $1,000 and you're renting apartments for $1,000, I mean anything, any little disruption, they lose one day a week at work and you're getting rent late, you know what I mean? Because they're not paying Netflix. They're paying you late.

Tejas Gosai (00:05:36) - You know what, though? That's great because not that many people look at it that way because it's always like, I can jack the rents, I can do this, and they're going to be fine. But you're right, because what you're underwriting is the tenant.

Charles Carillo (00:05:48) - Exactly.

Tejas Gosai (00:05:49) - And you got to step back for a second, though. You went from these smaller units to these massive units. Was there a progression? And that was 2018 to like 20-ish.

Charles Carillo (00:06:01) - Yeah. So just like dealing with still smaller multifamily ones getting down into Florida and small what I'm saying like right around like ten, 12 units and stuff like that that we are working with. And then, you know, our first syndication wasn't 100 plus units, it was 59 units. And it was actually we did it in two sales purchases where we had purchased a 32-unit. And then we purchased a portfolio of 27 units around it, which was all three and four-unit properties. So it was like a mismatch of a ton of work, but a mismatch of it. And we sold it all off. We thought we were gonna sell it off as one, but we sold it in 2021 and it was just hard to sell it as it was. So we sold off some off to some doctors and some off to another investment company, but or dentists or something. So it was difficult doing that. And I wouldn't suggest the portfolio model, but it was something where we were able to get the units. It was very inexpensive, you know what I mean? It was like 60,000 or 50-something thousand dollars a unit, put a few thousand dollars into them, got all the new management there, everything like that, and we were selling them for over 100,000, you know what I mean? A unit, so.

Tejas Gosai (00:07:04) - It's brilliant. Where did you go from working with your own capital, your family stuff to outside investors?

Charles Carillo (00:07:12) - One thing about that is, like my dad was when I started investing, it was something that it was always kind of like an arm's length mentor. My dad never lent me any money for any of my properties, and he invests now with some of our properties. He's in like 2 or 3 of the ones that we're in now. But it was a turning point was right around like 2017 when you would just be like tapped out and you start seeing deals still, you know what I mean? And it was just like, that was something. And I was speaking to a mentor of mine. He was like, the only way you're going to be able to do it is by raising capital. And it was something that I like because I learned about syndication originally in 2008, somebody sent me a book and I was reading it, and I was like, oh my God, this is like terrifying. Yeah, ask people for money and everything that goes with it. And it's like, oh my God, this is these are big amounts of money, too. It's not like a thousand bucks, you know what I mean? So, you know, I was like.

Tejas Gosai (00:07:58) - You switch from that whole like it's okay or whatnot to, oh my gosh, I have to look at myself in the mirror and all these people are relying me and it's millions of their dollars and they earned it. And so you got to make the right decisions. I'm a fund manager. It's really tough. People don't realize how difficult it is personally to take on the role, but continue.

Charles Carillo (00:08:18) - Yeah. No, I definitely agree with that. I think it's more difficult to working with the investors than it really is working with the properties in most things, because the properties, you have a set system, I'm getting a lease roll, I'm getting a rent roll every week of what we've done, what we do, and I can make decisions. Oh, we're not renting anything on apartments.com we'll put the money over here, what we're doing here. And that's much easier. But then we're telling someone, we just went through the whole Covid thing. We dealing with a lot of distributions being paused, you know what I mean? A lot of all that conversations, those are very difficult conversations, especially when people are like coming on board and telling you what they have in their mind that they're pretty much investing into some sort of annuity.

Charles Carillo (00:08:53) - Right. That's one thing I really hate about the whole syndication model, or most syndicators, is it's sold like that and you're like, no, it's like we're going to send off excess cash flow, you know what I mean? Our goal is, you know, it's going to start like 4% a year. Our goal is to get the 7 or 8% a year. But like, it just doesn't always work like we're buying a business, you know what I mean?

Tejas Gosai (00:09:10) - It's nice of you to say it that way, because I see all this marketing now that things have changed over the past few years. It's like, you're going to get this, you're going to get this. But they don't say that. You have to fund the entire project, and your money is going to sit for a long time, and you have a lot of those issues. How did you structure things? Did you build a fund per property? Did you build an overarching fund? How did you pull this off?

Charles Carillo (00:09:31) - Yeah, so when I started our first ones, we were doing myself in like three other partners. We had put together a just a regular syndication per property, and it was much easier to raise for that. It was in Tampa, which was a growing market, same as it is today. It was much easier to get people on board, you know what I mean? And we were raising like a couple of million bucks. I think it was like 1.8 million. I think for the first deal, it was a lot of money. It was the most money I've ever raised. And I mean, but that's one thing you learn about. It was my real first deal of working with partners that were not my brother, you know what I mean? So it was something that it was difficult because people are like, oh, you know, everybody raises this amount, blah blah. And I'm like, all right, got mine all set. And mine was all set because I had people pretty much asking me for years to invest, and I had no idea how to do it. And it was like, you can't JV, you can't do this, you're going to get in trouble.

Charles Carillo (00:10:12) - So I was like, okay, I don't know how to do this. So like syndication, I had everybody lined up and then my partners, there's two of my partners. Their raises came in short. So like, all right, I'm back on the phones every day. Yeah. Making up for everything. So it's like it was a ton of work. It was. It was a mess, you know what I mean?

Tejas Gosai (00:10:27) - I'm happy you're mentioning that too, because a lot of people, I was a cold caller to get into the real estate business. And it was. Yeah, it was horrible. Like, yeah, but I eventually liked it, you know, dealt with the objections and got really behind the product. And that was more of the sales. It wasn't really like, let me try to sell this. It's like, look, here's what I'm doing, here's exactly how I'm doing it. And that's how you got to be as a fund manager. I get the same calls. It's like, hey, the world is blowing up. What are you doing to make sure that my investment’s okay? It's a 45-minute long conversation. You can't just dip a report or send PNL. Unless people really want to hear that you are mitigating their risk and it's not easy. I'm so happy you mentioned that it is ebb and flow.

Charles Carillo (00:11:09) - Yeah, it's difficult. Like you said, at that point, you were just we were raising for first deal. So I didn't have anybody else. I was managing investor-wise, but it was something that now you have it and you're raising it, and then you're raising money from people, and then they're talking about investments they already have with you. It's a it's a lot of work. It's a lot of work to keep everything going, but also, I mean they've invested a lot of money with you. You told them what you're going to do and you got to make sure that you do it. You know what I mean? And if something goes astray, you really got to tell them immediately what's happening.

Tejas Gosai (00:11:37) - Yeah, absolutely. Prudency. It's like, just be obnoxiously blunt. And it's fun to be regulated by the SEC, all that great stuff. But here let's jump into the next part. So who are your investors? Where are they located? Where are you specifically buying assets?

Charles Carillo (00:11:53) - Yeah. So where we specifically buy assets is how our model is set up is that we work with three different operators and we cooperate with them. And they are boots on the ground in our markets, which is Dallas, Greater Atlanta. And then also down here in Florida. We'll work a little bit more alongside them. Boots on the ground. Like Tampa. Tampa is very difficult, but really Jacksonville, Orlando, Tampa, that whole what we call the I-4 corridor down here. And those are the main places where we are where we're buying property. And it allows us for our investors. It gives them a little diversification of markets. Everybody. When you hear Florida people say everybody's moving there. And then the next thing out of the word is hurricanes. You know what I mean?

So it's like and people from Florida don't really you know, they're used to it. So it's not like a huge thing. But people outside of Florida like I want to touch the growth, but I don't want to like get involved with hurricanes. And but it's also like so you can give diversification to your investors by offering deals in other parts of the country that are still growing at the same clip as a southeast. So our investor base is mainly professionals and entrepreneurs, I would say mostly entrepreneurs or just yeah, accredited investors, mainly. Yeah, we do 506-Cs mainly. And then we'll have like a 506-B, it's maybe like one a year as we used to do it. Everything slowed down.

Tejas Gosai (00:13:05) - Let me act let me act a little bit differently. So what is a 506-C. Why is it different than a 506-B.

Charles Carillo (00:13:10) - Sure. So the C is what's called for accredited investors only. So that's for a person that makes $200,000 a year and or with their spouse like, legal spouse, $300,000 a year for the last two years. And then and or they are worth $1 million, not counting the equity in their home, which is usually the killer for a lot of people. And then the 506-B is really for sophisticated investors that don't meet those other accredited investment standards. However, they do have knowledge of business or real estate or they've been around business at some point. That's what's considered a sophisticated investor.

Tejas Gosai (00:13:45) - And those are the two. That's pretty much it. That's the world of syndication. It's you're going to go this route or you're going to go this route, and then it's like 560-C advertising 506-B. No.

Charles Carillo (00:13:56) - Yep. That's that's the last thing I was going to say. Yeah. Exactly. That's the two main things. So you see someone advertising something that's a 560 or it should be. And then if they're not and it's like friends and family, 506-B is really your country club type thing. You know what I mean. So you see somebody out and you're asking them you have a pre-existing relationship. Let's get into the SEC terminology. Right.

Tejas Gosai (00:14:15) - Well, it's neat to hear this because let me recall what you were just saying. You had people asking you to invest. And that's like the cream of the crop. As a real estate guy who wants to do larger scale or build up, how did you get people to want to want to invest with you? And then, you know, follow me to the path where you created the first vehicle to do it?

Charles Carillo (00:14:38) - Yeah. So, you know, after doing it for about 12 years, I was just like, you know, real estate. I just feel as, you know, it has to be for me, it's the best investment vehicle. And multifamily is just my favorite. I just feel it's I've seen for many decades. Yeah. And I understand there's all these other. He's all you know, there's so many other different strategies out there. But when you get down to it and if you talk to the big money, you talk to family offices where they're putting money. Yeah, they'll put some money in the short-term rental over here, you know what I mean? But they're really chunking down into the multifamily and it's just what it is.

There's no government regulations in the sense of I don't have to worry about, you know, my town hall getting together tomorrow and shutting down my whole business. Short-term rental hassle. You're owning these assets. People need more of them. We have such a lack of them. So no one's getting rid of them. They just want more of them. They just come to you. How can you make more of them? Well, it takes three years. Need all this other stuff. There's a huge demand for it. And then also when you're talking to people about that, it's just one of those things is that you'd get people that saw what you done and they see the properties you've done. And, you know, I had friends who would ask me about investing into them. And I was like, well, you know, this is what you do. And I was like, just like, explain to them to be active. And these people were never going to and they never should have, you know what I mean? They're just like, you, too busy, you know what I mean? And it's just it's like, okay, they want the diversification. And they're like, oh, I'm a little scared. You know, I want the variation, but I don't want to get in there.

So I was like, when I started getting involved and I passively invested. And then I was like, all right, this is how it works. I see exactly how this goes. And then when I did my first one, and you had partners that were working together and we had all of our roles up, that was one good thing we had. We had all roles set up and we had done, you know, you vetted out your partners very well. And I was living only like a half hour from the property, too. So I had all these boxes, like checked of keeping an eye on everything as was going. And then I just had people that were like, they want to invest. And every person that said it did invest, which is very weird. It's not a normal thing for it. You know? Then as we did additional deals, we did a deal like a year or so after that.

And that one was it was more of a normal one, you know what I mean? Where you had investors come in, they give you a soft commitment and maybe 25% or so back out or change their mind for whatever it was. So, you know, all these different things are changing, but it's just one of those things is that people know what you're doing. And I can see how people on their first couple deals using social media, because I never used it back then, and I was just doing word of mouth and how much powerful it would have been because they would have been following you, you know what I mean? And being like, I want to do what they're doing. I want to get involved with this. I'm interested in learning more. At least you know what I mean. Yeah, just telling everybody what you do. Some people will be interested in learning more.

Tejas Gosai (00:17:06) - Yeah. Which one do you go with first though? 506 B or C?

Charles Carillo (00:17:10) - I did B.

Tejas Gosai (00:17:11) - Nice. Yeah.

Charles Carillo (00:17:12) - The right way to go.

Tejas Gosai (00:17:14) - Yeah. Bring me up to speed. So like now we're here. You are managing. You have your territories, you have investors. People are a little bit weary. So they need some conversations. And then articles, exhibits, information on on how things are going. So what are you doing right now? Are you still buying or are you, you know, afraid of rates? Where you at?

Charles Carillo (00:17:35) - I kind of sat on my hands in the early 2010s, just kind of seeing where everything was going and then jump back in. And that was not the worst thing I've ever done in my life. But that was something that I kind of changed my mindset with a mentor of mine that was like, you should always be buying, you should always be looking. So that's exactly kind of what my mentality is, is always looking at deals. People send me deals. I'm going to review them with our group here and see what we want to do. Many of them are all the ones that we found over the last like 3 or 4 months. We've all turned down. And so it's just, it just has to. If you're buying with any type of uncertainty, you just have to get a lower price. And that hasn't come through on the hand for most of it.

Our last deal that we closed was at the end of 2022, and that was in Dallas, and we got a deal there, and it was about 10 or 12% off of what it was sold for a year before. So when you're getting that kind of discount on it, that's something where you're like, okay, this is a much safer setup here. This is, you know, you're really alleviating risk and taking away some of that downside. That's one of the big things if I'm getting stuff like that. But then you see other stuff and I see stuff coming across and I'm not buying stuff inpre-1980 or something like that did that for many years. As the property gets older, it becomes harder to collect rents. It's just how it is.

Tejas Gosai (00:18:46) - You're talking to me. I still do it. My fund, like we are buying, I mean we don't buy all see properties. But like there's some. Just an example. We bought a 16-unit that came out of nowhere and it was a dog of a property. But if there's any property that made me realize I need to change a little bit of the box, it was that one just because of things behind the walls and tenant eviction issues and some, you know, drug stuff. That's why we bought the property, because it was like it was the eyesore of the whole, entire neighborhood. We're like, we could clean that thing up. But yeah, you're nailing it. You know, it's good for some people to hear this also, because if you are waiting and you're watching and you're building your investor base and being active on social media, you're going to have to know all these things, and then you're going to have to pounce on it, like like you did. Like we did.

Charles Carillo (00:19:35) - Yeah. Let me just say one thing to you about the C class. I don't want to like beat C class down, but C class is just something for me. When I'm taking money from investors, it wouldn't be something that I would put their investor money into. If I was doing a JV with like three other people, you know, other professionals that had done this before and we were doing it together, that's fine, because everybody is equal owner, everybody has access to what's going on. They know exactly 100% what the risks they're getting into. They understand that cash flow might not be coming every month. Every quarter. It's much different when you're dealing with a past investor that they're all in stocks and bonds and getting dividends coming out every, you know, every quarter. And it's much different relationship.

Tejas Gosai (00:20:10) - To finish that story. That 16-unit one year and one day after we sold it and we made like $600,000. So wow, like, yeah, we bought a dog. We sold it as a beautiful asset. But yeah, the more and more you see supply issues and this and labor and all this stuff, you got to buy cleaner, better stuff. It's just hard to find. So we're we're running into that. What about the future? Where do you see the next few months? Everyone's worried about rates. Yesterday we just had the fed I think they kept everything the same. Right.

Charles Carillo (00:20:43) - Yeah. We're keeping the window. The window open. What does that mean I don't know.

Tejas Gosai (00:20:48) - So tell me. So what do you see for the next few months? It's an election year. How are you going to get through the next year?

Charles Carillo (00:20:54) - If we're, anything that we're purchasing, obviously we're going to make sure that it's rate-adjusted. We're making sure. So the big thing is we have. Interest rates are. A lot of people are focused on interest rates. That's a big thing, obviously, but it's also when we're looking at properties, we want to make sure that putting your debt service with it, but you're also your insurance and also taxes, which are other things that are going crazy coming down here from Florida. We just have massive issues with insurance.

And so it's something that when we look down here, you're seeing things like home insurance down here was reading is like up since 2022 like 42%. It's insane. Our great state here. It's like I was reading an article and it was like we have the storms. Everybody wants to talk about storms and everything like that. And I'm like, I got it, I got I got the storms. But it's also we had a lot of inflation. So everything's becoming more expensive to fix. It's much like you said labor. You're not paying $25 an hour for a handyman on your property anymore. You're paying out 35, 40 plus. You know what I mean? Exactly, exactly.

Tejas Gosai (00:21:45) - Yeah, exactly. And they know they could charge whatever they want right now.

Charles Carillo (00:21:48) - So, you know that's a completely different thing. My dad used to pay $6 an hour for people in the mid-90s to be handy to pay.

Tejas Gosai (00:21:55) - He can pay you $5 an hour, right?

Charles Carillo (00:21:56) - Right. Pay me $1 to count the rent. So it was just one thing that what would happen would be like, you know, have that.

Charles Carillo (00:22:04) - But down here it's like 86 or 85% of like all lawsuits against insurance companies happened in Florida. Like we have just like lawyers gone crazy down here. That's why you're having people drop out. They're like, okay, we haven't. We'd have to readjust for insurance. We have to like double. And then now we have the we have this thing where like people, whenever they want a new roof, they just like, find an attorney and adjuster and they get it from us. So it's like it's just doesn't make sense. And I can see a lot of. So that's something that has to work down here. But anyway, when you're purchasing we just have to make sure that you're having insurance, which I don't think it's done going up. So you really have to make sure that there's the days of 3% increases are done. You know what I mean? So now it's like if you see something that's like, not higher single digits or like double digits, you're like, well, how are you pricing up this insurance? Like so knowing that, you know, Texas is one thing with taxes.

Charles Carillo (00:22:53) - So making sure when you're buying these properties that you know, you know exactly. We have one property there. And our tax bill is a little lower than what we expected it to be. But we're still worried. We're still putting money into reserve because we're like, it's going to go up. It's going to go up. You know what I mean? We're telling people, you know, this isn't getting sent out. This is being held. I mean, that's just how it is in these places. They have every place has like a unique problem and then throw interest rates on top of that. So just knowing when you're investing in properties, just make sure that you're pulling, you know, back in the day you'd pull the insurance that maybe came the quote that came in your broker, your broker package. That's not like a thing anymore. You should never have done that. But now it's something that you really have to figure out exactly what you're getting. For a quote from the person that you've worked with before, you know what I mean? So you know that it's like.

Tejas Gosai (00:23:38) - You definitely can't go off that listing doc or anything mean.,

Charles Carillo (00:23:43) - I mean what they're paying or what they're paying before because they might just they might property might just like slip through because I've never seen before where I'm paying less than what they're paying. Really. You know what I mean. It's usually.

Tejas Gosai (00:23:52) - Yeah, never. And reassessments and everything else that makes things difficult. It's funny, there's something going on because so many of my clients have gotten a call from the insurance company saying, your roof is old, get it replaced, or we're not giving you insurance. Just in the past six months. Like they're like, dude, what do I do here? And you can't switch and whatnot. So there's definitely a lot of stuff going on. Don't have to talk about it. But you know, there's wars and geopolitical unrest and election stuff. How about crystal ball? Do you see interest rates going down sometime next year? Do you see it staying? Do you see it going up? What are your thoughts on this?

Charles Carillo (00:24:29) - I think it will stay where it is possibly up. If they like say before they might go up another 25 basis points. I mean I think it might stay similar to where we are now, and I think they might let it go a few months and see exactly where we stand. For commercial debt for multifamily. It's something that is, you know, we're going to see after those, everybody got two years. If anybody got any interest caps, they were two years. We've gone through part of it from people that purchased in 2021. Right. And like that's being worked out now you know what I mean. Where those two years are coming up. And now we're going to see what people that purchased at the beginning of 2022 or at the end of 2021. What's happening with that? Because, I mean, what we're in mid-2022 when rates really started going up, something like this. So it's something that's when those come up because no one got three years, everybody got two years because three years was like twice as much. Right? Which is insane.

Charles Carillo (00:25:16) - When you talk about how much they are now compared to then. But we'll just see. I mean, that's the whole thing and I don't I think that you're going to have better properties. They're going to have more workouts. I don't think people that are saying, you know, everything's going to fall out, I don't know. I mean, if you're buying better property, these are better properties. They're operating correctly. They're just having a little issue. These banks might just what they did with residential homes back in like 2010, 2009. And I remember I had contractors that worked for me and they would show me their paperwork and they weren't paying their mortgage or something for some reason. And then they would show me a thing and they'd say, oh, we're just going to change your more sign here. We're changing your mortgage to 40 years from now, blah, blah, blah. And they ain't staying there for 40 years. It was just something that was just kicking the can so I wouldn't doubt it. And there's a lot less expensive to do that than foreclosed, especially on like smaller properties.

Charles Carillo (00:26:00) - So in. Having all this bad debt. Now you just turn it to good debt again because you have the person you know re-agree there. They're up on it again I don't know. I mean I think you're going to have these syndicators these indicators. Most indicators aren't in for long term. They're looking just to obviously make a profit. So it's something that if they can speak to the lender and say, you know, if they can get that 24 or 36 months added on, whatever it is, work out something somewhere, tack it on to the back end. Who knows how they do it. I think you're gonna have a workout, I think on your less-than-ideal properties. Right? So like lower C-properties, tougher areas, those might just go back, you know what I mean?

Tejas Gosai (00:26:32) - Yeah. It's very, very accurate that you mentioned that. Also there was an article about all of these five-year fix and all these other folks that are about to lose their rates and they're just going to have to dump some of them. Right? We're going to have some issues. There's some pain in the market, there's some pain for American employers and employees and all this fun stuff. We're coming to the end. What do you tell somebody? Because I have listeners who have just not pulled the trigger and every year they kick themselves. I should have done it last year. I should have done it six months ago. And I'm like, you should still do it now and find the right asset. How do you motivate people today?

Charles Carillo (00:27:10) - I think just showing them, you know, where we've been and see it over a longer trajectory mean everybody's gotten really used to selling these assets in three years and flipping and all this money and bring them back and, you know, 2X-ing their money and all the all this crazy stuff in three years, which doesn't happen and shouldn't really happen. But it's something that because when we started syndicating was 5 to 7 years, and that's what we've been telling. I've told every investor that it's 5 to 7 years, and most investors don't care if they're getting some sort of distribution.

Charles Carillo (00:27:35) - But I think if you're a little bit worried about it, invest into a deal that has debt that's more fixed on it buy deals that are less heavy renovation, more light renovation, right? These types of ways, you can really if you're getting longer-term debt, if the renovation is not that large, if you're buying in one of these areas, that's actually growing because the growing market gives you a buffer. So if you're buying in a market with consistent population, consistent job, all this stuff is consistent. Maybe it goes down. There's not people moving into that market. It's not going to dramatically increase those prices, where if you're buying to a property where we look at it and it's 2 or 3% up or, you know, we look over a 20-year period, we see population going up, we see jobs going up that are diversified. Then we also see on the way down we see that we're having crime go down over that 20-year period. These are growing areas. They're investing back into education, health care.

Charles Carillo (00:28:24) - The whole community is being invested into. They're taking that money from these taxes and they're actually putting in there. They're not paying off some bad debt somewhere, just something like this. So these are growing areas and these are places that when the rent increases, like when we're looking over our portfolio, you know, our rents aren't going down. I read everything that's going on or rents aren't going down. Maybe I'm not putting my rents as high as they should be, but we're trying to avoid right now. We're trying to keep people in units paying. This is we're yes, we were minimizing vacancies, keeping collections high. That's like number one. When a vacancy go in here or there. Yes. That's when we'll renovate it. But maybe we're supposed to do four per month and maybe we're doing one. You know what I mean? Just to see what the appetite is as you put them out. And that's a safe way of doing it. So if you're working with an operator that has a lot of experience that's done this before and you got, you know, longer-term debt, and then you also know that it's not that much.

Charles Carillo (00:29:11) - We're not going in there and moving walls. We're not going in there. And like doing every roof and everything's going over and rebuilding a pool and a whole clubhouse. And you know, you're going in there and you're really doing little kitchens here or there and there, and you're adding and you know, your rent, if you look, you see your comparable rents. So you can just pull up on Zillow too. So they give you the property address, the operator, you can pull it up and look at your own rents and then just go and do your own research and just look at square footage. Look at when it was built. Very simple. I mean it's not a very complicated business. When you look at the underwriting, it's it's crazy. But if you just look at like basic stuff, people pay rent, you know, where would you want to live? And then where else would I want to live? If I want to live in this neighborhood, am I going to live here? Or I'm going to live in a place that was just built 20 years newer across the street, that now this guy tells me he's going to get the same rents for, you know, it's just never going to happen.

Charles Carillo (00:29:57) - So basic common sense like that, when you're looking mean, that's going to alleviate a lot of risks when you don't have to get into all the like, you know, macroeconomics of what's going on, that's great.

Tejas Gosai (00:30:06) - That is a nice way to taper it down. And you're right, real estate is not that complicated until you start looking at the crazy Excel sheets and all that fun stuff. How does somebody invest with you, in you, communicate with you?

Charles Carillo (00:30:19) - Yeah. If you're interested in learning more about what we do, my company is Harborside Partners. So if you go to HarborsidePartners.com, we have a lot of information on there. Have a twice-weekly podcast, one where I do interview based like this, and then also do a Saturday one which is called Strategy Saturday, which is just a sound like over one strategy, or go for some type of real estate investing thing that we're working on or feedback on the market. And then we have a free ebook on passive investing in real estate. So if you're interested, you can sign up for all that free information right there at Harborside Partners.

Tejas Gosai (00:30:44) - Com great work, great work. I got to give you my stamp of approval. I like strong fiduciaries and you can just feel that you are one. You know your stuff. So congratulations to you. I wish you the best. Thanks for coming on.

Charles Carillo (00:30:57) - Thank you so much for having me on.

Tejas Gosai (00:30:58) - For sure. It's. Just go. Sy. We just had Charles. Check out the website Harborside Partners. Everything is in the show notes and we're on iTunes, Spotify, Stitcher. Check out our website, rei.mba. Cheers. Thanks again, Charles.

[END OF INTERVIEW]