

EPISODE 94

[INTRODUCTION]

Van Sturgeon (VS): Systems and processes are incredibly important in implementing in your life, it's imperative. I could not have gotten to what I have been able to accomplish in my life without having those things in place.

Tejas Gosai (TG):

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!

One of the reasons I love doing this podcast is to inspire people along their real estate journey or to begin their real estate journey. And I love painting the guests on like, how did you get here? Where did you start? I just constantly love to ask that to show people the growth to where they got to where they are now. And Van Sturgeon is an awesome guest who has a beautiful immigrant story and shares his difficulties that led him to where he is now.

Van is an experienced entrepreneur of over 30 years who has successfully created a number of businesses in the real estate industry that cover areas of land acquisition, development, management, construction and renovation. Van personally owns over 1200 properties across North America and is semi-retired from the day-to-day operations of his business. Van is passionate in helping real estate investors in all facets of their development, whether it is purchasing their first real estate investment or a seasoned multifamily investor who is struggling through a renovation or a value add project. Van has also been featured as a guest on over 100 podcasts such as Joe Fairless, and Whitney Sewell, which is one of my favorite guys in the world. And I love having folks like this on again. Beautiful story. Also gives us his crystal ball about what he thinks will take place and with the big moves that he's making

and construction development, how he's withstanding the pressures and market change and supply issues that we have. So enjoy the interview. rei.mba is the website. I have a bunch of tools that my team and I worked on to make your real estate journey easier. Our goal is financial freedom and creating generational wealth for your loved ones. I hope you check out the website rei.mba. Cheers!

[INTERVIEW]

TG: Hey, guys, we have Van Sturgeon with us today. Van, thanks for making the show.

VS: Hey, appreciate it. Thank you very much for having me. I've been looking forward to chatting with you.

TG: Yet, you are a very busy person, let's pretend I didn't read your bio. Tell me about yourself and bring us up to speed.

VS: Sure, I'm a kid that was born and raised in Chicago a long, long time ago. And I grew up from a background from immigrant parents, we lived in a one-bedroom apartment in Chicago. And the first glimpses or taste of real estate occurred when my parents went saving up their money to buy their first dream home, came across the fact that this apartment building that they're living in, had gone up for sale. And so instead of buying their dream home, they put a down payment borrowed from friends and family, and they purchased this apartment building in the late '70s. At the time it was a great investment. It took a lot of heart and passion and bit of risk to do it. But they decided that they made that decision. And the building was fully occupied in a nice little part of Chicago. And then unfortunately, the late '70s started to kind of kick in and the early '80s, where all of a sudden, we started to see things change in the marketplace. In particular, in the big cities where we had extremely high inflation, interest rates were at 18%. And all of a sudden, and then we're suffering we're starting to see mass migration of people outside the city into the suburbs. So this beautiful apartment building that my parents had was fully occupied, all of a sudden started to see people, tenants leaving, prostitution, drugs started to come in. And we were struggling. And so it started wonderful. But then it didn't turn very wonderful.

TG: Thank you for sharing that. It's tough.

VS: Yeah. And so as a family, we kind of had to buckle down and do everything that we could to be able to survive. So painting and renovating and anything that's necessary with regards to this asset, we had to do ourselves. So that's the kind of background that it came from. Then I went off to university, graduated. You know, the investment that my parents made turned out being the best thing that they could have done. So real estate is the power of real estate lives through back then and even today. So as I went off to university, graduated, I broke my parents' heart because they had aspirations of me being an attorney, a lawyer, I didn't particularly want to go down that road. And I decided to become a general contractor really enjoyed this the renovation construction side.

So I was running around in the late '80s in Chicago trying to, on the hustle, trying to grow my business and started to pick up business and I kept running into the same people, these real estate investors, these, these guys, girls who would run around and buy these dilapidated junky properties, used me to renovate them, and all of a sudden, they would turn around and sell them for a profit. And I thought this was pretty interesting stuff. And I got involved myself and in 1991, I had my first flip. And I did very well and at the time I made the amount of money that I made, a lot of lawyers were making for the whole year. And that kind of springboard me into really developing and growing in real estate industry not only continuing my general contracting business but I got involved in accumulating a portfolio of assets along with I got into home building, restoration, I own a restoration company, I property management as well that I do internally for my assets along with other folks. And so I've been really really blessed, really blessed.

TG: Yeah, I'd say and lucky and also unlucky sometimes that's what kind of build some things that hearing your parents' story. I'm an immigrant, I can understand really, some of the difficulties that you must have faced at that time probably taught you a lot of what you had to put into place.

VS: It is one of the things as a real estate investor we have to be conscious of it is really important when we are going into this business it can be wonderfully rewarding, but it can hurt. If you don't plan and strategically identify assets properly. Go through the whole rigor. Memoria has a number of moving pieces that you got to make sure that you are in control of or understand what you're getting

yourself involved in and ultimately be able to execute a plan implementing systems and processes in your life. So in that particular case, the saving grace for my family was they bought well, but in particular, they were able to we were able to do a lot of the work ourselves. So that was a saving grace. So with folks out there and getting involved in real estate, whether it's a single-family or multifamily, these are the types of things you need to be conscious of because the market and things can change. I've been around, I've seen a lot of different things happen in the real estate market, things were wonderful and hunky dory in 2001, then all of a sudden, a couple of airplanes flew into those into and then all of a sudden, the market changed dramatically. And if you're not prepared for those types of bumps along the road, that can happen at any time you can, you can be hurt pretty dramatically. So it's important to keep things like that, to have had those things kind of figured out.

TG: Yeah, and I gotta share this first. So I'm an immigrant. And my parents are Indian, my dad wanted me to be a doctor. I said, No, I went to law school instead, and never became an attorney and went right into real estate. So I can, I can share some of that transferable skills and how it helps with, you know what you're doing. Now, I'm a fund manager, I get to be a fiduciary for a lot of capital. And that's my biggest fear. It's like, what if I miss something? I try to be as far ahead as I can. I look at people like you that have been around for much longer and have done just in so many transactions. And, you know, you guys are applying a lot of the similar technology, I guess, or similar tactics, as you learned over the past few years and some of the downward cycles when you're saying inflation and interest rates were that high in the '80s. And, you know, your family went through some of that. Are you using some of that knowledge now with what's happening?

VS: Of course, you are, what doesn't kill you makes you stronger. That's unfortunately, the difficult part about folks that are beginning their journey in real estate investing is that how do you how do you absorb that? How do you have to how do you get that? The experiences and knowledge that come with years of going getting through it and going through those seeing it actually. You can't watch a YouTube video, you can't read books on it, you got to be in it sometimes. And having somebody that can kind of mentor you and show you what they've gone through, so that you're able to implement the things that you need in your life to be able to avoid or identify those obstacles or bumps along the road is incredibly invaluable. So definitely. There are things that that are happening today, I've experienced over the 30 years of being involved in this real estate business. It's just natural ebbs and

flows in the economy that you need to be conscious of and you need to prepare for. Always, always, systems and processes are incredibly important in implementing in your life. Having that as your backbone and being able to grow a business, it's imperative. I could not have gotten to what I have been able to accomplish in my life without having those things in place and having great people, identifying the right assets to be able to incorporate in those variety of different businesses to be able to take me to the successes I've been able to achieve.

So back to experiences out there in the marketplace, definitely, we're going through some interesting times, I don't have a need, nobody has a crystal ball, a lot of things can change you know what was happening in the world in terms of commodities in terms of the war that's happening over there in Russia, Ukraine is doing some dramatic, it's causing some dramatic upheavals in supply chains and things that we rely on a lot of parts of the world rely on that and they're being cut off. You have also this whole pandemic, there's a lot of stuff being tossed into this big old soup. And as real estate investor, we got to navigate through that ultimately, at the end of the day numbers don't lie, you got to be able to buy right. That has been my saving grace throughout these 30 years I have always been very how do I say not risk-averse events, but more like I just calculate and I add cushions in and if it doesn't make sense it doesn't make sense. I don't run toward deals I want deals to come to me they have to make a lot of sense and numbers don't lie on them. So there has to be a good allotment of associated with changes that can occur. And that has been my saving grace throughout these 30 years I have been able to ride out the storms of '07 and '08 and '01 there have been a lot of bumps along the road. It's cyclical. So you see the same things over and over again. They might not come in the form of you know, higher interest rates jumping up but it could be other things.

TG: Yeah, everything and you said a bunch of them in a row there. There's a war going on. We have Federal Reserve trying to get this mess, which to some people isn't even really that bad of a mess yet it's got to get more messy apparently for things to work.

VS: Well unfortunately, there's some talk and feeling that the interest rate heights hikes were going to start to kind of be tempered off over the next month or two in that I don't think that's the case that there was some talk with, with the Fed chief there that said that no, we're gonna keep on trucking and that kind of was a shock and it has to be that type of approach, they need to get a handle on inflation.

So until they do, they're gonna keep raising interest rates, and that's gonna have a detrimental impact on the economy. I'm really interested in seeing like, that'll eventually flesh itself out things will come back to normal.

What I'm interested in seeing is what's happening now in the commercial space if you really want to talk about something that I'm really clearly trying to figure out. So we have this whole pandemic phenomenon that has really dramatically changed. Look at what we're doing right now. We're conversing over this thing. That wasn't really prevalent three years ago, five years ago, like, I'd be honestly, I'm an old foggy. I didn't know if this thing existed. But now I have clients, I have people that I'm talking through, I don't need to hop on a plane to go visit anybody, I can do this sort of virtue of the phone, I can walk look at assets, I can look at properties, like look at Windows to see whether they're good or no good from the confines of my little office. And so that has dramatically changed what's moving forward. Now, in the office space where there are employers that have this cost. This is pretty expensive costs, office space, electricity, all that stuff, and then turn around, say, You know what, maybe we should just keep them at home? Yes, maybe they're not as efficient as having them in the office space, but having them at their own and that dynamic. So what's going to happen to this office space, this is really something that I find intriguing,

TG: Yeah, I'm scared. I'm like, you know, this is the first time in history that people have not gone into the, you know, forced into the office, I have staff, I have folks, I hesitated a lot. Granted, things have worked out. But I'm not a big huge corporation that has tens of thousands of employees. Google, they fired 12,000 folks this year. And I don't think people realize how big of a reverberation this is going to make for a long time. I think the Fed just said recently there they were discounting office space or office and saying you should go into more multifamily and these other assets. So when like the Federal Reserve is agreeing and worried about Office, and we're talking about it right now, that's rare that we're all kind of on the same page worrying about something. But then what do you do like that's going to affect all these major metropolitan cities, for sure.

VS: You're gonna you're essentially going to hollow out these great, beautiful downtown cores that have all a predominance, overwhelming majority of office buildings. And so if that is the trend, I mean, the jury's still out. There is some, you know, you got Elon Musk who say, you know, so he purchased

Twitter, he purchased Twitter, you know, everybody's going back to work, you gotta get into the office. And maybe he can do that. But there are a lot of other employers who are gonna have resistance against that, because there will be employees who will say, No, no, no, I can do my job. But I can do it at my home. And I want to be able to forget the commute. And so and right now with an unemployment rate of 4%, or whatever it is, I don't know if you have the bargaining power, the employer has a bargaining power, if you have a, if you have a real asset in your hands as an employee, whether you can say to them, no, no, no, you got to come back into the office, you this has been I keep running across the younger folks that are more and more of them are working out of their home, they're not going into the office, like the good old days.

TG: Or even starting their own businesses like entrepreneurship since COVID. Has, everybody has a side hustle or, you know, Uber Eats or Uber, the millennials and a bunch of these folks are different. They're also leaving, which hurts the office sector, they just don't want, they'll just leave the job, right? It's such an easy thing to do. Right now. I'm gonna leave the job, I'm gonna go do a bunch of these may be different types of jobs and then try to figure it out. What here so what's, what is that going to do to, you know, the real estate market? Let's project a little bit so that things don't go that well in that area.

VS: I think there's going to be a sure, I think there's going to be an extraordinary opportunity for us multifamily investors to be able to take these assets and rezone them reconfigure that turn them because there will be if if this is truly a trend that set in place, then you're going to have these beautiful magnificent buildings and prime real estates in downtown areas that could very well be that's going to be the next frontier where we take over these assets and we convert them, we turn them into multifamily, it's going to, it'd be, it'd be interesting, there's going to be some, there's gonna be some resistance, there's going to be some, you know, along the way, but that's what we do as investors, we take chances, and we take a look at opportunities, and we push things forward. So I think that it's going to be an interesting phenomenon to look out for over the next several years because I don't see the mass of people going back to work anymore. It's gonna be really tough unless we have an unemployment rate of 10%. And the employer is back in the driver's seat and says, no, no, no, you gotta go back. But even then I don't see that because there's it costs a lot of money to house people to put on give them office space, there's so much better to keep them on their own.

TG: Yeah, you got the technology. Now, I love it. Thanks for sharing that. So let's get into something else. You have a lot of cooks in the kitchen, you're all over the place. How do you keep organized? How do you run your ship? You have private assets, you have this, you have that. Tell me.

VS: I've been very blessed, I have A plus kind of personality. And I'm the kind of cat that will wake up early, the wee hours of the morning, go to sleep way late at night. I have along the way been blessed to have partners as well as employees critical and critical places involved in my ventures. So it could be a combination of joint venture ship in terms of a partnership with individuals, and also could be just good old fashioned folks that we share the same vision, and are great employees, and they've been with me for a number of years. So it's really, there's an old saying, I think that Henry Ford said, there's only so much you can accomplish with your two hands. You need to have great people put in great positions. And then if you know how to identify them not and incentivize them, keep them on the same theme moving forward in the same direction. You can accomplish great things. So I've been fortunate in that regard. So I have a number of businesses that are structured that way. And how do I maintain all of them I kind of touched on every morning I fly in and do a 30,000-foot level kind of we set certain KPIs a vision, and just make sure that we're hitting the right KPIs.

TG: Thanks for that. And then like some of the specifics is where are you? Where are you? You know, station, where are you looking at what markets what types of properties and you have a construction background. So can you talk a little bit more about that and how it's helping supply chain things like that?

VS: Sure. I am. I'm not the one that flies all over the place. I concentrated on four markets, Detroit, Cleveland, Monckton and Tampa. Those are the four markets that I have, that I invest in, in real unwritten real estate. In that regard, I have for the most part multifamily. I do have a spattering of some single-family along with a commercial property. I do with regards to the construction renovation kind of business that I that I'm still under, that I still have that I still continue doing. They're located in Cleveland, and that's really where my base hub is.

Currently, I spend my time in three different places. In the wintertime, it's in good ol Miami Beach, and then in the summers, Chicago and Toronto. So I am a dual citizen, my wife is a Canadian, so I have, I guess the best of both worlds. We are truly blessed to be living, whether it's in the United States, Canada, we are truly blessed to be living in the greatest country in the world. Because of if you ever have any opportunity to go outside the country and see what's going on, the amount of freedoms and opportunities that exist in our countries of Canada, the United States greatly outweigh any other parts of the world. And as long as that continues to be the case, America, Canada will always will be number one, because it's just a natural attraction for the best and the brightest in our world to come to our shores. And plant roots in the ground and the soil is so fertile like a guy like you have a product of immigrants a guy like me a product of immigrants. That's what that's what the greatness the good the greatness of this country. Yeah. So I don't know how we digress to that. But ultimately, I was regards to I touched on and I keep touching on I've been very, very blessed in what I've been able to accomplish in my life and we just keep on trucking along. I I just keep myself I just want to make sure that we got to be there. Just be conscious of risk and be conscious of things that can change in the marketplace.

TG: And in some of those markets that you're in what type of properties? What do you have going on? What's the big project that you're bringing to fruition?

VS: My big bread and butter is identifying Class C assets and doing a little sprinkling of some value add, some renovation, and I've been doing that for over 30 years, and I will continue to do that till I feel like I'm six feet under, I think that is the greatest opportunity and leverage and being able to, for every dollar of investment I get \$3 back in terms of value. So I will continue to do that multifamily is where my sweet spot is. But also at the same time, there are opportunities too under spaces when we have the Wall Street big fat cats running through Cleveland's into Detroit accumulating single-family homes putting portfolios together of 1000, 5000 properties, they're able to, they're doing something and they see value in it and making money from it. So if they can do it, we can too. And I think there as a beginner in real estate investing, I think that having a mix of both, taking a look at both approaches is definitely a way to go. Single-family definitely.

TG: Yeah, can you share unit count and things like that with some of your bigger properties or specific example?

VS: Sure currently right now I have somewhere around 1223 units. The way I have been able to accumulate those doors has been the combination of joint ventures, I have not gone into the syndication model. And I've been blessed again with other companies, I've done land development. I've been able to use the cash flow from those businesses and put them into purchasing these assets. So that's where I'm at right now. We do anywhere between 150 or so flips a year in that Cleveland area. So I will do that as well. There's absolutely those with that. Yeah, so I like I said, I've been blessed.

TG: That's some amazing numbers. Amazing stuff. What do you tell somebody? I have a lot of folks who listen to our program that have just been on the periphery, they haven't bought their first property, or they're underwriting or putting in letters of intent, and there's so much discouragement. What do you tell someone right now, to get them in the business or to keep moving?

VS: I encounter lots of these same folks in my travels who want to get started in real estate investing, they're sitting on the fence, analysis paralysis, they spend oodles and oodles of time and effort trying to learn and they can't take this up board. And what I've been able to preach is that there is a system and processes you need to incorporate in your life, to be able to get you to that next step to be able to be successful. And so the way I look at real estate investing is that are there are there opportunities out there to find properties that are distressed that are off market is that the neighbor across the street from you going through a divorce or a couple of doors down, they're going through credit card payments or a couple of doors down, they're looking at \$30,000 repair. They've been living in that community for five, 10, 20 years. They don't want real estate agents, they don't want brokers running through open houses. They just want to discreetly sell, move out, move out move away. That happens in multifamily that happens in single family I have come across beautiful doozy six unit 12 unit buildings where a Ma-Pa operator is like hey, you know they're sick and tired. They want to get out. There's opportunities that exist all around this. There's a system that you can incorporate to find those opportunities, but there are they're out there.

Funding. There's so much money out there that is looking for a home to find positive rates of return. There's money sloshing around everywhere. It's a matter of burying the right product to that money and getting showing them marketing yourself how to be able to get that 8, 10 plus percent return people have money that want to buy based on good old fashioned real estate hard not those crypto, not the stock market that goes up and down like a roller coaster, good old fashioned real estate. And then once you got that, those two components then it's renovation value add which is critically important. Many times people new real estate investors will find a great deal find the money for the great deal and then screw the renovation value add up.

There's a process and system you can implement to be able to successfully quality do a renovation that's time and on budget, you know setting finding the right contractor setting up payment and progress schedules and I'm speaking as a general contractor, that's where I got my start. You need to have these systems implemented in your life in your business to be successful. And then ultimately, once you have those three lined up it, then you got that point where either you flip it either you refinance it, it's such a beautiful thing, there's so many different exit strategies that you can take an asset if you get the three other things done properly. And all of them are, it's not easy but once you get that system incorporated in you, it's amazing how you can grow a business because you're generating opportunities you're having access to money and you got a lot nucleus, a power team that you created that will be able to support this growth, contractors, mortgage brokers, all that stuff you need to have it takes time to put it all together. But once you have it you can just shoot to the moon you can I've seen people start with one. I've worked with people that have started with a handful 1, 2, 3 properties and all of a sudden they own 30 doors in 18 months. It's possible we live in the greatest country in the world. Mindset.

TG: Love it. Thank you for that everybody needs to hear that man. That's it's awesome. Van my producer is going to kill me, we're coming to time. Thank you for being here. How does someone get a hold of you?

VS: By all means, I invite people to follow me on social media. I do a lot of posting content in regards to real estate as well as I have my website vansturgeon.com where people are more than welcome to go there and reach out to me and learn more about what I do.

TG: I love it. Love the story. Love everything you're doing. All the best, Van. Thanks for being here.

VS: Thank you very much for having me.

TG: It's Real Estate Investor MBA. Tejas Gosai. That's Van Sturgeon. Information to get a hold of them as at the notes. We love you guys. iTunes, Spotify, Stitcher, check out our website, rei.mba. Cheers.

[END OF INTERVIEW]