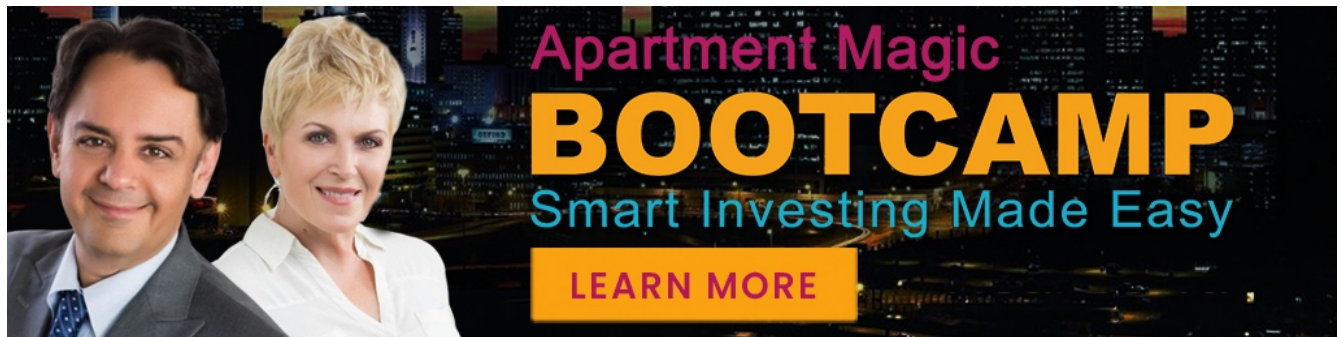


NEAL BAWA - STRATEGIES TO OPTIMIZE YOUR PROPERTIES

Podcast Title: Smart Real Estate Coach Podcast

Podcase Host: Chris Prefontaine



Chris: Good morning and welcome smart listeners. I'm Chris Prefontaine and my focus weekly is to bring you an expert who can help you make a Quantum Leap in your business your finances and or your life Buckle in here.

We're going to bring you the next master's class. I'd say we're going to spend some time with Mr. Neal Bawa and it's interesting because before I bring you on I am going to read his bio and remind you if you have not listened to his episode we did and I will get you the episode number for reference and have that put into the show.

You going to want to see that listen to that first about Neal. He is the CEO founder of Grocapitus It commercial real estate investment company. He sources negotiates and acquires commercial properties around the u.s. With 200-plus investors. Now listen to these numbers current portfolio over 1,000 units projected to be at 2000 in the next 12 months portfolio includes multifamily and student housing properties in six different states right now also serves as the CEO of multifamily you it's an apartment investing education company.

Speaks at events and meetups around the country. I mean you're talking about 4,000 plus students attend as multi filming seminar series each year and hundreds of 10 is Magic of multifamily boot camps. He's the co-founder of the largest multifamily investing Meetup Network in the entire us a group of investors that has over 3,000 members pretty impressive the importance of bringing Neal back was we get the last show done and he and I talked and I said, Just based on that conversation.

We need Encore visit Sonia welcome back to the show.

Neal: Thank you so much Chris. I'm jazzed to be here. Just wanted to add that the the 1,000 units went by very fast. We bought 541 multifamily units in Q4. So we're now a touching 1800. So, it's me. It's a phenomenal time to buy and. We were moving forward with some of the systems and processes that I'm excited to tell you about today.

Chris: I love it. Well on that note you and I were talking before hand and we were talking about the fact that some people. All people buy property but in the multifamily world, let's say they buy a property some people think they're done. Some people don't know what to do next. So you've bringing us kind of The Next Step as I alluded to in the intro why I talk about what happens after the bye. I mean, it's so much you could do so go ahead and dive in and I'll ask questions as I see.

Neal: Yeah, this is this is an area of great passion for me Chris because what I found is that people will do so much hard work. They'll find the right City. They'll find the night neighborhood the right broker the right property manager and then they'll find and buy the right property the right price with so many rights.

You'd think that they'd be done right and most people believe that okay, if I did all of these things right than I'm done. I'm going to be successful and I've got news for you. Very few of you are succeeding very few of you are doubling investor money in five years. And the reason for that is mindset as soon as the property is purchased and ideally 45 days before the property is purchased.

You've got to move on to the next phase which is implementation. It doesn't matter how good the city the neighborhood the property is what really matters is what you do with it and given that multifamily properties and every every other kind of real estate in 2019 is very expensive either you're buying Market or you're overpaying if anyone says that they're buying Under Market, I'd love to challenge them and have a sit down with them.

And I think I'll win a \$50 back from them. So, you know, my email is Neal at multifamily you.com. Take you know, take me up on that challenge if you'd like because I think that no one today is buying Under Market if they're buying a multifamily that is not in a ghetto area if it's in a CB or area you are paying market. So how do you take that and return? You know the kind of money that investors still want which is you know, 18 19 percent simple annualized returns. That's a lot of money traditionally real estate has made about nine percent. The stock market makes about six percent. So if you're looking to go up from 9 to 18, that's either a very heavy lift project or it's a project where you've got to be nimble.

So today I'm going to talk about three or four. Mind blowing strategies that we implement and we start implementing these 45 days before purchase to really optimize our properties and and we are not property managers. We never want to be in my mind property management is one of the worst jobs in the world right up there with cleaning toilets.

And I don't want to do it but what I realized and what you have to realize is that you as the asset manager the general partner the owner of a multi-family do not have the same focus as a property manager a property manager job is to efficiently cycle between their dozens or hundreds of properties and touch every one of them and spend the minimum amount of time necessary to not get fired.

That's what the property managers focus is your focus is to do anything and everything to optimize your properties income and your properties expense. So today I'm going to show you five four or five strategies, whatever we can fit. That basically either optimize your income or optimize your your expenses and that allows you to get from that nine percent annualized return to an 18 or 20 percent annualized return.

So, let me give you strategy number one, right? So. Do not leave it to your property manager to generate lead for flow for your properties is not going to do it because guess what a property manager is going to do if he's on AppFolio is going to throw the property and all of its units on to AppFolio and click a button where he's AppFolio generating leads and then he's done that's his lead generation.

You could have two properties that are mile from each other ones generating 50 leads a week the other one generating 20 leads a week. And what's he going to do about the one that's generating 20 leads a week. Nothing, he's just going to do his job of processing those 20 leads, even though he knows he knows that he needs 30 or 40 leads to keep that property at 95% or more.

He knows that he'll never tell you you have to figure it out for. So when you get into the property, right the first 30 to 60 days, you need to analyze the following things and I call this system Liesl Liesl stands for leads L app appointments a shows the people actually show up at the property after an appointments.

Apps applications that they fill out and pay \$50 fee and Lisas L La Sa L lay, so you need to understand how many leads convert into how many apps which convert into how many shows which convert into how. Applications which convert into how many Lisa's you must understand this to run your property efficiently.

So I'll give you an example and this varies a lot depending upon whether it's a Class D or C or B or an A. It depends on the Metro. So I have a property in Chicago where I need to generate 100 leads and those 100 leads tend to lead to about 35 appointments which leads to about 16 shows which leads to avoid a taps.

Which tends to lead to either two or three releases per week those two or three leases per week. Let's say 2 and 1/2 means that in a year, I get a hundred and twenty-five leases on a 235 unit property and because of roughly half the tenants leave. That's my run rate. So what I just gave you is the actual run rate of an actual 237 unit property now properties vary some properties have you know more people leaving because they're not very attractive or not in a good place.

Some properties have less people leaving but in general what you will find is the general rule of multifamily is your property will turn over every two years. So we have 200 units you need to sign a hundred leases. If you have 400 units you need to sign, you know, 200 pieces. If you have ten units guess what you need to sign five leases.

So understand firstly understand the lace old system once more leads. Applications should sorry leads appointments shows applications and leases. Where do you get this data in the property management software if you are unable to get this data that is an immediate red flag. That's a property manager.

You need to fire. Nope. No good property manager in the world should have trouble getting you these five pieces of information and if they're having trouble get rid of now once you Analyze This. You're going to figure out where you can push and I found generally that there are five different areas that I can push along those five metrics.

There are properties where my teams in the Philippines are generating 10,000 leads for a property that's very hard to fill and stay filled. There are other properties where we generate zero leads because they're really easy to stay they build so depends on where we think the lead flow needs to be to get us those leases. Remember hundred units 50 Lisa's right? So once we figure out the Lies! the conversion we say are we getting enough leads? Either the answer is no or the answer is yes, the answer is no you need to help in lead generation. And yes, I know it's a property management tasks. But you're trying to be successful and your property managers not going to do more of it.

There are lots and lots of things that you can do to generate leads on the internet. I've actually got courses and webinars that are specific to generating leads, but the bottom line is there's a lot that can be done on the internet that no property manager will do that. You should be doing for the sake of your investors.

Now, let's say there's no leads to be generated. Well then move on to the appointments. You want to see in the software if your property managers doing a good job of setting appointments what we do with one of our properties of many of our properties is that. We tell the property manager when we walk in.

What kind of phone system do you have? These days most people have a digital phone system. So it could be an AT&T or RingCentral. So we say we need a login like why do you need a login to our phone system because we want to know what your staff is doing then we generate a bunch of leads for them.

And we have a virtual assistant that goes in every evening and grabs the logs from the phone system and matches them up with those leads. What are we trying to find? What we're trying to find is if our property manager calls back incoming leads immediately or two days later. Just so you know internet leads are the bulk of leads that they will receive internet leads our gold in the first five minutes.

There are useful between five minutes and two hours. They're very tough to close between two hours and one day and there are total shit the next day they're even worth less. In fact, it's not even worth the time of the property manager leasing agent to call them the next day. They you should just throw them away.

Because you burn that lead why because nobody filled out one form, they fill out 6 or 10 or even 15 forms. And by the time the third property manager calls them. They just stopped picking up the calls. You have no chance. So moral of the story is this it is not enough to give leads to your property manager.

You must check to see if they're doing a good job and you must incentivize them. Here's a good incentive and it varies by property depends on your budget. If a property manager receives an email leads and your phone log shows that he called back within 5 minutes. Whoever that leasing agent was give them one dollar one dollar as a bonus now if they they call back a certain percentage of all incoming leads from the Internet by let's say five minutes not just one then double that to two dollars and if they do it within one minute give him four dollars.

You might say that's a lot of dollars and the answer is all of those dollars for a massive 250 unit property will not even add up to 1 units rent in a year, but you're going to rent dozens of units because of this strategy doesn't your return on investment is stunning absolutely stunning. So now what you're doing is you're basically making sure that they're calling back and setting appointments.

Now you go beyond that point the next step in the process is you analyze and say okay. I gave him a hundred leads. He made 35 appointments. Awesome. He's

calling a lot of people back within the first five minutes. Now how many of these people are showing up only 30% of the people that make appointments showed up. Why is that? Well, that's because he's not calling and texting to remind them. It's a world where we make appointments and we forget it's also a world where if you have a really structured leasing agent, he's going to set an appointment five days from now. Guess what someone else called and made an appointment for the next day and the guys already rented in a port apartment that day he's never going to show up.

So you're leasing agent needs to be nimble. He needs to be pushy and he needs to be getting people in tomorrow or today. Bright and people say I was like, you know, I can't come in five days from now or say. Oh have this beautiful unit. It's too bad too bad. It's got a great view, but you know, sir, it's going to be gone in 48 hours. Could you possibly make it? I'll stay Beyond five o'clock for you. Could you make it today? You say that and now your shows are great and now you've got a lot of people coming in and showing at the property and then you move on to the fourth part of the system, which is the applications. So you want to get not too many applications not too few.

You got to be in this Goldilocks zone Chris, right? Because too many applications mean that you're accepting a whole bunch of tenants that you really don't want and too few applications mean that you are leasing agent is not a salesperson their thinking their job is to just show the property not to sell the property.

Right, so you're tracking this stuff and you're basically establishing parameters. And how do you establish parameters by experience? You look at the numbers every week every couple weeks hire a virtual assistant get yourself. This data is make some basic report. It's not rocket science. I'm talking about an Excel spreadsheet that might have 10 rows and ten columns.



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It's about consistency. It's about looking at it every single week and understanding wait a minute the last leasing agent that this property had every time. The the

lessee the property manager or me gave them a hundred leads. She used to have 30 appointments. This one has 25 and the last one used to take those 30 appointments and get 15 shows.

This one has 10. What is wrong here? What's wrong with the leasing person? Maybe something's wrong with our pricing. Maybe not it's not a leasing person. So now you're trying to figure out how many applications you should get from that. And the last step by now. I'm sure you figured this out is you take those applications and you figure out how many Lisa's should come from those apps.

You should never have a hundred percent of your apps turn into Lisa's that is a huge red flag. Why because some of these people are not qualified aren't you supposed to be calling their previous landlords, aren't you supposed to be verifying their their payslips? So if your property manager has 80% approval rates.

Bad, there's something wrong there and you may not suffer today. But you're going to suffer in three months from delinquency and eviction and bad tenants who don't pay on time. So you've got to have some ratio set up in all five of these areas and Mild is seems like a lot of work. It's not. In our properties, we estimate that we make millions by following this process and when we talk to our property managers every week or every other week, if you're if you've got a 10 unit property, you're not talking with them every week.

We've got 250 units. So we're talking with them every single week including Christmas week. And when we're doing that we are constantly pushing these five numbers in these five ratios. Hey John, you know, we don't know about this new leasing agent that you got look the last one. She had a 27% show rate.

This one's got nine percent. Have you trained her? Have you read trained her have you checked to make sure that she's sending text messages to everybody at the day before to make sure that they're showing up what's going on with this person. It's rinse repeat. It's endless. It's boring. It's incredibly profitable you do this process on the leasing side.

Your properties are going to prosper. So much better and it really doesn't matter what city you're in the system works in the best cities in the u.s. To invest in and it works in the worst cities to invest in but you will do so much better than a competing property that it's worth. Even if it took 10 times the amount of time that actually takes it would still be worth doing.

Neal: Yeah, Chris. I mean I have to tell you the five metrics between those numbers. Remember you've got five metrics. You've got the leads, you know, the

leaves the appointments the shows the apps that the leases those are five metrics and then you got five ratios.

The ratios are actually there's four ratios. They're the ones in between lead to application. We call it I 2A. I can tell you that these ratios these for ratios and these five metrics. I have a quad Plex that I own fully. I'm using the same ratios for that quad Plex as I'm using for a 237 unit that is in that market.

So it's not about scale it is about efficiency and it is about holding your property managers feet to the fire because you want to be the most pesky tenant. He's ever or landlord he's ever dealt with because that's how your investors get to twenty percent returns. Because if you don't do it you're going to be at that nine percent average that real estate makes Nationwide.

Chris: I have a small question. I think I know the answer but when you were going over your one dollar and \$4, I'm assuming you're talking about per lead called correct?

Neal: Yeah, so, you know, so let's say, you know, I'm going to break this backwards. So I have a 200 unit property and I'm assuming that I need a hundred lease is signed.

And I'm I have roughly a 60% app to Lee's ratio. That means I need are roughly a hundred and fifty. Let's say a hundred and sixty applications to get a hundred sixty applications. I need to roughly get about 350 shows to get 350 shows. I need maybe 700 appointments to get 700 appointments. I need let's say fifteen hundred leads.

So in a year. A 200 unit property that gets 1500 leads in a decent area could do well that 1500 number could be about 3,000 if you're in a sketchy area. So let's say it's 1,500. Right? What's the worst that can happen in a year that they call all 1,500 of those people in the five-minute golden time and you get pay \$1,500 if that happens.

You're super lucky. Yeah, I would love to have a property like that because I can tell you that's never happened to me.

Chris: Absolutely. I love it. I love it. I love it love it.

Neal: So it's really about incentives and understanding everyone's motivations a property managers motivations are at right angles with you. And if you don't bring your motivations interplay is going to do what he wants and that's not going to take you to success.

Chris: So tell me this now because your your wealth of knowledge and I we could literally at this is what drove this Encore visit is. You could literally go for a few hours. So if they want to go for a few hours a day if they want to get with you more they want to get immersed in your information.

What's the best way to do that before I forget?

Neal: So we'd I teach about 10 15 different webinars on multifamily you.com and these webinars get into this kind of nitty-gritty and they get into this kind of nitty-gritty on 30 different topics. How do you manage reputation for your property for an hour?

How do you you know focus on delinquency in your properties? How do you select the right tenants? All of these are really 20 30 40 minute talks, right and I give them as talks on multifamily you.com. I'm not a pitch guy. People come to me either they want to invest with me or they want to buy buildings with me because they like my processes and systems and I believe that sharing is the best way to to get our your name out there.

So go to multifamily you.com there's an enormous wealth of information like this.

Chris: I love it. And I agree if you give you get I just got off with a gentleman who had a big Zig Ziglar coal behind him as I was interviewing him and just the same wavelength. It seems to our podcast like you like your work you do attracts like mine's right.

Neal: It absolutely does and I sometimes I have a few friends of mine that are very, you know, I'm a software engineer. So I've got software engineer friends and they're like all you this is all woohoo stuff, you know, you talk about, you know, attracting The Law of Attraction. I'm like keep in mind.

That yes Law of Attraction and all that the you know, we're talking about spiritual things in the background where you attract wealth, but the truth is I have done it and I've seen the results every time I've been on a podcast and I've shared something someone else has shared something more important or better back to me and I've been able to incorporate that and make huge amounts of money on my existing project simply because there was something I was missing.

Chris: And I can't resist the the last three shows. I mentioned this book and given that comment. You just made maybe already read it. Have you gone through the surrender experiment yet?

Neal: No. No, I like reading those kinds of books or tell me a little bit about that, please

Chris: Mike Michael Singer is it's a true story.

It's not a parable. He's a billionaire he built several major companies, but the book is called the surrender experience. I won't ruin it and tell you what it starts like going to ends like but these you exist today and. He's a billionaire with Abby and I'd love you to pick that up. And for the listeners is the third show.

If you haven't picked it up yet shame on you go pick it up the surrender experience.

Neal: I am certainly going to do that. I am an absolute. I'm very hungry for knowledge. So I'm constantly learning. I spent most of my December break, you know learning reading partly me watching podcasts and being on YouTube and what reading books I mean those of you that are listening.

I have to tell you this this this is and you can you can overdo this, but the sort of knowledge that is actually available to us in 2019 is insane. It's almost like people on these shows that Chris is hosting are giving away things that no one knew about in the 1980s or 1990s and people are willingly giving them away.

And it is just a crime for people not to be using this. I mean there's this tendency to say oh, this is not that important. I challenge you to take a duplex and try the laser system on it do it for 30 days. You'll be you'll understand how powerful it is. People are providing insane value on podcasts and there's just this tendency of oh because a podcast is free.

It's not valuable and I'm looking at and some of these comments and I've heard them in person I go you truly don't understand the age of opportunity we live.

Chris: Couldn't agree more Neal in because we're on the on the book roll the energy roll. What's the best book you've read in the last you did a ton of studying you said?

So what's the best one you can offer to share with the audience for the last month or two.

Neal: Um, well, I think that I've been reading books about procrastination because what I find is I have a big idea and that big idea sometimes you know how it is. You looked at you've already in the last 30 minutes understood.

I'm not I'm an idea to conversion process. I want to go through all the whole process and keep create structures. So when I have an idea, I know that it's a hundred or two hundred hours. So sometimes I'll have an idea that's very big and I don't implement it because I'm afraid of the hundred or 200 hours that go into it. So I've been reading procrastination books and there's one that I read recently. It's not a new book. It's a classic but I ordered everyone to read it. It's called Eat that frog. Eat that frog and what's nice is. It's every procrastination book should be so short that you can read it in one hour and you can read eat that frog in an hour and instantly all of those key things in your life that you're procrastinating on you're going to go do them.

Chris: I love it. That'd be a cool one for us to not to give away a gift or a surprise that be a cool one first avatar event. So thanks for the share and thanks for the reminder because that's a great one. Now that was super great. I love what you went all over and I want these guys to get over to the your University your website. I'm going to put that in the show notes. I know a lot of times when and even the first time we chatted I could offer you get off and one of us is thinking man. I wish we had talked about that or I wish we shared this any last-minute thoughts or any nuggets you want these guys to leave.

Neal: Just that if you are on this podcast and you're listening to me now, 30 minutes later, you're in the right place.

You're doing the right things, but none of that happens without Massive Action. I have seen people who come and tell me I've listened to 17 of your podcast Neal. I've listened to nine of your webinars. And I've said, okay, that's really awesome. Congratulations. What Massive Action have you taken 17 podcast nine webinars by now you should have conquered the world.

I mean, I'm are you sure your name is not Alexander and they say I haven't done anything and that I have an objection with gentlemen every time you listen to a podcast. You need to take some action you the worst thing that you can do is say I'll listen to another five before I take action because you're never going to do it. So your time for taking action is now.

Chris: Yeah, your Massive Action and execution. It's funny. The last guest said that and I level to me, you know, looking straight across that a bookcase. There's a little wooden plaque that someone mailed to me and I think was one of the guests on the show and it says a Surefire path to success is to take Massive Action every day.

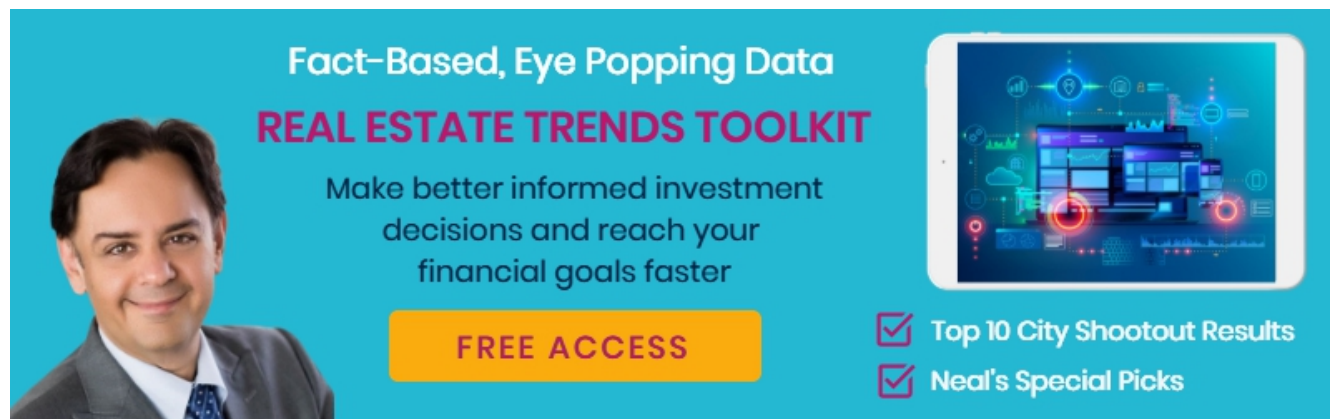
So real cool. In fact, I gave them the suggestion of the book and as I was on the show, they called it up in order to talk about custom action. Okay. Smart listeners. I

trust you thoroughly enjoyed our time with Neal today. I brought him back for the Encore visit for good reason. He's just a wealth of knowledge and he just spit out another 30 minutes to and could have went before hours or more what key takeaways as he alluded to can you act on now like literally now as you're getting off as we're done talking so that you can experience that that Quantum Leap. You can see the show notes that I referenced a few times over. If you're not there @tsmart real estate coach podcast.com. So if you're listening somewhere else jump on over there. If you have not yet subscribed to our YouTube channel you want to do that. We release videos three times weekly bare minimum lastly, if you enjoyed the episode episode.

Would love to hear the feedback. We'd love to hear the feedback. You'll help others. Get in front of this great information. And of course we appreciate it Neal. We really appreciate you spending some time with us. I we all have the same hundred and sixty eight hours and they go by so super fast and they're so super valuable.

Thanks taking half of those half of one of you is this week preciate it and go off and make productive the remaining hundred and sixty seven and a half that you have and thanks for being on the show for a listener.

Neal: Thanks for having me on the show. Chris delighted to be here.



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