**Man 1:** Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment jewels of wisdom.

**Daniel Breslin:** Ava, welcome to the REI Diamond Show. How are you doing today?

**Ava Benesocky:** I'm fantastic, Daniel. Thanks for having me on today.

**Daniel:** Nice! Listeners know I'm in Chicago, as usual here. Whereabouts are you recording from?

**Ava:** Naples, Florida?

**Daniel:** Sweet! Kind of got the tropical look there in the backyard.

**Ava:** That's right. Florida is like a big storm, and half an hour later, the sun starts shining. There's a rainbow. We're in that season, right? You kind of get different weather in the day. It's very exciting here.

**Daniel:** Sweet! Would you mind starting us off with the background and the business model as it currently stands?

**Ava:** Yes, I would love to, Daniel. I'm the CEO and co-founder of CPI Capital. It's a real estate investment firm where our mandate is to really partner with limited partners, passive investors, to acquire institutional Multifamily Assets in the Sunbelt States. When I say institutional, I mean 100-plus stores. Our business model is very black and white. We always look for already built stabilized, cash-flowing assets that are 90% or more occupied. What we really love to do is we love to go in there and be fixing flippers on a large scale. We always look for a value-add component. Nothing crazy. We go for properties that we like to call Class B properties.

We do a lipstick renovation. Take out the flooring, add new floors, paint light fixtures, kitchen appliances. My favorite thing is to add washers and dryers to units that don't have washers and dryers. Then we turn over the tenants. The 10% that's not occupied, we renovate those. As we've done a unit, we go to the current tenants living there, and we kind of say, "Hey, for a brand-new unit, would you like to move in for a $150 premium?" In most cases, they say, "Yes." This is where the numbers start to get really exciting for investors because this is what we call our CPI Capital wealth creation system. It's this forced appreciation aspect of how you can literally take one of these multifamily assets. Do these lipstick renovations, turn over the tenants, and increase the value by millions and millions of dollars in the first one to two years of owning the asset.

**Daniel:** Good stuff. The washers and dryers, 100 units with washers and dryers does what to the water bill?

**Ava:** Oh, that's a good question. I'll tell you one thing it does. Well, we have a community washer and dryer as it is, right? Everybody has all their laundry in the community washer and dryer. When we put it in the unit, it can actually increase the rent up to $50 to $60 per unit. To put it into perspective, say on a 200-unit, if you're doing all these renovations and you're increasing a unit by $150 a unit, you can increase the value by about 10 million dollars in the first two years of owning the asset. That's just forced appreciation. Now, we also purchase in regions that are significantly growing: job growth, population growth, income growth, and rent growth. You've got that natural market appreciation as well. We kind of get the best of both worlds. I like to tell investors when I'm kind of explaining the business model.

**Daniel:** What is the vintage on the properties that you guys go after?

**Ava:** We do Class B. Sometimes we are looking at some Class C, and we have done Class A. We're really hyper-focused on that Class B, 1980 plus 1990s, and that's kind of where we're focused on right now, in a Class B neighborhood.

**Daniel:** Before we went on the show, we were talking about the target markets right now of excitement, being Orlando, Jacksonville, and Tampa. Would you mind describing the reasons behind why that's the target in 2023?

**Ava:** Absolutely. I would love to. We really follow the data, so we're very data-driven. Growth metrics, as I mentioned: population growth, rent growth, income growth, job growth. We always look for where our Fortune 500 companies are coming, well, business-friendly states, right? Florida happens to be one of those states. Where they're planting their headquarters is creating a lot of jobs, and where jobs are, people follow. We know there's an interstate migration happening. I mean, a lot of millions of people are coming from New York and California, and they're all flocking to these lower-cost-of-living, sunny Sunbelt states. That's really why we're focused on Florida.

Particularly, another hot market is Texas. I mean, there are a lot of people, millions of people flocking to Texas as well. You have the jobs, people follow, the population growth happens, and then what happens is, in this region, it's very landlord-friendly. Not only business-friendly but landlord-friendly. We're looking at regions where there's no rent control as opposed to regions where you're limited to how much you can increase the rent on landlords. We're not bad landlords. We're not those scary landlords that are looking to increase rents on people. What it is, it's naturally in the whole area increasing because it's a more popular place for people to live. Naturally, the market is appreciating for rent, and that's essentially how it works with our properties.

**Daniel:** Yes, it's one of the things in Chicago. I guess I got here in 2015. I moved from Philadelphia to be near my daughter who was heading into high school at the time. I think rent control was on the table, maybe all the way up through about 2020. I think I have the dates wrong, but I was completely unaware because 97% of our business to this point has been single families, so the rent control aspect really didn't drive it much. We're promoting homeownership, fixing houses up, and selling them to people who are going to live there. Now that I've invested in these larger deals, the rent control topic, simply being mentioned at the state's capital, is enough to drive fear through the hearts of everybody. I think it compressed cap rates in New York City when they did implement. It was rent control, I think that was one that went in recently. It compressed the cap rates, I think, or decompressed them by one percentage point across the board, New York City, I believe.

**Ava:** Right, I currently moved to Florida. I recently lived in Vancouver, Canada, and we were limited to 1.5% a year with cap rates being super compressed as well there. The business model that we currently utilize actually didn't ever work where I was from. That's why I started buying other exciting regions where you're going to get the yields, the rental value ratios, but then not have all these restrictions, that we can actually be part of the business model that we're part of.

**Daniel:** What is this CPI Capital business model? Is this a hold-forever strategy? A buy, fix, and sell in 5 to 7 years? What's the hold time in this business model?

**Ava:** Yes, we're fixing flippers but on a large scale. We do 3 to 5-year holds, obviously market opportunistic. Depending on what things look like, we could potentially refinance at some point in there, return some of the capital back to investors, but then we're not long-term hold investors. When we say 3 to 5 years, it's not like we're going to wait until the 8th year comes around and sell that, because investors are trusting us. We didn't want their capital tied up for too long. We do that 3 to 5 years. If it's 6 years, that comes on, but we always see where the market's at and then obviously do what's in the best interest for ourselves and our investors because we do invest alongside our investors as well.

**Daniel:** Okay, what does it look like if I'm an investor? I'm an accredited investor and I'm putting $100,000 to keep the math simple into a deal that's maybe under contract right now getting ready to close. What is the profit split to the general partner? What are the preferred returns if any? I mean, what does it look like for me to put $100,000 into the fund?

**Ava:** On $100,000, what we do is, I always like to kind of lay out the returns summary, but we do monthly distributions at CPI Capital. We do give preferred returns of 7% to 9%. We give investors the option to invest in different classes of shares. We give them an incentive. 'Hey, if you invest a little bit more, your shares will go up a little bit,' but we do monthly distribution. The cash flow always starts at maybe 4% or 5% in the first year and then it grows to 7% to 9% because, of course, as we're renovating, the cash flow is increasing as we turn over those tenants.

Then what we do is when we sell on the back end, the profit split is a 70/30 split GPLP. LPGH, it says 70% goes to the limited partners, the passive investors, and then the general partners keep 30%. Preferred returns are what investors get really excited about when they're investing in syndication because it's really meaning that they get paid first, their 7% to 9%, before the GPs participate in any profit. As a passive investor, if you're listening to this, always look for syndicators who have that preferred return because it's performance-based, almost other than the fees that are part of the deals. It's performance-based. We have to get our investors that 7% to 9% first before we can participate in that 30%.

**Daniel:** Yes, it's good to see the 70/30 favoring the limited partners who are putting the capital in. Do you guys do any cost segregation depreciation on the front end? Take any depreciation throughout? What other tax benefits for people if any?

**Ava:** Definitely, cost segregation for sure. I think that the most unknown things for passive investors are the tax benefits. The tax benefits actually flow down through to the LPs, which is really exciting. There's usually about a 40% to 60% paper loss at the end of the day. What we do is write articles to kind of teach investors what the tax benefits are in these syndications so that they can learn about it. Another thing that's really exciting is investors can utilize their registered funds. They can use registered funds to invest in syndications as well.

There are a lot of really savvy kinds of ways to invest in syndications and all the benefits that are involved. It's just about kind of learning the ropes. At CPI Capital, we put a great deal of thought leadership and trying to educate our investors of what's going on here, right? Because it's mostly busy professionals that are partnering with us. They don't really have a whole lot of time to learn a whole new business. We try to make it really simplified for them so that they can understand on a high scale everything that's possible.

**Daniel:** What is that meant by a registered fund? That's the first time I'm hearing that.

**Ava:** Oh, self-directed IRAs.

**Daniel:** Got you.

**Ava:** Self-directed IRAs. Not to confuse anybody, but another thing I wanted to point out, Daniel, we did a conference and we had this big banner that was up and it said, 'Preferred returns, 7% to 9%.' Everybody said, 'Oh, it's 7% to 9%, that's an okay return.' That's okay, and I'm like, 'No, that's Preferred Return.' I always try to educate investors. There's Preferred Return and then there's Annualized Return, which is the true metric that people understand. That's really where we start looking. We always say we want to double our investors' money within 5 years. We're looking at those above-average returns on the average.

**Daniel:** How many exits have you guys completed so far?

**Ava:** We actually started our company in 2020, August 2020. We have almost close to 1,000 doors now, and we haven't exited any deals yet. You and I were kind of discussing before the show about where we're at right now and so forth. With all the turbulence that was happening in the market, we were sitting on the sidelines alongside many institutions and other indicators. We haven't bought any deals in the last year, but my team has turned the engines on now, and we really feel like we're going into a tremendous buying opportunity. Now we're ready. We're kind of ramping up to tackle the Florida market and get some buzzers.

**Daniel:** How are 1000 deals going? Some of the stories that we're hearing out there is, there are areas where the rent growth has slowed and even turned negative in some instances. We've heard some headwinds from construction costs being significantly more than we budgeted in the last 3 to 5 years. We've heard major concerns with interest rate adjustments on adjustable-rate loans. How have you dealt with those risks? Have you endured some of them, mitigated some of them, or maybe avoided those in your 1000-door portfolio so far?

**Ava:** Very good question. Our properties, I'm very proud to say this, we've not done any capital calls. We really mitigated our risk by two things. When we bought the properties, we got an interest rate cap, like an insurance policy. If the interest rates did go really high, we were protected at a certain level, right? Then, secondly, having a large cash reserve. I always get the team to put in a higher cash reserve than they think we need because it's really important to have it there. Those are two ways we've mitigated the risk. We haven't done any capital calls. I know there's been a lot of turbulence in the market, and to be honest with you, Daniel, some companies did not get that cap rate. They did get in a lot of trouble with the interest rates spiking. There were a lot of firms going on a buying spree, and now it's doom and gloom for them. That's really where we've been kind of sitting on the sidelines, getting ready for some distress deals where we can get not only a great discount but millions of dollars off of these properties that are in distress and sellers need to sell.

**Daniel:** Yes, wonder how much of it we're going to see. I mean, we keep hearing about the distressed inventory. I guess I am seeing in the industrial and retail space a 70,000-square-foot retail center, probably Class B Plus, 90% occupied. I think the other one was like a 40,000-square-foot industrial, very choppy old product, but both of them were priced right. They were the first two deals that were offered priced right in the market that I've seen in the last year and a half or 2 years that I've been watching. Everything else has just been egregious multiples of what any semblance of value might have been. It was surprising to see those couple of assets come through. Although we haven't really seen the full cycle of distressed inventory come out, right?

**Ava:** Yes, some sellers are like, "Why would I sell right now?" because they have their fixed interest rate and they're happy campers. It's really those others. My partner and I always kind of get into a little bit of a debate. I believe that there are going to be a lot of distressed assets, and he believes that there's all these billions of dollars of capital that have been sitting on the sidelines waiting for this time, right? We're kind of in that sweet spot where large institutions won't really go after those 150 doors. We kind of joke around and go back and forth on this topic. I really believe that starting this year, especially next year, there are going to be some great opportunities. I think I've proven my point because we're working on a deal right now. It was $29 million to start with, it's already down to $23 million, and who knows what we're going to get it for.

**Daniel:** Nice. What is the deal attraction strategy for CPI Capital?

**Ava:** We always want to find a deal that has that value-add component. There's something called a true value add. That's a deal that hasn't been touched by a lot of syndicators before or by a lot of institutions. What that means is, it's in its original state. We call them Classical units. The more Classical units that we can have in a deal, the better. Because that gives us more room to either renovate them all or leave a little bit of meat on the bones for the next person to come along. That's really what we're looking for right now, and that's our strategy. [crosstalk].

**Daniel:** Would that be the builder who built this thing in 1982 and the family still owns it now, all these years later? Or is that when you say no syndicators touched it? Because it seems from my outside-the-industry view, there's kind of this churning of apartment units that's always going on. It's like syndicator A bought it in 1996 and then did some work and then sold it in 2004. The next one came in and did the same thing in 2007. They lost it to bankruptcy in 2008. Now someone else got it and ground it to 2014. Then one to 2017, and now that would not be the true Classical unit. Because half the units are renovated, there are a few old Classical units in the building. There is still value-add there, but certainly, there's been a lot of value cycled out of it. Versus what you're saying, the true value-add is almost the original owner. Or somebody who has not done a whole lot other than collect checks from that asset for an extended period of time. Maybe what is that extended period of time that you've seen those kinds of deals?

**Ava:** There are a couple of different things. What you just talked about was it kind of went through these syndicators, and people have sat on it. Some people made tremendous amounts of money just sitting on assets when they went through the bullish market. I'm going to be a little bit off on this stat, but there's something like 43 million apartments. When we say multifamily, it's like four-plus doors, and I think there's like 43 million. I believe almost half of that, like 23 million or 20 million, are Mom and Paps, right? These are families that own these properties, and the kids maybe don't want them, and they got to sell at some point because they don't want to manage them anymore. That would be ideal. You're going to get the best of both worlds.

**Daniel:** You guys bought off of each of those Avatar investors, I guess, over time? [crosstalk].

**Ava:** We have never bought off Mom and Paps yet. We have bought off a developer. A Class A, we've bought off of a developer, and we bought off of other syndicators who are selling.

**Daniel:** Are some of those two-turners?

**Ava:** Two-turners, exactly.

**Daniel:** I was having a conference for multifamily here in Chicago. Chicago is a great city for multifamily. I was just saying this on our last episode because even 2, 3 unit, or 4 units that are residential, it's such a vibrant market. Because we have a record-breaking number of those buildings throughout the entire city. It offers a really great opportunity for your house hacking investor who's getting their first place to kind of get in or accidental landlords. There's a lot of value in those small units in our city. We also have a lot of 20, 30, 40, 60 buildings, things that size. It's a really, really old product here, but we're a great city too because of the size. The 8, 9 million people that are here really help kind of keep things vibrant, and we have really high rents. [crosstalk]. That was a digress.

**Ava:** I was going to ask you about the rent and value ratios in Chicago.

**Daniel:** I don't know what the ratios are. I haven't really figured that out. I have 39 units or something like that I own throughout the city. I've worked on them, and I'm continuing to work through them. Mine's more of a buy-and-hold-it-forever kind of strategy. It's like retirement. I don't have investors on it, and I'm just kind of letting those things sit there for a period of time. Maybe until they become too much of a drag. At the conference I went to here in the city, there was a comment, one of the people made from the stage. He said, "I love Chicago because it's the kind of city where you're finding this mom-and-pap owner who's owned the thing since 1960, 1970, and they've never sold it, and they've never updated the units." He's like, "I'm amazed and blown away." In fact, he didn't say Chicago, he said, "The Midwest." He said, "All over the Midwest."

Then he said, "I came from California, and California, there is zero. There's nothing. There's no more mom-and-pap buildings anywhere at all. Everything has been traded and cycled by the syndicators over and over out there on the West Coast." He also mentioned that a lot of that might have also been occurring throughout the Sunbelt too, but I'd be hard-pressed because I don't remember the full details. I think that may be market-specific, right? It's more and more of a unicorn depending on where you're at in the country or more prevalent in other parts of the country. I'd be interested to follow along with you here over the next couple of years. See how often these elusive mom-and-paps everybody's talking about. How often do we actually see those kinds of deals? [crosstalk].

**Ava:** That's right. That's really well said. Then the competition too, right? In the Sunbelt States, I mean, everybody's wanting to invest in the Sunbelt States, the competition's a little bit higher as well. [crosstalk].

**Daniel:** It's been forever, pretty much.

**Ava:** Absolutely.

**Daniel:** Let's take a different turn here. Let's say we have a listener who's interested in building their own Private Equity Company and raising money. What type of, I don't know, instructions or jewels of wisdom would you share with somebody who wants to go out and do the kind of thing that you're doing now?

**Ava:** Right on. Well, I got lots to share, that's for sure. They say the Blood, Sweat, and Tears, right? If you go through to do something like this. I grew up in a small city, so I'm kind of like a small-town girl from Canada, and now I'm in the US. I was in residential real estate for a decade before I actually pivoted to real estate Private Equity where I met my business partner who was a developer in Vancouver. A kind of Visionary in his own right. Where we started, where we co-founded CPI capital, we kind of did it backward, Daniel. A lot of people say, "Find the deal and investors will come." You know how a lot of people think that, or, "I have a great deal. It's such an amazing deal. I'm going to send it to some people. People are going to love this deal. They're going to invest with me."

We did it actually totally backward. We thought, okay, we want to dive into an Institutional multifamily asset on our first deal, we're not going to start out with the Fourplex, and then a Tenplex and work our way up. We want to go big first. In order to do that, what we had to do was we decided to build our Investor Community First. To build, know, like, and trust, what I like to call it first with a ton of investors and then take down an asset. We do this for a good year, probably before we actually did our first deal. We educated people on these concepts of passive investing, preferred returns, annualized returns, and all of these kinds of terminology that people aren't quite used to.

I was getting on calls with doctors. They were asking, like, "Can I really passively invest in something like this? I don't have to be a landlord. I don't want to deal with the headaches of being a landlord." I said, "Yes, my team executes the day-to-day operations and the business model. You get to sit back and you get to receive your monthly distribution, but more than that, there's a lot of communication that you'll receive from our end. On a monthly basis, you're going to get your monthly newsletter email, where you go through occupancy, renovations, and all that fun stuff." We educated about this concept and we started speaking all over Canada and all over the US, and we started filling investors.

They started coming down our funnel, we like to call it. Then we started nurturing these investors. Again for a good year, and we started asking people, "Hey, if we came to the table with a large deal like this, now that you understand the higher concept of how everything works, would you invest with us?" We're getting a lot of yeses after we spent a year building that trust because you got to build the trust first. Nobody's going to invest with you. They first need to know you. That's where you go market yourself, and you get in front of everybody by podcasts like this.

Or by speaking on stage. Or by news publications. Or by LinkedIn, Facebook, and Instagram. I mean, there are all different platforms nowadays, so they can get to know you. Then of course, they need to like you. Hopefully, they like what you're saying, and then eventually, you provide them with so much content that they start to trust you. That's really how we started our real estate Private Equity Firm. We did the total opposite of what everybody else talks about.

**Daniel:** It seems odd. It's like, what were you talking about before you had a deal? It was like, she just the here's how it works content pretty much.

**Ava:** Yes, pretty much that. Then people are thinking like, okay, you're going to take down a large institutional deal for your first deal. Well, that sounds a little bit scary, doesn't it? Well, all we did was we partnered with a group who already closed out 100 million dollars' worth of deals. We really had the systems, the structure, and the boots on the ground before we actually did our first deal. It's not like we're going to take down a multi-million-dollar asset that's 90 million dollars. We didn't do it that way. We partnered with the group. Then slowly, we knew that we wanted to be an operational real estate Private Equity Firm. We didn't want to always partner with others. Then eventually, we formed ourselves, and then we built our own systems and so forth. That's how we build our company. It was really great doing it that way because you can't do it alone, right? Not with these large assets. There are a lot of moving parts.

**Daniel:** What do you think is the hardest thing for somebody who's never asked someone else to invest in a deal of $100,000 dollars or whatever more maybe? What's the hardest thing for that person to overcome?

**Ava:** People just don't want to ask because they are just so scared of being rejected, I think, right? You got to change your mindset and you got to understand that you're providing this person with a lot of value. You're providing them with a great private alternative investment that's private. Without you, they wouldn't have known about it anyways. That's the biggest thing that people have to overcome. I have an amazing friend who has a big doctor network, but he's so scared to talk to other doctors about these incredible investments. I'm trying to help him with his mindset, "They're going to love you. If anything, it's their decision at the end of the day." You're not twisting their arm or anything. It's their decision to educate themselves on a high level and take the next step to create this alternative income stream for themselves.

**Daniel:** As I think back to when I first raised money, one of my mentors said, "Here's what you do. You get a pen and a pad, and you write down the names of 10 or 25 people who you think have money, who you could get on the phone or you could have coffee with and you could ask them for money." Then he said, "Make sure you have a deal lined up and go present the deal, pitch it, ask for the money." Then he took it another step further. He's like, "Make sure you line up to get the money into your account as soon as possible. Because some people say, 'Yes, I'll invest,' then when the time comes to invest 90 days later, 'Oh, well, I put it into this other thing. I no longer have the money,' " that kind of thing. If I evaluate my own fears around that and why I never liked taking money from investors initially, early on, I had lost money through 2007, '8, '9, and '10, right?

I kind of tried and failed at real estate before coming back again in 2011. Give my life back to God. In 2012, quit drinking and really cleaned myself up, and then started to do deals. We did deals and lost money. Since 2012, we've had a couple of losers, but we've made money on the great majority of the deals, way more than made up for those losses. I think it was my fear that I would lose the investors' money. That really, I didn't like it, I didn't feel comfortable with it, and now I've had such a large track record of successfully doing deals. I really truly understand the value that I'm bringing to the table for my investors. We pay two points and 10% interest. It's like a simple interest kind of loan paid on a balloon. We'll have the money for 6 months, 9 months, a year. Sometimes as little as a month or 2 or 3 months, really short in and out kind of deals.

I can use my own cash and not have to pay the two points and 10% interest. Now, for me, I genuinely feel like I'm including the people who have money, who invest in a deal with me. I have friends and family who have this other income stream I'm allowing them to participate in our deals, even though we don't actually need their money to do it. Now we do so many deals that we would exhaust the cash that we have. It's a great symbiotic relationship, but it did take me a long time mentally and to see my career shift change and improve over time, before I was confident enough to outweigh that fear of losing the investor's money. For me, providing that opportunity to give them the income stream on our deals that we're going to close to make a profit with anyway, whether they participate or not, now they have a chance to kind of participate at the passive level. That was, I don't know, a long thought string, I guess, to tack on there.

**Ava:** I really like what you said there, though, at the very beginning. Your biggest fear was losing other people's money, right?

**Daniel:** Yes.

**Ava:** One of the things I was actually just talking to somebody else on a podcast about was real estate is obviously one of the safest asset classes because it's backed by a tangible asset. We've all been through turbulent times where it's been very scary out there. One thing I was talking about is when you go to present a deal to an investor, a lot of people do this—they just present the good, they don't present the bad, the things that can go wrong. What I do with my investors, and this creates more trust as well, is saying, "Hey, listen, this is all great, but these are the things that can go wrong." Then in that way, they know, they feel more confident in you too because you're sharing the whole spectrum. You're being very transparent, but then they're still making the decision at the end of the day as well.

**Daniel:** You're right about that. I had a thought on the Florida issue. Do you guys own property in Florida right now?

**Ava:** We actually own property in Orlando. Our property is doing really well.

**Daniel:** Florida at the rent, I like to go down there in the wintertime myself. I think it's interesting, there's a market on the Jersey Shore, Avalon, and Stone Harbor, it's called Seven Mile Island. They built it up, maybe in the '50s and the '60s, and they were selling lots off. If you bought an Oceanfront lot, you got a Bayfront lot for free. They were literally giving away these Bayfront lots for free. Those Bayfront lots today go for about 4 to 6 million dollars depending on the size. The oceanfront, I'm sure, is about the same amount. I see what has happened in the last 25 years in Avalon, maybe in the early '90s, you could buy properties there for 200 to 250 thousand dollars. I think the teardown sells for like 2 million and a new construction goes from 3.4 to maybe 5 million plus depending on the size. It's a really small compact vacation market. New York, Philadelphia goes vacations there, and it's a second-home market.

I see the same thing occurring on a lot of islands and coastal areas in Florida. We've watched Florida boom and bust. It's a boom and bust for all these years. I'm hoping to myself, actually, because I own property in Florida, I'm hoping that it's kind of going to do like Avalon. Where we're going to continue to see people buying houses for 4 million dollars or 2 million, tearing them down, and building something in this place with probably an appraised value somewhere, a construction value with the land probably in the 4 to 5 million dollar range. Some of the ones I know on Siesta Key. Is Florida's market becoming, and I guess it always has been, a playground for people all around the world? Miami and Boca for people who have the money? Man, is it reaching a whole nother level here? That doesn't even count for the entire workforce in the population and the job growth there. It seems like such a strong market. Then I got my insurance bill.

**Ava:** I wanted to talk to you about the insurance bill.

**Daniel:** That's right. How did that go in Orlando? [crosstalk]

**Ava:** It's a hurricane, Dan, right? Savvy investors got to find their way around some things, right? We, for example, I told you Jacksonville, Orlando, and Tampa is what we're looking for right now. Insurance, honestly, on a unit, it went from $600, I think, all the way up to $2,000 and $2,200. We're talking, it went up big. [crosstalk]

**Daniel:** Triple?

**Ava:** Yes, triple exactly. Now the way around this and investors ask me this all the time, "All of you are investing in Florida, what about the insurance? What about this? What about that?" One way around it is partnering with a property management company that has an umbrella insurance policy, where they have so many units in the area that they actually get this discounted rate. That's one way around it. Another savvy thing that we're doing is actually even the seller that's selling the property, you can even ask them if they could stay on as a GP and you can continue to keep their insurance policy. There are certain ways around getting across because I mean if you're going from $600 in and outs, you have to underwrite $2,200 a unit. Per year, for 176 units or a 200-unit property, it's really going to affect your NOI.

There are savvy ways around this. That's essentially what we did. We partner with these larger property management companies. There are companies that are vertically integrated where they have their own Property Management. They do all the construction and renovations and everything by themselves. Or you partner with a third-party property management company, and this is what I fell in love with from day one: the blanket, the umbrella policies that property managers have when it comes to insurance policies, mentioning insurance tripling. $600 to $2,200 dollars a unit and how much it can affect the NOI and really make the returns go down on a deal, which we're not in favor of. There are ways around it, and one of the savvy ways I was mentioning was to really partner with the property manager who owns and manages tons of units in the region. They get this kind of discounted policy.

**Daniel:** Do you have to put them on as a general partner in that deal in order to actually tuck them into the insurance policy?

**Ava:** I'd have to ask my team exactly how that works. That's a good question.

**Daniel:** It sounds great. I had some friends who were also putting together, I don't know, a million square feet of industrial, trying to get that same boat policy. Maybe I'll have to follow up and see which company they actually might have that running through. [crosstalk]

**Ava:** Definitely, or another way is if you're buying from a seller who has a killer insurance rate, then yes, you'd have to put them as part of the DP to keep them off that. This is another savvy thing that we're working on a couple of deals to continue having that. Let's say $600 a month insurance instead of it skyrocketing.

**Daniel:** Hopefully, they sort that out and there are no more big losses for a few years. All of us who own property in Florida will feel better again about the insurance.

**Ava:** Let me ask you, Daniel, are you working on single-family units here in Florida? Are you sort of buying and renting?

**Daniel:** Yes, I just own a single vacation home there, so we Airbnb it out, that kind of thing. That's the one that, I don't know, we thought it was going to be $8,000 or $9,000 insurance. It was $18, which I knew it was going to be high, and it is what it is, but it definitely puts the brakes on me wanting to get 4 or 5 more. The stuff that we are looking at in Florida, we're all looking at 25-acre parcel industrial. We would develop that from the ground up. Any Orlando market right now? We haven't even gotten to the point of penciling the insurance, but we're pretty sure that's going to be egregious.

**Ava:** Definitely. Try to find some savvy ways around it because Florida is an amazing market to invest in. I mean, with your Airbnb, I'm sure you understand with that what people are willing to pay. Especially all the Canadians, they come, I call them "Snowbirds." This time, all the Canadians would flock to Florida. They absolutely love it. It's beautiful. 25 degrees, whether it's just a paradise. Except for when the hurricane is at.

**Daniel:** Which is why being a snowbird is not such a bad thing?

**Ava:** That's right.

**Daniel:** You'll be there this year, right, Ava?

**Ava:** Yes, I'll be here. I haven't gone through a hurricane yet. As I mentioned, I just moved to Florida on June 1st this year. Again, the weather coming in and out is such a beautiful emotional experience. Because you wake up, it's beautiful sunshine, and the clouds come in. They come in fast, and it pours, and then it opens up again. There's a rainbow to your left. [crosstalk].

**Daniel:** Clear blue skies from then, yes.

**Ava:** That's right. It's something I'd never seen before.

**Daniel:** Amazing. A couple of questions as we wrap up here, Ava. If you could go back to the beginning of your real estate career, when you were just getting your real estate license, what would be the crown jewel of wisdom you would go back and share with yourself at that moment?

**Ava:** To get a coach or a mentor. That's the biggest piece of advice I can give anybody for whatever business they're starting out in. To just invest in a coach. You think, "Oh my God, 10 grand is so much money. I can use that for something else." The amount of headache that they're going to save for you, you have to build all these systems from the ground up and literally try to figure the road out by yourself. The right direction and what I do here. If you get a coach, they will solve so many things for you that will probably save you tenfold than that investment. That's the biggest advice I can give.

**Daniel:** You're spot-on. I mean, I still to this day will have this version, let's say, to like the coach or the mentor or whatever the case is. My dad pulled the trigger for us in 2006. It was a total of maybe $15,000 to go to a handful of seminars that were put on by Russ Whitney. He had this nationwide company at one point with a market cap rate of like 400 million dollars, it was a publicly traded company. A lot of people, I think, would go to those seminars, Ava, and they would leave and probably not take action. Or take a little action and not get the results, so they would get this bad reputation. "Oh, they're con, they just put on any shows and it doesn't work and it's a terrible business model." I came out of those seminars as a 26-year-old kid, and when I showed up at the local real estate investor organizations, the terminology and the things that I was talking about were stuff that these people at the course were doing for 30, 40 years. I had this older-than-my-years kind of perception, right?

I think that opened the door to the gentleman I'm thinking of who's actually one of the guys who's an executive in my company now. He funded my first flip, and we've done dozens and dozens of flips together. Now, hundreds and hundreds of deals together. He's a great friend and business partner to this day. I don't know if he would have had the same, I don't know, welcoming attitude, or it took me quite as serious if I didn't at least have some of that lingo down. I got a lot more than the lingo out of that scenario, but being able to invest probably for people who are staring down the barrel of paying for a coach. Not all coaches who are paying a high price are necessarily worth it. That's not what I'm advocating for, but being willing to make that size of investment in your own knowledge, I think it certainly has been a springboard for my career. Great jewel.

**Ava:** I love that, and the contacts, like you just mentioned, you met the right person because it all kind of aligned. [crosstalk] One-step check, thanks for sharing that.

**Daniel:** Ava, where can people get more contact information about you or CPI Capital?

**Ava:** They can just check us out on www.cpicapital.ca. You can sign up. There's a little pop-up that will pop up. Sign up, and you'll start receiving our weekly blogs that we send out to our database. They're all educational, less than a 5-minute read. They get sent out every single Sunday at 3 a.m. EST, so you can plan ahead of time. I mean, I have my Sunday coffee and read this beautiful blog that I'm going to learn a lot from. It goes for passive investors and for active investors. Make sure you check us out online or on LinkedIn, Ava Benesocky. I'm super active on LinkedIn as well.

**Daniel:** My final question. What is the kindest thing anyone has ever done for you?

**Ava:** Oh man! The kindest thing anyone has ever done for me? This is going to sound a little bit cheesy, probably, but my business partner just believing in me. That was probably the kindest thing anybody's ever done for me. I won't get too much in the weeds, but that's probably what it was.

**Daniel:** Nice. Beautiful, a great place to start. Great place to wrap up there. Ava, I have tons of notes here. I had a great conversation. I appreciate you blocking out the time and coming on the show.

**Ava:** Yes, thanks for having me, Daniel. This has been a lot of fun. I really appreciate you.

**Daniel:** The REI Diamond show is sponsored by Diamond Equity Investments. It's a private equity firm focused on buying and selling residential and commercial property throughout the United States. If you are an accredited investor seeking double-digit returns, you can sign up to review Diamond Equity's passive investment opportunities at www.fundrehabdeals.com. If you're an investor who is seeking deals that you can buy, fix, and flip, please go to www.dealswithroi.com.

**Man 1:** Thank you for listening to this episode of the REI Diamonds show with Dan Breslin. To receive email notifications of new weekly episodes, sign up at www.reidiamonds.com.

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