Voice Over: Welcome to the R.E.I. Diamonds Show with Dan Breslin, your source for real estate investment, jewels of wisdom.

Dan Breslin: Vlad Arakcheyev, welcome to the R.E.I. Diamonds Show. How are you doing today?

Vlad Arakcheyev: Thanks so much for having me. I really like and love the show. Thank you.

Dan: I appreciate you reaching out. I was looking forward to getting our episode. I am here in Chicago where I record, at least, in the summertime. I like to be down in Florida, if I can, in the winter. Whereabouts are you recording from today?

Vlad: I'm in Jersey.

Dan: Cool. I grew up in Philadelphia right outside. I moved to Chicago. The listeners know that. Is that your primary market? Or do you also invest throughout the country?

Vlad: Yes. The thing is, I'm a real estate agent here in New Jersey. I do single-family residences here in Jersey. I sell them, I buy them for others. I do some flips here as well. That's how I started my real estate career. In fact, I had a single-family rental right outside of Philly in Cherry Hill. It was going great. It was working great.

But shortly after, I realized that I wanted to scale. In order for me to scale faster, I started leaning towards multifamily more. Right now, we are buying in Sunbelt areas and the Midwest.

Primarily, if you wouldn't know the target markets, I'm very particular where I buy. It's from Texas and Kansas. These are the 2 markets that I have been buying so far. Recently, I have been exploring the Carolinas market as well.

Dan: You've made a switch a little bit here to multifamily. Do you own units and projects in both Texas and Kansas right now?

Vlad: Yes, absolutely. Primarily, we do JVs and syndications when it comes to our acquisitions. It varies depending on the purchase price. Obviously, we can't buy ten million or $15 million properties ourselves. We pool our money together with passive investors, with investors that want to diversify their portfolios that when they invest in real hard assets, they invest with us into apartment buildings. Of course, we take that for the rest. We improve the properties over 5 years, sell it, and move on to the next ones.

Dan: You're the limited or the general partner in these deals?

Vlad: I'm always a GP. I'm the operator in them. Like I said, how I started this, I joined a multifamily mastermind. There's bunch of them out there. I interviewed with a lot. I've joined Jake & Gino. They are multifamily mastermind in the community. They're all over the United States. It costs some money. But let me tell you. If you need education and networking, these are the places where you have to be.

In my opinion, it's like this. If you want to learn how to ski, you can go up the mountain twenty times, fall down twenty times, and learn by bruising yourself and breaking maybe a few bones. But if you really want to know the proper way of ski, take a lesson. They'll teach you exactly what you need to do.

Same thing in real estate or multifamily. Instead of doing it all by yourself - because it's a team sport when it comes to multifamily - I joined the mentorship, connected with groups of people that are buying and doing business in Texas. That's exactly how I got started by joining a mentor. Yes. I'm a GP in all my deals.

Dan: Nice. Why Kansas? That's Midwest, stable market. Is there a specific city that's makes sense in Kansas? Do you just know a great operator? Why did we select that state?

Vlad: It's actually Kansas City. Kansas City actually splits on the Kansas and the Missouri side. When I say Kansas, let's just say Kansas City. It's easier. Many times, you say Missouri and people are like, "Uh, what is that?" They don't even know. I just say Kansas.

Kansas City has huge growth from what I've seen. If you go there and take a look at it, all you see is construction going on. There's a lot of projects happening. They just built a $2 billion-new airport. Then you have a huge project when it comes to soccer. The next World Cup, they're going to have games there. They're building stadiums. You have influx of businesses. People are going into the town. The growth is there.

Additionally, a lot of people think - or if you follow the trends - places like Arizona maybe peaked or unachievable, because they already have maximum growth, some say. There's a lot of people going from there to Midwest.

Additionally, if you look at, let's say, Houston where insurances and taxes are killing a lot of deals- I know it, because it's killing deals for us, because I'm in Houston, too - when you look at the Midwest. it's not as bad as the coastal areas like Florida or Houston, for example, where insurance has really doubled in the last year. Of course, it's a red state. It's landlord friendly. It's very catered towards landlords and people that own real estate.

Dan: You have a project in Kansas City now?

Vlad: I do. We purchased forty units. We purchased now. We're very active on making a lot of changes in that asset. We love it, because this huge shortage when it comes to housing and, of course, apartments. As we see now, we're tracking people who can afford to buy a house versus rent. The difference between renting and buying is the largest right now - I don't know - since the last fifty years, if I'm not mistaken.

A lot of people cannot really afford to buy a house. They have to rent. Basic human needs: food, clothing, apartments. They're not going to go homeless. This is the idea behind me going into Kansas.

Dan: What was the purchase price and the rents when you bought it? Then maybe what is your target rent when you're done stabilizing? About how far are you into that process?

Vlad: Sure. We purchased for fifty thousand per unit. Total purchase price was 2 million and then some, well, closing costs and stuff. But it's fifty thousand per door. We got a direct off-market. I actually cold called, believe it or not. I went direct to seller and got that building off of a guy who's basically ready to retire, and he wanted to sell.

The rents were $600. Our target rent is $950 dollars. We are able to hike up the rents without doing too much. Because if you think about it, the rents were so much below market that people who live there, they never complained. They didn't care. As soon as we started hiking up the rents, they were like, "Yes. We don't care, because everybody else is charging nine-fifty, a thousand.

When we're raising up the rent, we still add 100% occupancy. Actually, 1 person moved out. They just... [crosstalk].

Dan: Wow. How long has that one been in process, Vlad?

Vlad: 6 months.

Dan: Were they all month-to-month when you got in?

Vlad: That's a great question. Yes. Because that person, the seller, didn't really care. Like I said, he is a really old gentleman. He didn't care about anything. He was holding it for the past - I don't know how many - twenty years or something like that.

They were all month-to-month. We started renewing. The leases would be new, increased rents. They all re-signed. They all signed up again. Not a single person moved out. We're still holding. I think now, it's just 1 vacancy which is great, because now, we can rehab the unit and put it on the market at a different price.

Dan: That guy was bringing in twenty, twenty-four thousand a month, living off of it, paying his taxes, didn't care. You're going to get up to maybe thirty-eight thousand if you hit nine-fifty for each one. We all know, I think, when you multiply that out by the year and take out your expenses, it's got to be worth, at least, three, three-point-two, three-point-three million. Something like that, does that sound about?

Vlad: Yes. Additionally, operations-wise, we're improving stuff as well, because he was just going with the flow. Like you have garbage removal, and he didn't negotiate with the companies that were removing garbage. We see that his garbage fees are double of what they're supposed to be.

Now, we reduced our expenses, our operating expenses. That's going to increase the value of the property even more. They told him, "Hey, listen. You can remove the garbage 3 times a week and pay," let's say, "$500". But typically, it's $200. We are cutting our expenses in half, because he really didn't care. The funny thing is...

Dan: Yes. He's making money. It has covered all of his life expenses. He didn't have much motivation to get in and tweak all the dials.

Vlad: Honestly, he couldn't really, because when we asked for his expenses and his P&L, he just gave us a box with papers. He was like, "Here you go. Dig through this." That was pretty funny when he did that. We're like, "Oh, my gosh. Now, we have to look through this box of papers." He didn't even know what stuff was happening at the property, because he just trusted the property manager to do everything.

Dan: Do you have third-party management there now, Vlad?

Vlad: Yes.

Dan: How often are you actually physically yourself in Kansas City through these 6 months?

Vlad: Actually, I was there once. But we have a person that lives thirty minutes away from the property. He's my partner, Joe. He's visiting the property, I would say, bi-weekly.

Dan: Probably, good to do. What does this look like for investors? I imagine you, guys, probably raised 5 to 7 hundred thousand on this.

Vlad: In this particular case, it was really a JV. We didn't have to raise a single penny on this. 5 people came in, pooled our money together. This was a purely generational wealth asset. We didn't have to raise anything.

Dan: Each person threw in a hundred-fifty grand, something like that?

Vlad: It varied. We actually did less. But somebody came in. They needed to put a lot of money into a project. They put, I would say, 35% of the equity in it, of their [crosstalk]. We all have different stakes when it comes to this project. That person just put more money into it.

Dan: Got you. Your plan is just to hang on to this indefinitely?

Vlad: Yes. My goal, ten years, until really stuff starts, I would say, breaking down, or there's an opportunity to refine, maybe sell. But I would say ten years is the goal.

Dan: Sure. I'm doing some stuff and commercial, own shopping centers, things like that. I like National Tenants. I like industrial property, 40,000 square foot and larger, stuff with more scale. We're doing the same structures where a couple of us are in on the joint venture, bringing different amounts of capital. Maybe there is a raise. Maybe there isn't a raise.

But my mentor Scott Schill is- projects like you're in right now. I don't know if this fits. I'm in a few myself. I own completely as apartment buildings. My original intention was, look, just for me, it's money that's sort of in a savings account. It's third-party management. I'm not living off to cash flow. I'm using the money that comes in to improve the next unit and just keep the thing multiplying. I originally wasn't going to sell it ever. I'm just going to hold it forever and really let that thing compound.

But he had shared a few stories of his own. I was actually in Cleveland visiting his hometown looking at his projects this week. We were supposed to go look at 1 of his early deals. It was like forty, fifty-unit apartment building in Cleveland. He went in. He renovated the whole thing, had it looking nice, got it stable.

We didn't go, because the whole thing is a burned-out shell now. His advice was like, "Look. When you get these big assets, the temptation can be to hold them forever. But some of the issues is you do all the capex. In the first 2 to 3 years, you get it stable. The asset is never going to look as nice as it does at the end of your capex. Really, think hard about selling it at the end of the capex to reap the biggest harvest, because you're going to have to do a whole another round of capex year 7, 8, 9, ten when it wears out," like you were saying, "and you might do better selling it early rather than hanging on to it for a long time." Certainly, on the one that was completely burned down, that would have the case for him.

I have this back-and-forth mindset, this tennis match in my mind of Warren Buffett on one side who's saying, "The best hold time is forever. You see how it can really compound over a long period of time." On the other end is Scott who has done - I don't know how many - hundreds of commercial deals and tens of millions of dollars, if not hundreds of profits. He's saying, "Sell it at the end of that 3, 4, 5 years. Really, consider selling the large assets on a regular basis and reaping the harvest."

I haven't really landed on one or the other. But my mind is certainly opening to selling it sooner than I may be expected when I bought my forty, fifty units or something that I own now.

Vlad: That totally makes sense, because ultimately, you don't want to be an owner of a slumlord apartment complex, something that's falling apart. I know exactly what you mean, because my coach, Bill Ham, has been in multifamily for quite a long time. He says the same thing. You can definitely hold on to it for a while, enjoy the cash flow, and everything.

But ultimately, in 5 years, if you're buying 1980 vintage now, in 10 years, it's pretty old. Time to get rid of it and replace it with something newer. Because by then, the B properties now will be C. If that's what your plan is, it makes sense, of course.

Dan: I'd probably layer on. You talked about the JVs. You're the general partner. You're doing a lot of heavy lifting. I think there're people listening to this right now who would say, "Yes. That's me. I want to build my wealth by finding deals, building them out, operating them over the long term. I would love to find a group of people and syndicated deal. I want to raise a million. I want to raise 5 million. I want to buy something for 4 million, turn it into a 7 million. I want to buy something for sixteen million. I want to turn it into a twenty-five million." There're people listening to that right now. They're ready to do the work. They're ambitious. They're going to get it done. I think that's one way to approach the conversation we've had even so far.

The other end of that spectrum is the limited partner side. I was always the general-partner mindset. We're buying. We're selling. We're doing three hundred deals a year. It's like, "I'm going to bring the edge. No one's going to execute better than I am over the last year or two and even now."

The other thought, when Scott is saying sell some of these assets, I might even pick the phone up and call my property manager today after we're done and say, "Hey, what do you think we could sell those buildings for? Maybe put them on the market. Let's test it."

If they sell, Vlad, I'm really considering just taking that cash and putting it into the limited partnerships with general partners who I know who are playing the game very well. I'm going to make - ideally if all things go well - fifteen to twenty-five percent on my money. It will come with tax advantages. I already am in as limited partner. I really like seeing this nice, clean, ACH transfer show up in my bank account on a quarterly basis from one of the funds I'm thinking of.

I didn't open a tax bill. I didn't call an insurance broker. I didn't take a call from a property manager. I didn't have to have money go out of my account 7, 8, ten, fifteen separate times. All that crap happens on my residential portfolio that I own now. I'm really tempted to go for freedom and really settle into the limited partner seat. There's probably a balance of that stuff for me or for the listener or anyone.

But it took me a long time to psychologically be okay with giving up control of my money and being the limited partner. I would say that control and letting go of that control for myself became easier as I was able to spend time with general partners in that mastermind format like you're talking about, not at Jake & Gino's. But Scott runs one. I get to meet dozens of people. I get to hear them talk about their deals. I get to see that over time. I see which guys are growing. I really just have a chance to examine their mindset over the long term. I feel a lot more comfortable vetting on those players than I would, let's say, after listening to someone on a podcast.

What would you layer on to somebody being comfortable with becoming a limited partner in a deal like this?

Vlad: Number 1, you have to vet the team. I would vet on the team. Because you can have the best asset, but if the team is weak, it will surely fail, or you're not going to get the returns that you were targeted. I would look at the team, look at their track record, and ultimately, how it was performing over time.

I like to have a relationship if I'm partnering with somebody. I partner with 2 teams so far. I know them for over a year. I talk to them on many occasions, ask them a bunch of questions. I know exactly what they're looking for. Also, I like the teams that are focused on the area.

I'll give you an example. If you have a team that's all over the place, they might not be focused. But if they're vertically integrated, if they are buying in 1 market and they're pros in a particular area, I like that. I really do.

Additionally, if you see their track record and they have multiple exits, that's a huge plus as well. Of course, you see and you can ask others, "Oh, what do they think about this?" There're many questions you should be asking of that operator.

Also, take a look at their underwriting. Don't just believe them. Take a look at their model. Ask for it. They should provide you, because there's nothing to hide here. Underwrite the deal yourself. See how conservative they are. Because in some cases, you can tweak a few numbers on a model and make the numbers look great.

What I do is any deal that I'm in would take the- I don't know if we need that model. I ask for the rent roll and the T12. We re-underwrite everything. The way we look at a deal is we're trying to kill the deal.

Yes. I know. You heard it right. We're trying to kill the deal. If we cannot kill it, then we're in it. Because you can tweak the numbers and make the deal look great and be like, "Oh, my gosh. Look at this. The rents are great. Look at all this income." I'm trying to really poke as many holes as possible. If I cannot physically just kill the deal, then, yes, I'm in it.

Additionally, you have to look at the markets where you feel comfortable. I prefer Dallas. I prefer Houston, Kansas City, Carolinas. Many people prefer Florida - I don't know - Cincinnati, Ohio. I was just speaking with a guy, and what a team. He's crushing it in Nebraska. Not my market. People are like, "Hey, why don't you go to Nebraska?" I'm like, "The deal looks wonderful. But it's not my market. I don't want to spread myself too thin." Be in Nebraska. Absolutely. Crush it there.

I have a friend. He is doing great in Mississippi. I'm like, "Oh, my gosh. I haven't even considered being in Mississippi." But he loves it there. But I'm comfortable. I'm very hyper focused on my market. Vet the team; I would say.

Dan: Vlad, if we were doing a back-of-the-napkin type of underwriting on a deal and we did not really have access to local MLS and a whole lot of data, we're putting ourselves in the shoes of somebody who's a W-2 employee making $100,000 a year and they're going to put fifty grand into some guys, LP syndication, what would be, let's say, a good expense ratio on the current income for an apartment building? What would be a good method for them to validate the expected rents that are described in that offering?

Vlad: Sure. I typically look for if the current rents are 20% below average market rent in that particular area. It gives us a nice safety cushion where we can do some capex, and we can hike up the rents.

Additionally, what you can do is you can call a broker in that area and ask for the rents. That's what I do. I literally just call the broker, let's say, in a particular cluster of, let's say, Houston area. I'm like, "Hey, if you don't have access to various online tools and paid subscription, things like CoStar," for example, a lot of people don't have access to it, "CoStar gives you all that information. It's a very powerful tool that we use, I would say, multiple times a day."

Dan: It's $600 a month. You got to commit for a year. Our accountant that's making a hundred grand is not going to have that, right?

Vlad: Yes. It's an expensive tool. But it helps you underwrite things quicker. It helps you see the cap rates and things of how everything is trading. Additionally, you can see all the background on the property with the loan and everything, whatever.

Dan: It's a fantastic tool. How would you find the right broker to call in Houston? How do you go about finding that broker? Because they're not all created the same? They're not all going to give you the right answer.

Vlad: There're big companies all over the country that sell multifamily. There's Markus & Millichap, GLL, Cushman & Wakefield. Just find that person and call them. Call multiple.

Additionally, what I do is I literally just go on LoopNet - it's free - and find, let's say, that apartment complex and look for other ones in the area. I call them. I say, "Well, do you have any vacancies? What do you charge for a 2-bedroom apartment if I move in in a month?" That's another way of seeing where the market is. If they're saying they're charging nine hundred and the property you're trying to invest is charging eight-fifty, there's not much of an upside. But if the property you're investing is six hundred, then you'd be like, "Oh, my gosh. Look at this. We can really hike up the rents here."

Or you can just ask another operator. That's another way, because we are here. You can Google. Or you can go on Facebook or LinkedIn. You can find the syndicator or another operator. They can help you. Because it's a very small community, very tiny community, real friendly, I think.

If you want to, let's say, invest in Florida market - and I'm not in it - just reach out to me and be like, "What do you think of this? What do you think of this operator?" I'll be more than happy to help you or, at least, point you in the right direction. Or I will say, "Hey, listen. I don't know. But I know a person that does. They'll guide you." There're so many ways that you can find out. But don't just trust blindly.

Dan: [inaudible]

Vlad: Yes. Really, vet the person. Really, look for it.

Dan: It's funny. I interacted with some investors. 2021, GameStop, if you were following the market, you saw GameStop go to $300 a share something in the short squeeze. I think they were using the term YOLO. You only live once. This was the investing underwriting paradigm at the time. Let me just throw my money in blindly and just chuck it up.

I know people who literally invest like that right now. They never read the partnership agreement for the LLC they were going to invest in. They're provided when they sign up for the investor portal. They never read it.

This is an attorney that never read it. She's just, "Yes. I didn't read any. I just put my money in."

This is a trained attorney with a law degree that actually said that. I'm guilty of putting my money into a deal in almost the exact same fashion.

There is a level of trust you develop with some people. They're good for it. I think that people invest with me in that same way. They're not necessarily fine-tooth comb especially not if they've invested in 3, 4, 5, or 6 of my deals. They've gotten their money back. They've made the interest. They got the return.

But if somebody's doing this for the first time, even if it is somebody that you do know - you met them at the local REIA, you're face to face, and you feel good about them - take the time to read the partnership agreement. It's not just the OM. Does the partnership agreement match, everything that is in the OM?

To your point, I can't underline enough, actually, make the calls to the broker. The temptation, Vlad, make the calls to the broker. They get one on the phone. They get some answer. It validates, "Yes. It's deal." That's the end of it. You got to call 3 to figure out what the rents are. You got to be able to judge the basis.

You talked about the rents in our project being six hundred. The brokers are saying nine, nine-fifty feels good. But the other side of that in a deal where we're going to kill it is going to be the OM says that they're going to get eleven-hundred rent. But you call 3 brokers. It's nine hundred, nine-fifty, and eight-fifty. How now are you going to get eleven hundred?

Dan: Exactly. Technically, just think about this. If you want to redo a roof or a kitchen, you're not going to go with the first contract that you go with. You're going to make a couple of calls. It's completely normal to make the calls.

Also, I do have some investors that know us for a very long time. They're like, "Oh, I trust you. You're very conservative. You look for the best deals. We're not going for a huge quantity. We're looking for quality deals."

We're like, "No. No. No. Let me just explain everything that's going to happen here, the distributions, how we're going to communicate with you." They're like, "No. It's okay. It's fine."

I'm like, "No. No. No. Just listen. Because it's important. You got to know what to expect." I'm like, "We might decrease your distributions. We might pause. It never happened before. But we might pause your distributions in case some emergency happens. Make sure you understand all the risks."

Because there's risks everywhere. What we're trying to do is we're trying to decrease those risks as much as possible by getting good vet, very low leveraged, getting great deals in great markets, good vintage, A, B class, something that's really going to protect you in the long run.

Because we don't know what's going to happen in 3 years, what the rates are going be, how the market will be. We can just try to predict. We're trying to cover all bases. We're trying to basically minimize the risks as much as possible for the investor.

Dan: We're doing the same thing right now. We're buying land and working through the entitlements on the land. It's probably the strongest piece of underwriting we have, yes, kind of the comps, kind of Zillow, checking what new construction [inaudible] that gives us some indication of value.

Better, we talk to builders who actually have pulled permits in the area where we're thinking of putting the project together. We're trying to gauge and see what they paid on a per lot basis or what they spend to get those lots developed.

Even better than that, call in the local governments, the building department, the planning commissioner for the county, whoever it is that will talk to us. They've been invaluable sources of information.

But I think a lot of people were always looking for black and white answers. We're looking for 1 piece of information that's a green light or that's a red light. It's a yes, or it's a no. I caution against that mindset of rigid thinking. When you get to 2 or 3, you're having just come up with a probability type of answer, "Well, we think the rent is this. We think the number is this." The phone calls are such a critical piece of the underwriting equation.

On that note, maybe we could switch gears. I think you were telling me before we hit record on today's episode about a multifamily entitlement project. Would you be willing to walk us through how you got the deal, maybe what you paid, maybe how much it costs to entitle, maybe where you're at in that deal?

Vlad: It's really funny how it happened. Just really really quickly, somebody called us, a person that was doing development in Florida right by Sarasota. They go, "We have this land with 7 units on it. A lot of people were passing on the deal, because they're like, 'It's 7 units, who cares?' We went an extra step."

Well, he did an extra step. He called the county. He said, "What can we do with that land?" They're like, "Hey, listen. There's huge shortage of housing. If you can rezone that land, you can build a lot of units on it."

We started exploring more and just that high level. We were told, "You can build seventy units." Were like, "Oh, my gosh. This is the value." About 8 people threw in fifty thousand. We purchased it.

Dan: What was the purchase price? Four hundred?

Vlad: It was a little more than that. It was seven hundred, I think, or something like that.

Dan: How many acres?

Vlad: It was 2.6 acres.

Dan: Two-point-six?

Vlad: Yes. But not all of it was usable, because it was like on a slant on one side. But overall, it was a good land.

Dan: How much was the net, do you know, after the slope? How much was the net?

Vlad: After everything was done, we can build ninety-six, I would say, luxury multifamily units on it. Then to your point which you mentioned, a second exit strategy. When we went to the county and asked, "What else can we do here," they said, "You can build hybrid, so lower square footage, 700 square feet. But you can fit approximately two hundred and ten units which is affordable housing units." The county said since there's such a shortage of housing here, we can fast-track this.

This is exactly what happened. Instead of taking typical - what - a year to rezone, it took us less than 6 months, maybe 7 months to basically complete our rezoning. Right now, we're in the process of selling that land and working with the developer right now and giving them a choice. We can finish the rezoning with luxury, hybrid, or just all affordable. There're few things, few details that we have to work out at the end.

Dan: Right now, the zoning change is done. But you're waiting for construction drawings for whatever that...

Vlad: Exactly. Correct.

Dan: [crosstalk]

Vlad: Exactly. Correct. From speaking with the developers, we can sell it for four-point-five million.

Dan: For the [inaudible]?

Vlad: Yes. Just the land.

Dan: When you get that construction drawings, is that when...

Vlad: Yes, [crosstalk].

Dan: They're forty-six grand per unit. Meanwhile, do those 7 units still produce a little bit of carrying cost income, or are they vacant?

Vlad: No. They're fully occupied. They're covering all our expenses which is really cool. We don't have any distributions. We don't have any draws. But they cover everything. They cover our taxes. They cover the whole thing. The money keeps growing in the bank, because we have to use that money to obviously do the entitlement and all the studies and stuff like that. They are costly.

Don't ask me how much everything costs. But I know just 1 study was $12,000. I'm like, "Do we really need that?" They're like, "Oh, yes. We do."

Dan: Geotech study, probably you need a wetland study there. If I had to guess, it's going to be at least a hundred grand, maybe two hundred by the time the construction drawings are done. But you're looking at upside. Even if you had to sell it way low, two-point-five, three million, call it, it's still a $2-million profit. It's good.

It's a covered land play. There's a lot of land out there that's completely vacant land. A vacant land doesn't provide any income. Anytime, you can get on the deal where it's producing something even if it was at a loss to, say, the mortgage that you are paying and everything, but to be in this position that you are where it's covering some of these soft costs, man, what a cool deal.

Vlad: It was really very interesting. Later on, we found out that there's so much activity going on there. You have Walmart and all these larger stores within a few miles off there. Another big commercial developer is building three hundred units there. We actually reached out to them. It's really interesting.

I'm not a developer. I'm a person that's doing this rezoning. But it's so interesting to learn how many things you can do and what you can do in this space which is just unbelievable learning experience.

I like my apartments. I know apartments. But I got into this land deal. I'm so glad that I did, because even though I don't know a lot of stuff that's happening in it, all the moving parts - because there's a lot of people involved - but it's so interesting just to make decisions and to see how it's done. It's really fascinating. I'm just so happy that I'm in this deal.

Dan: It's cool. Some of the biggest wins that I know about ever occurring, ever in real estate, are coming from development and redevelopment. By development, I mean changing the zoning and getting entitlements package and then selling to the next guy who's doing the redevelopment.

Whoever builds the ninety-six units probably makes fifty thousand per unit. There's probably a $5-million safe profit for that builder to come out of the ground vertical there. They're going to make big money there.

Now, in both of those, those are huge profits compared to flip and single-family houses like you and I both still do to this day. However, the risk profile is so much higher: seven hundred grand, you don't get the rezoning, the market falls out. You're owning those seven units for whatever next period of time occurs if the development sale does not occur right now.

Now, maybe because it's the covered land play, you could wait. If it took 7 to ten years because the next cycle of development doesn't come around, fine. You're in the deal. It's covered. You're okay which makes that type of deal beautiful.

But with those huge returns comes a huge amount of risk. I do want to highlight that for everybody who's like, "Oh, my gosh, $4 million [inaudible] $3 million profit. Vlad, it's lighting on fire. I want to do that." Be careful. Make sure it's done right. Be aware of all the risks before you get into any of those kinds of larger deals.

Vlad: I'll give you one thing. We were working on a flip here in New Jersey in Hackettstown. That's west by Pennsylvania. What happen is the flip was going great. Then we started. We started on it.

We're doing our due diligence, did a sweep for the oil tank. It was there on the ground. Okay. Fine. It happens all the time. There's a bunch of oil tanks there. With their soil test, guess what?

Dan: Contamination.

Vlad: We were like, "Oh, my gosh." A sweet deal that we were hoping on, betting on just completely fell through. The whole contamination killed the deal. Things like that happen often.

Like I said, I do flips still, even though it's not my primary focus. But I always partner with somebody. I always partner on any deal. Like I mentioned, I'm doing foreclosures and liens and violations and things like that.

Even as a realtor, as a residential agent, I partner with a person, with a professional that's going to negotiate with the bank. I'm not going to waste all my time negotiating with a bank, speaking, pushing papers back and forth, because it does take a long time.

We're, ultimately, here as business people. We're here to grow. If you're going to take all the responsibilities upon yourself, you're not going to grow. You're just going to be busy going crazy. It's really cool to partner up and really grow. You're going to see a soon as you build a proper team, it's going to just explode.

Dan: Nice. Vlad, I know, we're getting to the top of the hour here together. As we wrap up, I'm curious if there are 1 or 2 books that you would recommend to listeners, real estate related, business related that had an impact on your career.

Vlad: There's a few. I'm listening to the few books that really have something to do with mindset right now, because a lot of people are getting down on everything with what's happening. Of course, there's ONE Thing by Gary Keller. It's really important to identify which you're really really good at and be hyper focused on it.

There's another one called The Entrepreneur Roller Coaster. It's really teaching you on how to be a good business person and really what to focus on. It even gives you negotiation skills and things like that.

One thing that is really really cool that I started my journey with, The Hands-Off Investor. That book really teaches you on syndications, what to expect, the questions you should be asking, what you should be looking out for. It's a really nice book if you're looking to invest passively into a syndication or in multifamily. Hands-Off Investor, yes, a really good book. Check it out.

Dan: Alright. Cool. If you could share the crown jewel of wisdom with yourself, right as you were getting started in real estate, what would that be?

Vlad: You know what? That's a great question. I know exactly what it is: sales and negotiation. Everything that you do right now, you sell. You sell yourself every single day all the time. You sell yourself to your kids, to your wife, to your cats, in my case. Forget about just sales when it comes to business.

When you have the craft, it's a craft of really listening, being present, and really knowing how to sell yourself, how to speak, how to negotiate, how to ask the right question, and really listen, not just listen, but listen listen for the meaning behind it, what they really say. You will be incredibly successful.

Sales and negotiation, they don't teach you that anywhere. I've taken a lot of classes and courses and programs. You name it; I did. That and marketing, of course. If people don't know about you and they don't know the product that you have - might not be the best - if they don't know that product, they're not going to buy it. So sales and marketing, those are the 2 things you should be hyper focused on.

Dan: Nice. I could double underline that and expand on that for hours. I'm sure. What is the kindest thing anyone has ever done for you, Vlad?

Vlad: Oh, boy. You know what? Kindest thing. I came from being a graphic designer. I didn't know anything about real estate when I started. When I joined multifamily community, I had nothing to offer to the partners. I said, "Guys, listen. I have nothing to offer you. In fact, I'm in a different state. Can you just take me in? I'll be a fly on the wall. I just want to listen to how you do deals. How do you discuss? How do you underwrite? What do you look for?" They said, "Hey, Vlad. Absolutely. Let's go."

That took 8 months of me proving myself. I was literally just learning, absorbing, just like drinking out of a fire hose as the word is saying. They took me. They really saw my passion and what I really wanted to be.

Of course, I quit my W2, full-time in real estate. I'm so grateful when it comes to that. I'll be forever grateful to people that gave me an opportunity. I'm paying it forward.

Dan: Nice. Fantastic. Where can listeners get more about Zontik Ventures or maybe you, Vlad?

Vlad: Sure. Hey, listen. I'm all over the place. Very unique name, Vlad Arakcheyev. You can Google me. You can go on Facebook, on LinkedIn. I started Instagramming and TikToking. I'm doing fun videos. I'm not doing anything overly long or complicated. I like to ride motorcycle. I'm combining real estate and motorcycles together. It's been a lot of fun.

Reach out on social media, on Instagram, Facebook, LinkedIn. I'm always here. Of course, you can go on Zontik Ventures. Just Google me. I'm all over Google. Reach out. I'm more than happy to help with any questions.

Dan: Nice. We'll make sure we put the link to your company and some of the other things in the show notes. You can find them at reidiamonds.com.

Vlad, I got a couple pages of notes here. I had a blast. I really appreciate you coming on the show.

Vlad: Oh, thank you so much. I had so much fun. Thank you.

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