

INTRO: Welcome to the REI Diamonds Show with Dan Breslin. Your source for real estate investment` jewels of wisdom.

Dan Breslin: All right Rod Khleif. Welcome back to the REI Diamond Show. How you doing today?

Rod Khleif: Good buddy. It's great to see you again man. And It's so cool to know that you're right up the street. But what's really cool, is we're both wearing the same freaking watch which you know [crosstalk]. We both have these gorgeous Hublot Big Bang watches on. Our favorite brand. And so that was really crazy. It's the first time that's ever happened to me. So, very cool. Well it's great to see you man. Thanks for having me back.

Dan: Yeah we are. Hey you too. So if listeners want to go check out the original episode. I want to say this was in 2021 if I'm not mistaken. But the title was "Making them losing 50 million bucks with Rod Khleif". And I hate to brand you that, the money-losing guy. Because that's not who you are and you recover from that. But why don't you give any listeners who may not have caught that original episode, Rod. Give them a brief rundown and what that looks like, and then how your business is grown today.

Rod: Sure. Well, first of all it sucked, okay. It was no fun at all. Let me say that. But let me back up a little bit down real quick and just give a brief history on me. So, I'm an immigrant. I was born in the Netherlands, wooden shoes and windmills. Immigrated when I was 6, with my brother Albert and My mother's mancha[?]. Ended up in Denver Colorado where we lived for 30 years. Struggled initially. I wore hand-me-down clothes from the Goodwill and the Salvation Army. We eat expired food, believe it or not. They had a store that sold expired food, drank powdered milk with our cereal in the morning. I mean really struggled.

But my mom had an incredible work ethic. So she babysat kids so we would have enough money to eat. And with her babysitting money, she was a bit of an entrepreneur and she's the reason I got into real estate. Because she used that babysitting money and bought the house across the street from us when I was about 14, for 30 grand. Then when I was 17, she told me she'd made \$20,000 in her sleep, it gone up in value. I said, "What? You made 20...", this is when 20 Grand was a lot of money, okay? And I said, "You met 20 grand and you didn't do anything?". Forget College, I'm getting into real estate.

So I got into real estate and I was a real estate broker actually. I was an actual broker. I could have my own office. I was smart enough not to have my own office, but I could back then. Now they got smart. You need some experience to be a broker, but I did it through education. But my first year in real estate, I made maybe \$8,000. My second year, maybe \$10,000. But my third year, I made over a \$100,000.

So what happened between year 2 and year 3 to cause me to 10x my income. Well, what happened was I met somebody that taught me about the importance of mindset in Psychology. And how really 80 to 90% of your success in anything is your mindset in Psychology. He was a broker actually that I worked for at that time. He's the one that I was smart enough to go work for. But anyway, fast forward to today. I've owned over 2,000 houses that I've rented long-term. I

own over 5,000 apartments now. In 2006, my net worth went up 17 million dollars while I slept.

And you might say, "Wow!", and I said wow. And I got a head so big I could barely fit it through a door. I thought I was a real estate God. And you know when that happens God of the universe will give you a nice little smack. Well, that was what you were alluding to, I lost 50 million dollars in 2008 and nine. And so what I'm known for talking about on my podcast, which I'm blessed to say now, is the largest commercial real estate podcast in the world. We just broke 20 million downloads.

And what I'm known for talking about is mindset and psychology. The mindset in psychology it took to have 50 million, to lose in the first place. But then, even probably more importantly is that is the mindset it took to recover from that big of a loss. So yeah, that's my story. We can chat about some of those mindset strategies if you would like briefly or we can roll into whatever you want buddy.

Dan: Yeah, let's pull that apart. Let's talk about the psychology. I think a lot of people here is psychology into thinking, we'll sit on the couch. And I know there was times even in my career where I didn't give it the same acknowledgement that I do today. And I probably take it for granted sometimes, that I've had some really influential mentors who helped adjust that in the background without me being very intentional. I wasn't a Tony Robbins guy. I'm not right down the gratitude list guy. I'm not the miracle morning guy. But I do have now, an appreciation for the psychology that must be constructed in order to succeed at an above average level, right?

Rod: Yeah. Well I'll tell you I spent 20 years with Tony. I was on his team for 8 years, which had a huge impact on my life. Hal Elrod is a friend. He was just on my podcast for the second time of a few weeks ago, Miracle Morning guy. And so I immerse myself in that stuff because I need it. I need the juice and myself personally. And so let me give you some quick tips from a psychological standpoint. Because I believe we're heading into an economic, you know what storm. I think the proverbial, you know what is going to hit the fan here. I know that it is in commercial real estate. There's so much debt coming due. And that debt either has refinance or sell, and neither one of those options look very good right now.

So that said, mindset is super important because fear is out there. It is out there and we can drill down on that more later. But let's talk about the mindset for a second. So when I lost everything, the first thing I did was I reassociated with my goals. What I wanted and why I wanted it. And that's how I got the stuff to begin in the first place. You got to create that burning desire, that hunger. You really go to want it. If you come to one of my boot camps, and I'll give you guys a heck of a deal if you want. Your peeps a heck of a deal, if they want to come. I've got a virtual one coming up January 6th and 7th.

But the first thing we do is goal-setting on steroids. Because how do you get anything if you don't know what it is? You got to know what it is you want. And by the way, if you're not interested in doing the boot camp. Every year on New Year's Day, I do a goal setting workshop. And if you go to rodslinks.com, it's down at the bottom there. It's free. I'm not going to try to sell you anything. There's a guide you can download. Again, it's rodslinks.com. If you're driving text the word links to 72345. And at the bottom is that goal setting workshop.

Here's the thing Dan and you know this. People spend more time planning a freaking Christmas party, than they do designing their lives. That's designing your life, right? You got to know what it is you want and you got to know why you want it. Go to rodslinks, do the goal-setting workshop or better yet, come to my boot camp. My virtual one in January 6 or 7. But regardless, you got to do your goals. It starts with that.

Then the second piece I had to do, when I re-associated with my goals in 2009. as, I had to make a decision to get out of my pity-party and you as well. You listening, you got to make a decision. Let's say you haven't started investing in real estate yet or you need to take it to the next level. That requires a decision. And the Latin root for the word decision means, to cut off. It's not dipping your toe in the water, it's not one foot in, one foot out. You make a decision, it is freaking done. And then when you do that, you're like a train on a track and you're committed. If you if you're just wishy-washy, you're going to get knocked off track.

And so, the decision is the next piece. The piece after that is, you got to take the first step. I don't know about you Dan. I imagine you have a lot of analytical listeners like I do. And you know who you are, if you're listening and I love you. And you're very successful in this business, but I also know most of you have to check off every single box before you make a move. And you can't do that. You've got to take that first step in faith. Dr. Martin Luther King said, you take that first step in faith, the next step will be revealed.

But you know, you don't see the whole path sometimes, but you got to take that first step. And I'll give you a quick analogy before I move on to the next piece here. And that is, you can drive all the way across the United States at night with your headlight only seeing 60 feet in front of you. You know you can make it, you know other people have done it before you. You may have some obstacles, but it's the same way with any initiative you take in your own life. Certainly with multi-family real estate. Here's the thing, if your analytical and you're afraid of failure, don't fear failure, fear regret. Fear regret more than failure.

There was this nurse in Australia, a hospice nurse. Took care of people that were about to die and she asked them a question Dan. And the question was, do you have any regrets? And she wrote a book about it. Something like, The Five Regrets of Dying. The number one regret, was not living the life I could have lived. Living someone else's life. Because, maybe I got caught up in analysis paralysis or whatever. Her name was Bronnie Ware, by the way. If you want to look it up. But the point is, don't fear failure, fear regret.

The next thing I'll talk about briefly is fear and limiting beliefs. Okay. So what is fear? You know, the most successful people on the planet have fear, you know. Is it F everything and run, or is it false evidence appearing real? I believe it's false evidence appearing real for sure. But I like to equate it to face everything and rise. And so again, the most successful people on the planet have fear, but they push through in spite of it. And that's what I would encourage you to do. Action mitigates fear, so take action if you're in a fearful place.

The second thing is, limiting beliefs. You know, what I immigrated this country. I didn't speak English. And I've got a little prop I want to show you here, hang on one second. So, I didn't

speak English and I got thrown into school. So I discovered what bullies were for the first time. And then my mom, God bless her, proud Dutch woman she is, thought to be a great idea to send me to school in these wooden shoes. These are the actual shoes, okay. So I got my ass kicked again. And I had to wear those leather shorts, the Germans wear for Oktoberfest. Oh, yes. So, oh man that was like crack cocaine for the bullies. And I get chased home from school. And there was a bully who lived down the end of our street and she chased him off with a fly-swatter. So the next day I got my butt kicked.

And I came up with this belief system, that I wasn't good enough. I used to ask myself. How could I show them I'm good enough? And so, a lot of people have these limiting beliefs. And all I would tell you, is there's a reason the acronym for beliefs is BS. You know, other things like, I'm not smart enough. I'm not old enough. I'm not young enough. I don't have enough money. I don't have enough time. Again, the acronym is BS, because they are BS 99% of them. But we believe they're real, but they have no basis in fact. So if you have one and you're aware of it consciously, pull it out into the daylight. Look at it, recognized that it's BS and you'll be able to push past it. I used to be afraid to raise my hand in a class of 10 kids. And now I speak in front of thousands and thousands of people a year. It's because I dealt with that limiting belief.

Next piece is focus. So the most successful people on the planet have the highest degree of focus and wherever your focus goes is where your energy is going to go. And whatever you focus on gets larger. And so I'm going to tell you, don't focus on the news right now or God forbid, politics. Because you know, it's just going to stress you out. So you want to focus on the good stuff. On my podcast, if you go to [rodslinks](#). There's links to my podcast there. I do a clip every week called, Own Your Power, it's a motivational clip. You give me five minutes a week. I will juice you. There's hundreds of them there. Their very powerful. But bring in the good stuff. You can stand guard at the door to your mind. Don't don't get caught up in all the noise in the crap that's going on in the news. And remember this. The news, they are not public service organizations, they are for-profit organizations. They're not there to inform. We won't go down the rabbit hole of censorship and propaganda that's going on there. But the bottom line is, stand guard at the door to your mind and bring in the good stuff, you know.

And they asked Mother Teresa. This is a great focus example. They ask Mother Teresa if she was anti-war, she said, no, I'm pro-peace. You see it's kind of the same thing, but it's not. It's your focus. And I get people to call me say, how do I get out of student loan debt? And I say wrong question. How do you make so much money that debts the irrelevant? So I listened to 2 podcast then. I listen to Joe Rogan and I listen to Tim Ferriss. I try to get both sides of the isle. They're both definitely on different sides of the isle there. And I'm definitely on one side as well.

But on Tim Ferriss show, he interviews probably the best of the best in the world in different walks of life. Best athletes like Michael Phelps. NFL players, NBA players. Actors like Ed Norton, Hugh Jackman, Jamie Fox, Arnold Schwarzenegger. Best CEOs on the planet, like our biggest CEO's on the planet like Zuckerberg. Billionaires like Ray Dalio. He deconstructs their success. Fascinating intelligent conversations. But I started to hear a pattern Dan. They almost all meditate. What is meditation enhance? Focus, right? So don't underestimate the importance of building your focus. And I don't know about you. But I'll get caught up on Netflix and I'll be

scrolling through social media while I'm watching a movie, that kills your focus. Now I'm guilty of it as well. But you know, your brains making these micro decisions. So think about that. Focus is important.

I got a couple more if I have time here. Do I have time to do a couple more here? Okay.
[crosstalk] So the next...

Dan: Good to go

Rod: Next one is playing to strengths. Okay, in our multifamily business, there are a lot of different hats you can wear. But you got to play to your strengths. Okay, so there's, the finding the deals, there's underwriting the deals. If you're an analytical. There's Asset Management after you buy them, if your process driven or management driven. You know there's a lot of different hats you can wear. But you got to play to your strengths. Your strengths are your greatest assets. Don't try to maximize your weaknesses. Success comes much faster if you play to your strengths and then you align higher or partner for your weaknesses. Because if you're playing to your strengths, you're going to love what you do, number one. And you're never going to work another day in your life, because you're you're in the zone. You're in the Quan like in Jerry McGuire. You're loving your life.

And if you're doing that, not only you're going to love it. And you're not working because it's play, work is play. But you're going to be passionate. And to influence people in anything, you need passion. And if you're playing in what your strength is, you're going to be passionate and you know, certainly in the multifamily business. You're influencing sellers, and brokers, and potential investors. Frankly in life, you need influence. And if you're passionate, you'll have the ability to do that. And that passion gives you that, and that passion also is the fuel. So don't settle, don't play in doing something that that you don't enjoy. Figure out what juices you and that's the piece you do in this multifamily business or whatever business you get into.

And I got to tell you, with the soup about to hit the fan. There's going to be lots of different places you can make money. Businesses are going on sale. I think everything's going on sale. Businesses, certainly. Every asset class of real estate. So if you're listening and you haven't made a move yet. You got to pick your vehicle. You got to decide how you're going to take advantage of what's coming. Because it could be the greatest transfer of wealth we see in our lifetimes. If it's as bad as some people say it's going to be.

Elon musk's is quoted as saying, they're lying to you. The crash is going to be much bigger than they say. Donald Trump, love him or hate him. Said, that it could be as bad as the Great Depression. So I think it's going to be ugly. I think they're going to prop it up, up to the election because they have to. Again, I don't want to go political. But I believe their going to prop it up until the election. But after the election, watch out. That's that's my opinion. Then you've got all that commercial debt coming due by the end of next year, which is also a huge issue. But the bottom line is, play to your strengths and be passionate. And that passion breeds creativity, it breeds Innovation, it minimizes or even eliminates fear. But you got to play to your strengths.

The next piece is your peer group. You know, when I was losing everything in 2008 and 9, I was

in Tony Robbins Platinum partnership. And at the time it was like 130 grand all in. I mean it's a big deal partnership. These are all very wealthy people in there. And I was around people that were killing it while I was losing everything. I mean they were thriving in that crash. And their like, get up you big wussy. 50 million. Go make something happen. That's who you want to be around when the soup hits the fan, right?

And so, get around people that want more out of life. Who you hang out with this who you become. And see, the sad reality is most people default to people they went to school with or they work with. And those people may not have your best interest at heart. They may be afraid of losing you, or afraid of feeling less than if you succeed. And sometimes it's family. So I'm going to tell you, love your family but proactively choose your peers. Because who you hang out with is who you become. And you want to be around people that think, what you think is hard is easy. People that want more out of life.

I've got a coaching program. Their called my Warriors and they now own upwards of 180,000 units that we know. Between 180 and 190,000 units. And I've only been teaching five years and I am super freaking proud of that. But here's the thing, the reason they're so successful as they hold each other accountable. They push each other, they praise each other, they validate each other. So get in a group like that. If you want to do this business or any business, get in a group that wants more, that's got the success that you're looking for and it's going to help you shorten the learning curve and shorten the time frame for your success exponentially. So you want to get around people like that. Like if you're going to play tennis. You want to play somebody that's better than you or worse than you, right? I mean, you know the answer. It's the same thing with this.

The second the last piece here is, problems and failure. Okay, I don't call them failures, I call them seminars. It's only a failure if you don't get up or you don't learn the lesson, right? That was a 50 million dollar seminar. It was a big one. Don't get me wrong. It was freaking big one. But, we fail our way to success. Problems and failures frankly are feedback. Sometimes their gifts, you know. If you come to my boot camp. Can I mention my boot camp real quick and just just a quick synopsis of it? Dan, [crosstalk] is it alright?

Dan: Yeah. And when we do, I'm going to talk about it too real quick here.

Rod: Oh thank you, thank you. So I've got a virtual boot camp coming up January 6 and 7th. It's 2 days. It's on a weekend. You can do it in your underwear at home. And you can come for 97 bucks, okay? I don't sell anything there. So it's 16 hours. 16, 18 hours of training, nothing being sold. If you go to rodslinks. Again or text links to 72345, rodslinks.com. There's a bunch of free resources there. My goal setting workshops there. There's a bunch of free stuff there.

But the boot camp site is there. Now when you check out, use the code "DIAMONDS", okay? So that we know you heard it on Dan's podcast here. Diamonds and you come per 97 bucks, kind of a no-brainer. And I teach every aspect of the business. Picking your team, evaluating your team, picking a market, evaluating the market, finding deals, evaluating deals, financing those deals. Syndicivadent[?]. Syndication attorney do the syndication piece. I have a finance mortgage broker do the financing piece. They are both world-class operators. Property Management, Asset

Management, you name it?

And of course, because I'm big on mindset and psychology which is why my students are so successful. I'm going to spend time on that too. So yeah, that's my [crosstalk] boot camp.

Dan: So yeah. I did the boot camp in 2021. And by the end of 2021, I think I bought something like 25 units that year. I found that apartment investing is not really my forte. My heart is not necessarily in taking it to thousands of units. I still own most of those today, but right on the heels of taking action from going to the boot camp. What was it 2 years ago, 2 and a half, 3 years ago. That's why I own apartments now.

Rod: Wow. I appreciate that buddy. I appreciate that. And I love what I do. I think you can tell I talk about passion. I'm thinking too, I'm pretty passionate about what I do here. I just absolutely love it. But thank you. So back to failures. I went to a mastermind and I met the billionaire owner of Spanx, Sara Blakely is her name. And for guys, that's the women's undergarments that hold stuff together under their clothes.

But she started with 5,000 bucks and she's in a billionaire now. She's in Forbes as a billionaire. And she told me at this event, that her dad used to ask her and her brother, on about a weekly basis. What have you failed at this week? And I thought what an awesome question to ask them. So, you know ask your kids so they don't fear failure. Unfortunately I didn't get that memo, until my kids were passed really listening to me. But if you've got kids that are still impressionable, take the time to ask them. What have they failed at and to not fear failure. So anyway, that's pretty much it buddy. I appreciate you letting me add some value on the psychology of this business. Let's maybe get into the market or whatever.

Dan: Yeah. Well stated here. So I'm going to go back into number 2, and that was the decision to ship the mindset. So I remember in the last 2 years. I consciously made a decision to ship the mindset and one was 2020. I think it was like probably middle of April. So the shutdown just started. Deals were falling apart and I could feel the fear. And it's like what are we going to do? This felt like 2008-2009 all over again. And I remember eating breakfast and I got this picture like, Jesus on the boat with the storm. And for those that don't know the story, he's riding with his disciples. The storms going and all the disciples were full of fear. And he's asleep, Jesus is asleep on the boat. And they are, you know, "Oh my God, we're gonna die!". They wake him up, "Master. Master. We're going to die!". And he said, what are you so afraid? Like, have faith and he talks to the storm and tells it to just be calm. And then everything calms down.

I look up as I'm eating breakfast and I said, oh this is a storm. And I made the decision in that moment that we were going to thrive and succeed in the New Market. We were going to figure out how to do it. We're going to take those first steps in faith, and we were going to succeed. Our company doubled in transaction volume and profit in that following 12-month period.

Second one, was probably as the interest rates were hiking. I want to say, maybe summer 2022. And it was like, oh my gosh here it comes again. And somewhere in there, I don't remember it to the exact moment. Like I was eating breakfast, but I do remember the shift and we went from you know, we're afraid of the market and everything is not going to work to okay, we're going to

again we're going to just readjust. And we're going to find a way to win in this Marketplace. And I made the decision and the other rest of the team kind of got on board with it and we thrived again right after that.

And so it was amazing Rod, to see various people in the team finally getting onboard with that decision. It probably took us 3 to 6 months for almost everybody. If not, everybody on the team probably [crosstalk] 25.

Rod: To get buy-in.

Dan: Yes. To get buy-in and they probably had their own moments of decision. Okay, alright, yeah, we are going to win. This is great. I see some evidence the other guys winning and I'm going to win too, right? So I want to take the moment of decision, if you can pinpoint that. When you made the mental pivot, if you will. And if you could like describe in detail, the mental pivot from the, "Oh no. I'm losing 50 million dollars!" to time to rebuild.

Rod: Yeah. Well I will tell you. I hid under a rock for a couple of months with a little eyeball poking out, feeling sorry for myself. And I was worried that I was going to make that loss my story, like my identity. You know, whoa is me and you got to be very careful what you allow to be your identity. In fact, anything you put the words, "I am" in front of, is an identity statement. And I've got things on my wall, down in my exercise room below me here, in my office that say, I am success. I'm the world's greatest husband. I am a business genius. And these aren't ego statements. These are aspirational statements. But the words, "I am", are very powerful.

And there's no greater force in the human psyche than to remain consistent with how we identify ourselves. So I use these. You know, if I'm in fear, I use affirmations; I am courage, I am determination. And I use to run down the street yelling this stuff. In fact, my kids help me in my boot camps. And that's the question I get most often. Did he really do that crap where you'd be running? You know? Like, oh yeah.

Now I've got an exercise room and nobody has to suffer through it. Because when you yell an affirmation like that with everything you've got. It gets in the fiber of your being and it short circuits any disempowering emotion that you have. Just juices you. It's been very powerful for me. But anyway, the decision moment. You know, it's hard for me and I've got a bad memory. It's hard for me to pin the exact moment, but I can tell you.

I'll give you a better example, okay? I had lost it all once before. I don't talk about this publicly, maybe in my boot camp I mentioned it possibly. But I had lived in the equivalent of about a million dollar house in my 20's, early 20s. I had a Rolls-Royce, I had a Maserati, I had a Pantera. You know, Panthers an old exotic car, beautiful car. But I had these cars and I lost everything the first time, okay? That house went into foreclosure. I had to sell the cars to make payroll. And it was an ugly time. And I ended up having to paint houses to have enough money to eat.

So I went from million dollar house, Rolls-Royce, Pantera, Maserati to painting a house to have enough money to eat. And I remember my mom coming to me and brought me groceries, okay? And I was painting a house and I had a meltdown. I mean, I just cried. I'm like, Fuck this and

threw the paint brush down. And it was like a pivotal Epiphany moment. I'm like, I'm not doing this for another second. And I bought 500 houses right after that. And I picked myself back up and made it happen.

So I will tell you, sometimes disgust. And it may have been disgust that was the pivotal moment. I don't remember honestly in the 08 crash. It may have been disgust. But disgust is a very powerful motivator. It certainly was that first time. So don't underestimate the power of that emotion, disgust, to get leverage on you. But the key is to get that leverage, you got to get the leverage. Which is why if you do my goal setting Workshop, we have you write down why you want those goals. Because the why is the driver, that's the impetus. And I have you do positive and negative reasons why. Because I want the house, because I want to show my kids, what success looks like, I want to retire husband or wife. Whatever it is. That's the positive stuff.

And then I have you put some pain in there if you don't achieve it. So I don't feel like a failure. So I don't fail my kids. Because will do more to avoid pain than gain pleasure. So the key is to find the leverage. So I didn't really fully answer your question. But hopefully I gave some insights as to how other people could utilize these leverage opportunities, to have an epiphany and to make a shift.

Dan: Yeah. And I wanted to highlight that because you're going make a decision no matter. You may not be consciously aware of sitting there under the rock with one eye peering out, scared. And you don't realize, that entire time, moment by moment. You're deciding to stay in there by default. And so, I'm sure there's somebody listening somewhere on here who, has a decision are going to make in the next 24 to 48 hours. Maybe the next 7 to 10 days and they're saying, Oh my God, it was so simple. I just had to decide that, this is done and now I'm going to like, march forward toward the cure, toward the fix, toward the better life, toward improving, right? Instead of the default decision.

So one other thing if I could touch on here for a moment [crosstalk] before...

Rod: Let me interject one thing. So like you just said, sometimes no decision is a decision.

Dan: That's right.

Rod: Right. Okay. Alright.

Dan: That's right. In fact, everybody is deciding. One of my mentors wrote me an email yesterday and he said, you're choosing to be poor. He said you're sitting here on welfare, not to me, but you know, an example out there. He will probably like, he would say it is politically charged one side or the other and say, your own welfare, you're unemployed because you deciding to be that way. And you may be ignorant of the fact that you're making that choice, but you know, the people who are no longer in those scenarios who have been there eating the powdered milk, having mom bring the groceries. They made the conscious decision to do it. And that's great news, because it means you can control the direction of your destiny. You don't have to be living in this this victim mentality.

Rod: Right.

Dan: So you touched on the peer group and you were talking a little bit about Facebook and Netflix at the same time. And I remember on my Facebook feed there's a dichotomy. And it's funny because, what I see from the family is a certain way. You know, good job and living a good life and that whole thing. And it's like the family's posts are definitely in this one kind of polymer[?] or characterization. And then because of who I am in real estate, I have this much larger audience and group of friends and I probably like their posts a lot more. It's more like what you're talking about Rod. It's big goals, and now I'm buying a business, and you know, here's the nice car if that's what you're about. And guys are getting on there and they're challenging you in their post. And I feel, I don't know, empathy for the people who maybe have a Facebook feed, or an Instagram feed, or a Twitter feed that has curated itself by their own decisions to like certain kinds of content that might be more in that politically-charged realm or conspiracy theory type of realm.

And it's like some of those people are challenged by their beliefs being reconstructed from that feed. But you can actually make a conscious decision to like reprogram your social media by like, seeking out the kind of people that might be like mentors. So I'm always thinking to myself. I'm like, wow, I'm glad I went on Facebook while I was eating lunch today because I got this inspiring little nugget of this guy I barely know, who's a friend of mine who put this like, bold, punch me in the face kind of post. And I don't think everybody's peer group in social media is going to have that same positive effect. But the good news is you can actually decide to design the Facebook feed or whichever other social [crosstalk] you're on.

Rod: Or Tik-Tok or yeah, any of them. Yeah, the algorithms are so freaking powerful. They hook you in. If its content that you enjoy, they'll suck you in. To me, it's almost insane how powerful they are. Because I used to go on vacation. I'd read a book every day. I'm very fast reader. I've got thousands of books in my library down below. And now I go on vacation, I'll get sucked into the social media thing. And I'm like, the whole day just went and I didn't get anything. Unless there's some motivational stuff in there. But yeah, I totally agree with what you just said bud.

Dan: Cool. So we got our psychology piece. So let's shift gears a little bit. I intentionally, probably fear. Maybe I didn't want to do the work. Maybe God has a different plan for me than own several thousand apartment units. But my hesitation, whenever I went to pull the trigger on investing in private placements from apartment operators was, I couldn't stomach the threat of rising interest rates. And this goes back like 2015 when they were very negligible and I didn't have the mathematical understanding of how interest rates and cap rates were related. And so they all look to me like everyone was overpaying left and right in the apartment space. And now I know operators whose private placements have fallen apart and I think that the chassis of the apartment syndication model has become very challenging. I think you have growth, and I think you have rents, I think you have population. But that wasn't enough to make up for a lot of operators who are in the business. Are there some [crosstalk] better caution[?] there?.

Rod: I don't completely agree with what you just said. But let me let me tell you what is happening right now. There are some rock star, very successful operators in trouble and let me

tell you why. And it's not that the chassis in a whole is a problem. I mean rents have always gone up and they'll continue to go up and we've become a renter nation. The disparity between home prices and monthly rental amount is huge right now. And hopefully we'll come back down, because home ownership is such a desire for so many people.

But, what happened these last couple of years was operators and their greed or you know. I don't know if what if there's another word for it. But they will use Bridge debt, okay? And here's the problem with bridge debt. The bridge debt is like the single-family equivalent of hard money loans, okay? And so the bridge debt is very onerous debt. It's adjustable rate, number one. It's also short term. It can be 1 to 3 years, sometimes you can get two, 1 year extensions. But those extensions cost big money. And so a lot of these operators got this bridge debt because they had higher loan to values available to them than Fannie Mae and Freddie Mac, which is conforming debt. And Fannie and Freddie started dropping their loan-to-value they were offering from 75 to 70 to 60 even. And so these operators would use the bridge debt to get the higher loan to value because, they can show higher returns to investors the smaller the amount of money they're raising.

The less amount of money their raising, the higher returns they can show to investors. So they would use Bridge debt. Well here's the problem, nobody thought the rates would do what they did. And so these operators that have this bridge debt there, some of them have seen their monthly lender reserved payments, 10x, 20x. I found an operator in San Antonio with a deal, that his monthly payment to his lender went from 8,000 a month to 80,000 a month to satisfy...

Dan: Wow.

Rod: To satisfy their ability to refinance when the debt came due. So, here's why there's going to be some great deals. And we've got a great deal right now. Now that's a different scenario on the deal that I've got. This guy just ran out of money. It was a poor operator, horrible management. But a lot of operators and I mean world-class operators. Guys I really have a lot of respect for, got some of this bridge debt and they are struggling. Some of them are losing their deals to foreclosure. And of course those investors in those deals are going to lose their money. It's not good and it's a taint on the industry in general. But what people have to realize is, because of the debt choice they made. That's the main reason that this is happening right now.

There's going to be incredible opportunity but that bridge is very onerous. And here's the problem as well. Back in 2020, for these for these types of loans. Typically they will require a rate cap. Meaning, that you're paying so the rate doesn't go up more than a certain percentage the time that you have that loan. So back in 2020, if you wanted a hundred million dollar rate cap for 3 years 3%. So your rates not going to go up more than 3% over 3 years, that cost \$23,000.

That same rate cap today for 1 year, forget 3 years, is 2.3 million. So here's the problem, these operators that need to refinance because their Bridge debt is coming due have to, first of all, they have to meet debt service coverage requirements. Meaning, the lender is looking at the properties ability to service the debt and if the rates up that ability is diminished in a big way. So that's a problem. Sometimes they'll have to put money in, just to let a lender sniff the loan. But the big thing is the rate cap over on top of that. There's going to be a lot of distressed sales. I've created a

fund to buy these. We've got a deal right now in San Antonio. I've mentioned to you earlier, a mile away from another asset. We have a 296 unit asset in San Antonio that's killing it. This one's about a mile away, it's 200 units and we're assuming low interest debt there. So we're getting a four percent interest rate there just because of the operators horrible job managing it, and taking care of it, and he ran out of money. So it's a screaming deal.

This deal I was telling you is under contract about 3 months ago for 26 million, we're getting it for 20. The property right next door, same vintage, sold for 137,000 a door. We're getting this one for 100,000 a door, just a screaming deal. And the units are big, and washer dryer hookups, and fireplaces in every unit. Now we're going to have to put a lot of money into it to fix it up. Almost 4 million bucks. But it's on a lake. It's just a spectacular property. Just coming out of my skin, it's such a great deal.

But anyway, you know, those opportunities are starting to present themselves because of what's happening in the marketplace and certainly in the bridge debt world, there's going to be a lot more of these types of opportunities as things stay tough here. But the only glimmer of hope is that, I do believe they're going to lower the interest rates prior to the election and that might help some of these guys get out from under these deals. So, yeah. There you go.

Dan: And to clarify. The chassis of all commercial real estate is the cost of debt.

Rod: Yeah. Okay. [crosstalk] Fair enough.

Dan: That's the chassis that fell apart. That blue [crosstalk] mass[?]. Right?

Rod: Fair enough. No question, no question. Agreed. Agreed completely.

Dan: And so, you know. That said, you mentioned that, that choice in the bridge. I think the bridge was highly risky [crosstalk] choice.

Rod: It was put in place to bridge the gap between a non-farming asset and a performing asset. You get the bridge debt because it doesn't have pre-payment penalties, so you get the bridge debt to fix the place up. You get it stabilized and then you refinance it with Freddie Mac or Fannie Mae conforming debt. Which is long-term fixed rate debt and that's what it was put in place for. But it got used for, the loan-to-value issue that I was just talking about, you know. And it was easier to get that kind of debt. And so, it was abused frankly is really what it was, out of greed. And you know Warren Buffett's famous quote, "Be fearful when others are greedy.". It's been a lot of greed these last few years. But the second part of that quote is, "Be greedy when others are fearful.". And fear is upon us now.

So it's a time to... You know, this is why I made a lot of cash right now. I have access to a lot of cash and I've created this opportunity fund to take advantage of these. And by the way, if you're listening and you're an accredited investor. This San Antonio deal is a screaming deal. If you go to rodslinks, you'll see a webinar that we're going to do on it. I don't know when this episode will go live, but the recording will be there if it's already happened.

By the way, if you're a passive investor. We've got an incredible resource at rodslinks which is called the cash flow club. And I've got tons of videos there. Free books there about every aspect of this business. There's articles that I've written over the years. There's emails that I've sent to my investors. This is ton of resources. We do a webinar every month. It's called the Creek Cashflow Club, but if you go to rodslinks or you text the word links to 72345, you'll see these links there, for the cash flow club and for this particular deal in San Antonio, and of course the goal setting Workshop I just talked about. And my boot camp site and just all my crap is there on rodslinks.com.

So go there. But that Cashflow Club is an incredible resource if you're thinking of investing passively. I don't think there's anything else like it out there to help educate you. Because here's the thing, why would you give your hard-earned money to someone without having some basic understanding of what it is? I mean people invest in the stock market with a stock broker who's just a glorified salesperson. You need to understand the business. In fact better yet, come to my boot camp. Even if you're gonna invest passively. Spend 2 days, don't work your butt off earning all your money and give it to somebody, not have a clue on who you're investing with. Would you agree with me on that one, Dan?

Dan: Yeah 100%.

Rod: Yeah. So at least have some basic understanding of what you're investing in. If it's multifamily, get to my boot camp or at the very least go to the cash flow club and educate yourself a little bit. Yeah.

Dan: So one of the things you touched on was debt choice. You know, we talked about bridge a little bit. But what would you suggest are the, why is this debt choice? You mentioned Freddie and Fannie, maybe elaborate on that or maybe they're in additional [crosstalk] [inaudible] there.

Rod: Sure. No, Freddie and Fannie are the best by far because they're conform-... It's called conforming debt. Their long-term fixed rate debt choices. Very often you have a period of interest only debt in the initial part, which greatly enhances your returns and it's non-recourse debt. Meaning if they foreclose on you, their only going to take the property. They're not going to come after you personally. So it's very desirable debt, which is why it's so prevalent in the multifamily space.

Like this loan on this San Antonio asset that we're buying. It's got 7 years left on it. I mean, 7 years is a nice long window of comfort when you buy an asset like this. And I'm extremely conservative. This is the only property I've bought in over a year. Because I saw the green in all this and we kissed so many frogs, I call it. Because so many frogs looked at so many deals and now things are starting to open up. And I'm very excited, I think there's going to be some incredible opportunities with some of these. You know, I hate it for these guys that are losing property. But you know, I lost 50 million, they'll get over it like I got over it. But there's going to be opportunity for sure in my opinion.

Dan: That's right. So Rod, I know we're getting close to the top of the time here. And you said

you had a few thousand books down there in the library below. Do you have 1 or 2 books that maybe in the last, let's say 2 to 3 years you've read that you feel like were impactful and worth listeners checking out?

Rod: Well, you know, my love language is gifts, okay? You've heard the 5 love languages. I had the author on my show, which was a real treat because they've given a thousand copies his books. I would highly recommend you get that book if you love anybody. To find out how they feel loved the most. So the 5 love languages, great book. But my students get books from me all the time. So I'll give you some of the choices that I send my students. Of course, Hal Elrod's Miracle Morning is a no-brainer. Beautiful human being and fantastic book and he's got a new edition of it out right now. So, that's why I had him on the show.

Another one that I like is, The Slight Edge. About those little decisions that you make every day that traject[?] your life up or down. They don't mean much that day. But over time they compile either positively or negatively. Another one is Gary Keller's, One Thing. A great book. I had Jay Papasan his co-author, on the show. Great book about minimizing your focus to capitalize on different pieces of your life. Gary Keller's, One Thing. Oh what else? Well, there's a few.

I mean, I've given away thousands of copies of Think and Grow Rich. I'm not exaggerating, thousands. Because typically my boot camps, my live boot camps you get a copy of that. That's a book you should read a couple times a year, because it is the precursor to all self-actualization, motivation, mindset. People that have come since then. So Dale Carnegie's. And, How to Win Friends and Influence People as well is a fantastic one. These are classics, you know. The richest man in Babylon, those are classics that anybody in business should read.

Dan: And I'm going to highlight, The Slight Edge, because that's one you don't hear very often. The Slight Edge, I read when I was pretty flat broke in like, 2012, 2013 era. That compounding effect of your own skill set, your own micro decision, your own competitive advantage in whatever you're doing in life is very powerful? It's more powerful than the compounding of money. And most people are, Warren Buffett, compound the money let the money compound but they never acknowledged the compounding effect of your own skill set and the investments that you're making your own mind. Man, The Slight Edge was a good one.

Rod: Yeah. Another one. I just remembered another one that I get my students called, Turning Pro by Steve Pressman. About stopping an amateur. If you're going to go do something, put on the hat that you're a freaking professional and that is a very powerful decision epiphany that you need to make if you're going to go do anything. So that's a fantastic book as well, Turning Pro.

Dan: Nice. So closing question for your Rod. What is the kindest thing anyone has ever done for you?

Rod: I have a wall behind my desk in one of my office's that is covered with hundreds of thank you cards. And I will tell you, and this is not ego. I get love every single day. I get DM's, I get emails, I get gifts, I get cards. Every single day I get something and sometimes, 10 times. It becomes addicting, you know? When you impact people's lives and, this is not hyperbole, this is not Guru talk. I mean, this is why I love what I do because I get love every single freaking day.

It's become really cool. I get recognized now. I got recognized at my grocery store 2 days ago. I got recognized at an island on a cruise last weekend. And, you know, that'll never get old. But I just love the fact that I'm impacting lives and it's a blessed life. Like you as well. I know you get a lot of feedback as well. You do a great job with your show. I couldn't give you one instance because I get them every single day brother.

Dan: Nice. All right. So I know he touched on the the links. Where should listeners go to get more Rod Khleif?

Rod: Rodslinks. Everything is there. My social is there, my Facebook is there. If you ask me a question, I answer every single question. People are like, is this a bot? And then I have to send a picture of me and my t-shirt or underwear, you know, with my fingers up. No, it's me. I answer every question there. But my boot camp site is there. Again, remember the code "DIAMONDS". If you want to comments virtual. I don't sell anything, you come per 97 bucks. It's a no-brainer.

The goal setting workshops at the bottom. Have your kids do their goals if their over 10 years old. Have your spouse do their goals. Do it together, super powerful. And if you're interested in investing passively, go to the Creek Cashflow club and educate yourself. If you're interested in that particular San Antonio deal, check that webinar. It'll either be the live webinar or the recording will be there. And there's a free book section that has a ton of free books that are world-class, frankly. Some of them are best in class on different topics that relate to multifamily investing. And go make it happen for yourselves, that's it. Don't don't let this opportunity pass, because I really believe opportunities upon us. Great to see you brother. I appreciate you having me on man.

Dan: Yeah, you too. Appreciate you coming on the show Rod.

Rod: All right.

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