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

Dan: Gino Barbaro, welcome to the REI Diamond Show. How you doing today?

Gino: I'm doing good, Dan. How you doing, brother?

Dan: Doing well. A lot of people probably recognize your name from the Jake and Gino brand and the multi-family coaching business that you guys have run successfully for quite a few years, and phenomenal moment in the multifamily, larger apartment space. Congratulations to that.

Gino: Thank you.

Dan: Why don't we start with the origination story, like how did your career develop to where it's at now? And we'll do the Reader's Digest version. We don't have several years to experience the whole thing.

Gino: I got to take you back to when I got into business after college because that's where it starts for me. I got into the restaurant business because my dad owned the restaurant and I went to college and I sat in a cubicle working at AIG back in 1992 on John Street in New York City, and that sucked and I'm like, "I can't be doing that anymore." And I went and bought a business, a restaurant with my family, and I loved it for years. You could actually earn an upper middle class income with a small business with 3 families eating from a seventy seat, a little Italian place in New York. Yes. That was the team, and the dream was alive in the 90s and even the early 2000s. In 2007 my dad passed away and I had to assess my life. I had to say, I'm I living his dream or am I living my dream?

I have to be honest with myself, I loved working with him, and I think the thought of working with him at the restaurant was greater than the thought of me scaling and building this restaurant thing, and in 2008 came, the great recession sort of wiped out a lot of people. I was working harder, making less. I got introduced to T. Harv Eker's book, Secrets in the Millionaire Mind. I put off bookshelf, I start reading it and I'm like, "Damn, this guy's a dick." But he wasn't, I was the dick. Everything he said in that book was the truth. Your fruits are in your roots. My fruits were non-existent. I couldn't create value for the people. My roots were shallow.

I had to really dive deep and take full responsibility for all the actions that I had done up until that point, and once I realized that, I'm like, "Okay, I've done all this stuff, there's life before Jake making all these investing mistakes, how do I learn this multi-family gig?" I invested heavily in my mentorship, and I think people look at that as an expense. I did at the time but I spent at the time, $40,000 back in '08 for mentorships. Was a ton of money. Didn't have it but I knew I needed it, because when I met Jake in '09, he's the pharmaceutical rep taking, food outta the restaurant, going to doctor's offices and selling pharmaceuticals at the time.

We partnered up in 2011. I love Jake, hard worker. If you want to talk about meeting a partner, he is the partner. You want somebody who's working hard, who's accountable, who's got great values alignment, who's long-term, all of that. We fit really well together, and in 2011 he moves to Knoxville and takes us eighteen months to find that first deal. Doesn't happen overnight, Dan because I don't have a framework. I don't know what the hell I'm doing because it's our first deal, but after that first deal, we got our second deal, which was thirty six units, and 6 months after that we bought our third deal, which is a hundred and thirty six units, and since then we've scaled to I think twenty two hundred units transacted.

We've owned a little over seventeen hundred right now. $350 million in assets under management. We're vertically integrated, and all of those units are owned by us, ourselves, no investors, just me, Jake, my business partner Mike, and a couple of employees who have invested in deals as well, so I don't know if that's a reader's digest but I wanted to give you like an overview of, you don't have to be this real estate mogul to get into real estate. I was a pizza guy. He was a drug rep. We wanted to really transform our lives. We were stuck in these jobs that we hated. You just have to learn how to do the business. You have to find people who can help you out, education, implement, and once you implement, you start doing deals.

Dan: Nice, $350 million assets, seventeen hundred units. Do you regret selling the five hundred that are no longer in the portfolio?

Gino: Great question. I don't because they were syndications. I had investors, I had to return the capital to them, but one of the deals which was in Louisville, we could have refinanced it out. The LPs would've gotten a lot of their capital. We as general partners would've been diluted but we didn't like the Louisville market, and listen, real estate is a business. We talk about the conveyor belt theory. The conveyor belt is you have this imaginary belt in front of you and your job is to put assets on this conveyor belt, and these assets are supposed to matriculate, and over time after 1 or 2 or 3 years, you make money in real estate when you sell, when you exit. Whether it's a refi or it's a sale, you pull the capital out and you repurpose it, so that capital that we sold, those five hundred units, Gino didn't go on a party.

Gino reinvested that money into the deal, so that's important. People think you make money and you really become really wealthy with cashflow. Cashflow is truly important. It pays the bills. It puts food on the table, gas in the car, closing[?] the kids. That's what all the gurus say. It really does that, but if you truly want to leave your job and stay out of your job, you're going to need to have some of these equity events, and we've been able to refinance out over $25 million, but those deals really didn't fit our criteria anymore. Our buyer criteria started to change, those markets we didn't like as much, some of the assets were a little bit older, so we just traded up and that's what you do.

You start out buying older assets, little bit functionally obsolescent in marginal neighborhoods, and you start figuring it out and going, "Let me flip that, I made money on that. Let me get into a better asset." That's what I ended up doing. I didn't flip it and go party. I continued to reinvest that money into the next deal.

Dan: To have that number of assets, $350, seventeen hundred left. You did allude to maybe some of the answer to my next question so far, Gino. The capital stack to own yourself, so I have a lot of friends who are in commercial real estate, call apartments, shopping centers, whatever the case is. A lot of them start off with joint ventures, and their 3 guys are going in a quarter million each, and they have their quarter million. Some of the guys who had next to nothing maybe brought the capital partners in or did a syndication, and that's like their first one to 5 years in the commercial real estate space, but then in the next 5 to 10, where the guys who are like really good at the game, they don't actually do syndications and give up equity. They're doing like debt raises and borrowing money that way, which is risky.

You owe that interest no matter how good the deal goes, but there's definitely this maturation of when you get to this point, where you kind of want to own the assets altogether. It can be a hassle reporting to investors, quarterly reports, sending out the K1s. This lady needs her money back because the kids start college and it's 2009, the market crashed on top of everything else, and I own all my rentals wholly myself, and it's small, small number of rentals, but it was for the same reason. I didn't have the time with running my main business Diamond Equity to nurture those partnerships and be in a sense married to those investors for this very long period of time.

What was your capital stack strategy, your thought process and the steps you took to get from Gino the syndicator to, Gino and Jake no longer need to bring in outside money on their deals.

Dan: Dan, Gino and Jake are morons. We did everything backwards, our first few deals we bought without syndication, and the amazing thing is, on our third deal we bring in our partner Mike. It's a $4 million deal, a hundred and thirty six units. Mike lends us $500,000, so he dilutes his equity by lending money to us because he knows that this deal is a home run deal, and when we refinance this deal, we'll make him whole, and he's earning 5% on his half a million dollars. He saw the light at the end of the tunnel, and on our sixth deal, God looked down on me and said, "Gino, I'm going to give you a gift. I want you to leave the restaurant."

It was a two hundred and eighty one unit, $11 million fully seller financed deal. 80% bank, 20% seller financing, basically giving us the key. That's how we started, and then by year 6, we run out of capital. We're like, "Oh, now let's start syndicating." The next 3 deals in '18 and '19 were syndicated, those four hundred fifty units. As we saw that we're like, "You know what? We want to be the small giants. We want to work on profit per unit. We don't really like syndication because we have investors involved." Although it was a great stop gap. Acquisition fees, asset management fees, credibility, being able to leverage and scale the portfolio and hire more employees. That was all amazing.

When we exited out of those, we just said to ourselves, let's only buy 2 to three hundred units a year. That's all we need, if you're buying three hundred units a year at $300 profit per unit, that's $90,000 a year. A month you're putting on deck, but what I want people to understand is there's no one right way to do it. Everyone has different goals, different timelines. Seller financing is phenomenal. You can get into multifamily right now using seller financing, and that's an amazing strategy. Syndication's another way, if you don't have the capital, go and partner with somebody who's a lead sponsor.

Learn how to raise capital, learn how to do the business, but learn how to raise capital and bring capital and other gifts to that deal, and while you're doing that, hey, if a ten unit pops up, let's buy it because I'm going to be honest, Dan, we just closed on a 4 unit 2 months ago. Now, why would we want to do a 4 unit? We have a twelve unit, the 4 units here now we've got sixteen units right next to each other, so it doesn't matter about the size of the deal. We're looking at the quality of the deal. In 3 years, that four unit may be worth another $250,000. We can always sell that deal or refi the equity out, so I think the answer to your question is we started out funding it ourselves, and then from there we ran into trouble, ran out of money, started syndicating, using creative financing, and now we've pulled back to where we can fund our own capital, our own deals with our own capital.

Dan: Nice. Yeah. Love that strategy over the long haul. It's like my own. I'm processing my own limiting beliefs. Maybe people listening would even hear my brain overloading.

Gino: No, listen, it's a scary thing because I felt the same way. I'm like, "I'm a pizza guy, where am I going to get the money to do a twenty five unit deal?" But once you stop and sit back and think to yourself, "I have other people that can help out, I have other people that I can raise money with, I have other people I can partner with, and I just need to do one deal. Let me do one deal. Let me figure that one deal out." Instead of thinking about five hundred units and going big or going home, that's all guru crap. Get good at doing 1 deal. Start small, think big, start small. Once you start small and you've got credibility and you feel like you've closed a deal, guess what? That broker's coming back to you with the next deal.

It may be a 6 unit, then your next deal may be a ten unit, and then your next deal may be a twenty unit, and then all of a sudden Uncle Bob is like, "Hey Gino, what are you doing in real estate? How are you doing this?" "Uncle Bob, you want to invest alongside me? I've got this little fun going on. I've got this little syndication." And then everybody's coming out of the woodworks and starts asking you what you're doing. That's the progression. Instead of getting caught up about how to get to a hundred units, think about how to get to the first deal.

Dan: Yeah, that's smart, that's smart for me. My, my brain's going haywire. Not because I don't have the money. I could pick the phone up and send a few emails out and I have $15 million in cash sitting here ready to go, it's more the infrastructure probably of syndicating some large deal, and in my shoes, personally I have to do something of scale to make it worth my while, and therefore I turn back around to the three hundred plus deals we did. We're already doing that at scale, and it's like, I don't want to jeopardize sort of the main business, so that puts me more so far in the last few years more in the passive investor space. I'm not the operator. I'm going to put my cash with some people who are way better at it than me. Have the infrastructure, gotten in and out of plenty of deals.

That's probably where I'm at with it. I love what you've shared on think big and starting small. What great advice and small is a ten, twelve, fourteen unit buildings going to scare you if you've been buying single families. Just a little bit at least. Could we take a turn? We're in 2024, May, 2024, I have heard if you follow TreppWire podcast, they share about the largest deals that are basically going belly up at the current moment. Trepp is a data provider and they follow the CMBS, the commercial mortgage-backed securities market. That's where 10, 20, 30, 40, 50, a hundred million dollars loans come from. They come from Wall Street and Trepp tracks that information for the listener who might be interested to go do that research, but you hear a lot about the market challenges.

They're call them crabgrass right now on Trepp, that exist in the marketplace, and it's like deals that worked at 4 and a half percent interest 3 years ago don't work at 6 and a half, 7% interest. Would you touch on and elaborate more what many multifamily investors at scale, we'll call it like ten, twenty, thirty units and up at scale are facing right now in the market?

Gino: Yes. I'm going to answer that but I need to go back to something you said that's really important for passive investing. I have a framework for that. We just came out with it. We're launching a passive investing program because we're in this mess because of not only sponsors, but passive investors who didn't know what they were doing, and listen back in '05, I was the classic passive investor. A person with money meets a person with experience. The person with experience gets the money and the person with the money gets the experience. I lost $172,000 on my first passive deal and I didn't follow this simple framework, and it's really important that everyone listens to this. Think of the jockey, the saddle and the horse. That's the 3 pillars. The jockey is the sponsor. That is the person running the deal, the operator of the deal.

The saddle is the alignment and interests. Are your interests as a passive investor aligned with the sponsor. I'll get into that real brief. The third one is the horse. It's the deal itself and that's what most passive investors are focused on. I need a deal, I got to get into multifamily, show me a deal. When in fact passive investing is different than investing actively. You need to be focusing on the sponsor on the Gino who's running the deal. That's the most important thing, and secondly, are your interests aligned? Is Gino in it just because he wants fees? Is he in it just to get your money and then flip the deal out? Or is Gino saying to you, "Dan, this is a risky business, I'm going to have your money for the next 5 years. I don't want you putting your last $25,000 into this deal."

Does that sound good? Are your interests aligned? That's what you need to focus on as a passive investor. Those 3 pillars right there, and what we've seen over the last 2 or 3 years, the GPs getting a lot of the blame, which they should, but if we didn't have all this easy, cheap money flowing from passive investors, because remember rates 2, 3 years ago, they were earning 1% in the bank. Well, I got this guy telling me I can get 17 in real estate, 17 IR I'm going to shift that money over. If passive investors understood how to invest responsibly and listen, I was one of them. We wouldn't have had this runup. GPs wouldn't have been so easy to be able to raise capital like that. It was so simple a couple of years ago.

The framework that we've created over the last 15 years, it's buy right manage right, and this third pillar you're talking about finance right. Think about a wheelbarrow. You have the 2 back legs of the wheelbarrow. You have the buy right and the finance right. They're both fixed. Once they're done, they're pretty secure. That third pillar of the wheelbarrow is the wheel. That's the managed right. That's in constant motion. That's where operators are struggling because all they're doing is raising capital, they're not in the business, but to compound things, the finance right leg over the last couple of years has been wobbly because rates were low. We were told inflation was transitory, anyone who really believed that really had their head in the sand or wasn't alive back in '08 because when you're raising rates and when you're seeing prices where they are, you know rates are going to rise sooner or later.

People were getting what we call short term bridge debt, and there's nothing wrong with that in and of itself, but when you are in a timeline and you only have twenty four months or possibly thirty six months to reposition and get a big property turned over before rates reset, there's a lot of risk involved in that, and if you're a newer operator, you may get caught, especially during COVID when there's labor shortages, there's material shortages, so things are taking longer to get done, so what's happened over the last 2 years, you underwrote a deal at 3 and a half percent with maybe an exit at 5, 5 and a half percent, but now rates are at 8, 8 and a half percent and the debt is killing you and you can't make these obligations.

These mortgage payments and rate caps, that insurance that you paid for those insurance to go up, those rate caps have gotten more expensive as well, so you're stuck in a position right now, like what do I do? Do I give back the keys? Banks were smart because banks got 65, 70% loan to value. They're not going to get wiped out. It's the equity investors. It's those limited partners that are going to get completely wiped out.

Dan: Yeah. The interesting thing from my view, and this is why I sat out every apartment syndication that came down the pike.

Gino: Good for you brother.

Dan: For the last 10 years. Since I started the podcast in 2015, we've had quite a few, took a look at them and I had an unreasonable fear of rates rising all the way through that entire time.

Gino: I did too. Our coach Bill Ham, we've been doing bootcamp since 2019 and he's been calling for a crash, because traditionally market cycles are about 10 years, so 2008, '09, 2019 generally, but COVID came and pushed it back and we've been negative, not negative but we've been really conservative over the last couple of years, and while everyone else has been pushing through and I had this. I've had the same sentiment as you. I'm sorry to cut you off, but I feel exactly the same way you feel over the last couple of years.

Dan: Do you have to refi your debt every 5 years like most?

Gino: It depends, some of it is on community bank, so our next deal that's due debt wise is August of 2026, so we've got at least a little over 2 and a half years rates I'm assuming are going to drop, but even if we have to refi at 6 and a half or 7, that deal has got so much equity in it. We've held a deal for 10 years. Typically we like to use agency financing. We'll use community on the front end, get 5 years, get it in the first 2 or 3 years, then we'll refinance out to agency Fannie or Freddie and we'll get a 10 year term on it.

Dan: Okay, so the agency debt is a 10 year And what are the agency rates right now? We're talking about 8% Rates are probably community, but what's agency?

Gino: If the 10 year treasury is what, 4, 3 right now? Usually two hundred basis points above that, so you're looking at like 6 and a half right now, 6 and a quarter, but with community community's like 7 and a quarter to a seven and a half. Credit unions, we got quarter by a credit union because we we're looking at a $9 million deal right now. Credit unions are 6 and three quarters right now, so actually they're not even banks. The credit union's not even a bank. That's the interesting thing, but they've been really competitive in financing multifamily because community banks have to go out to the open market fed funds rate and borrow, because everyone's taking money out of banks, putting into treasuries, so the demand deposits are less so they need to go out and find capital, so they're getting capital at a higher rate, so they've got to charge a higher rate.

Whereas credit unions, they're funding their own money and they're not for profit as well.

Dan: Yeah, it makes sense, and I don't know if this is not what the normal interest rates would look like here for the next 5 to 10 years. They could be right where they're at today. Honestly, I'm considering that, and I think people would be taking a little too much risk in my conservative opinion to make bets on, oh well I'll buy it today and then I'll refi it in a year or 2 years when rates go down.

Gino: That's an excellent point. Excellent point. The deal makes sense today, that's cherry on top of the cake. If and when rates do go down to 4 a half or 5%, if you're buying a deal that's an alligator and you can't get at least the cash flow in the next twelve to eighteen months stabilize, you're saying, "God, please let rates go down to 4 a half to make this deal work." You need to pass on that deal. There is too much risk in that because everyone thought, all the experts thought rates were going down this year. Rates are going to go down. Well they didn't go down because inflation's still there and you don't know if and when inflation's going to go bye-bye.

Jerome Powell seems as if he's got half a brain to say, "You know what? I am not going to be swayed by the political parties. I need to take care of this thing, or else inflation spirals out of control. Rich people aren't going to put money into this country, if they're not going to invest in this country we're going to have a serious problem."
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Dan: Yeah, and one of the things I think that is the catalyst for keeping rates high right now, one of the little talked about things, it wasn't mentioned very often if at all, is the fact that the millennials were leaving in 2007, '08, '09, '10, they were leaving their parents' house and going off to college, or they were like renting an apartment and starting life, so the parents no longer needed the four thousand square foot McMansion and they would maybe want to put on the market. Well, what happened is there was no, the number of people who could be a first time home buyer during that period, it was a valley on the demographic chart, because on the population chart it was actually at the highest number of people.

It was the baby boomers kids, so they were the highest percentage of the population who is probably 15 to 25 years old at the time. Well now those same people have just hit their peak earning potential years, and the whole culture of the millennials are going to rent forever that we used to hear all the way up until like April of 2020. That's gone, and they all have a kid, 2 kids, they got married, and now they're buying houses, so that demand is still super heated and super high, so that could go on for another 5 or 10 years, whether there's simply a housing shortage until something comes along to solve that shortage. That literally could be a 5 or 10 year type of demand issue that keeps interest rates where they are right now.

Gino: You're in Chicago and California and New York, and guess what, it's difficult to build in those states, and how do you alleviate shortages and rent? Increasing by supply if you can't supply it, and then you're all moving to the Southern states, into the Midwest where there is supply, but there's just more demand than supply. That's where you see the imbalances, and I will guarantee you when rates do drop, you're going to see a frenzy. There's a lot of capital on the sidelines rates. That's why they can't drop them prematurely because once they do, Jake and Gino's going to have a nice refi party of about $10 million. We've got so much money and equity trapped in these deals. You're talking about a little guys. The 3 of us, we only own fifteen hundred units. Can you imagine the hundreds and hundreds and hundreds of thousands of units out there that have equity and people who have homes that they can refi out.

You're talking about trillions of dollars and they know that, and that will spur a freaking recovery and that will spur inflation like you would not believe, so they understand that, so they've really got to slow play this thing.

Dan: Yeah, and how would you define a rate cut that is the catalyst for you to go do the refinance? Is that a quarter point and that's it?

Gino: No.

Dan: A half and that's it?

Dan: No, it's got to get down. 10 year treasury's got to get down to 3 and a half, 3.25, so we're looking at maybe 5 and a quarter to 5 and a half interest rates, because then we can go 10 years of IO let's say for instance, we can get 65% LTV loan to value where you're not really putting a lot of leverage but it's 10 years of interest only, but you're just printing money. Printing money. That's one option or you can go a little bit lower with interest rates and get a 100%.

Dan: Is that agency interest only?

Gino: Yeah. We just got one last year right before rates shot up, we got a 10 year IO, 55% LTV and it was five and a quarter right before rates shot up. This portfolio is great. We're going to hold it for the next 10 years. There's interest only payments and it is phenomenal. We're not paying down any principle, but it doesn't really matter. In 10 years from now, that thing is going to have appreciated substantially, and we've been cash flowing, so that's one strategy that you can utilize.

Dan: Nice. Yeah, I appreciate the exact drop interest rate for comparison, because some people might be sitting here thinking, well we're going to have to see it back down at 1% treasury, which is like 3 half and 4% on the mortgage payment that you're going to make, but I think that 5 and a half is probably realistic. I don't know if that's next year, year after but certainly not unreasonable expectations I guess from my view.

Gino: I agree.

Dan: At some point, so let's shift gears again. Staying in the current market, you guys have access to look over the shoulder of a high number of successful multifamily investors. In 2024, can you anonymously pick a deal and give me a case study? What's the capital stack unit count? What do they buy? Maybe this is something a little more on the larger side of things, fifty, eighty, a hundred units, a deal that actually got done in this last 6 months or so.

Gino: Oh, that's interesting. I can do one that we've done there. There's a couple of really interesting types of deals right now that are in multifamily that have popped up. LIHTC, low income housing tax credit deals. These are deals that were built in the early 2000s and they've got 20 year programs on them, where they're for low income housing and they're all coming off market right now. They're all coming off that program and they're, 6, $700 in rents and now they have the ability to stay in those apartments for the next 2 years, but a lot of them are vacated. Those deals are happening right now. Dan, the other deal that's happening is you have these owner operators, not operators but builders who have built these beautiful multifamilies, and they're at the end of their run and they can't fill these units up because there's not as much demand.

The supply for these apartments has been a lot. The demand is not there, so they're like, "Hey, I've got this great building, I can sell it. Value add is you have to fill it up." So there's actually a little decrease in price because the analyse is not there. We did a LIHTC deal back in December. It was ninety seven units. We bought it from a broker, and that's why you need to be doing podcasts because Jake and Gino's the brand, brokers wanted to do a deal with us. He's been wanting to do a deal forever, so he reached out to us and said I've got this LIHTC deal. It's a 2004 build, building was beautiful, ninety seven units but it needed, and you needed some tender loving care. It needed some TLC. That was coming off contract so a lot of the renters in there were paying $700.

We were able to negotiate it for I think it was... ninety seven units, it was a little over $8 million for the deal, and when we went in there we did our due diligence. We found mold, we found certain problems, we found a lot of the problems with the leases. We were actually going to back out of the deal. We said, "Hey listen, we negotiated this price. We don't want to retrade you, we're out." A week later went back and said, "We'll take this deal at a million dollars less." And they said yes. Don't know why but they was in a trust. They were so motivated to get rid of this deal, so we're talking about 2 and 3 bedroom apartments at $75,000 per unit, and it's an absolute home run of a deal.

Dan: 72 by my math.

Gino: Yeah, it's around that number because it's just amazing because what we love about it. It's going to need work. We've already done power washing, we've already done the driveways, we've done exterior painting. We're starting to turn the units. The pool looked like it was the lock this monster lived in it. It was green, it was terrible, and it's one of those deals where it just needed a load of tender loving care, but when you're looking at buying multifamilies, you need to think about certain things. We love the median income. We love the area. The median income is I think a little bit over $60,000, so it's a good renter base because if you're going to rent to somebody and they make in $5,000 a month, you can only charge them basically 3 times what their earning.

That rent cannot go to a higher than $1500 a month. That's a $4,500 a month in income that they're making, so you need to understand media income, what works in your city, so for us we love the idea that the media income was great. We love the idea that it was a couple miles from downtown. We love the size of the units, we love the build the vintage of the asset. It was a newer asset. We loved where it was located. It has washer, dryer hookups inside the units which is a great amenity. We love the pool, the clubhouse. This is what we call the buy right criteria when we're buying an asset, and they've checked all of those boxes for us.

Dan: Nice, so what, was the $1500 the realistic rent, were you able to determine that's what...

Gino: We're going to $140, 1450 on these 2s. I got to check what the 3s are going for right now, so far we've turned sixteen of the units, and what's amazing is we just realized is that there's such demand for affordable housing in Knoxville that typically when a renter would renew on these programs, they would renew for the subsidized rent of $750 or $800. Well what KCDC, what knoxville's section 8 housing is doing, is they are covering the difference between what they can pay and market and we don't have to turn the units, so it's something we didn't know, sometimes you get lucky you were talking about luck. We got lucky there. We were just expecting that hey, we're going to have to evict all these residents or they're all going to have to leave, and then we turn, so we're getting a mixture of residents leaving, putting in CapEx and turning a unit.

Hey, and this resident's staying. We can go to market with this resident because Knoxville needs this, and the and the city needs affordable housing.

Dan: Yeah. It's funny you mentioned something that makes me think one of the things I catch myself saying a lot, and that you can't build a business on luck, but you can do a lot of business on luck.

Gino: I like that.

Dan: Don't underwrite the luck in there, but hey the luck's going to show up, they're going to give you these rent raises and things go your way, and that's part of what we'll see in the IRRs that end up at the end of the day.

Gino: You just said don't underwrite the luck. That was great. What were we just talking about.

Dan: Yeah. Don't underwrite the luck.

Gino: Yeah. You're talking about the short term. Like don't underwrite that you're going to get lucky that you're going to do this deal in the next 2 years, and rates don't go up. That's not a business plan. That's a wish, and there's 2 ways I've learned that you lose money in this business. You either run out of time or you run out of money, and they've been running out of time over the last couple years with this financing, and a lot of operators right now are running out of money because they bought older assets that need a lot more capital expenditures than what they budgeted on, so there's the 2 big mistakes that we've seen over the last couple years, and I'm just hoping anybody that listens to this, take that to heart.

Work on the finance right, and make sure if you're buying an older asset, you have enough money in reserves to really take care of that asset because roofs, HVACs, driveways, those are all expensive on our 2004 asset we don't have to worry about that. Roofs are new, nice brick, beautiful driveways, concrete walkways. The steps are new, the vinyl is new. All that stuff is taken care of so that's what you have to figure out. What's the capital expenditures? What's that budget? It's either time or money we have to worry about.

Dan: What do you figure the capital expenditures per unit is that you guys budgeted on a ninety seven unit?

Gino: We're going to figure since we do all our stuff internally, we've flipped, we've changed over six hundred floors in the last 2 years in our apartments. because we have CapEx teams just doing flooring right now. We've scaled to the point where we've bought that in-house. I think it's going to cost an average between 7 and 10,000 a unit to turn these units because they're larger, they're larger units because we're going to go in do LVP flooring, we're going to reface the cabinets, we're going to do all fixtures, we're going to do the bathroom, so it's going to between 7 and 10 grand a door, and I'm assuming this property's not bad with the exteriors as probably another say 3 or $400,000 for the exteriors because we power washing we were there for 5 days power washing this place.

We've got to do a lot of painting outside in a lot of these breezeways we've got to take care of that. The stairs are iron, so we've got to take care of that. We want to put some money into the clubhouse, some money into the amenities outside, so let's say we're into it for $15,000 a unit that'll bring that cost up to around $90,000 per unit. I say this asset safely appraises for 140 to 150 a unit in the next twenty four months, so you can see with ninety seven units, you're talking $45,000 a unit. You're talking about 4 and a half to $5 million of equity.

Dan: That's at today's interest rates, and the cap rates that are going on.

Gino: At at at today's exactly. Yes.

Dan: The capital stack on this was what, 25% down?

Gino: It was community bank. 80% loan to cost, so 80% of the renovation is baked into the loan itself, and Jake and I funded this thing ourselves. It was just me and Jake and a couple of employees.

Dan: Yeah, so you're like 9.5 million ish. it's a little less than 2 million.

Gino: Around that. Yeah. $2 million exactly, so we put about a million dollars each of us. Yes.

Dan: Okay. Got you.

Gino: I got my kids in there. I got all 3 of my kids. I got a 24-year-old, a 21-year-old, and I got my 18-year-old who just became a licensed massage therapist. She's got $20,000 into this deal. It's so great. It's so great to hear them talk about CapEx and about owner draws and it's like music to my ears to hear kids talk like that. Man, it is frigging awesome.

Dan: That's classic. If this was like a 1960s or seventies building and everything else was the same, but it was that vintage, what do you think the CapEx per door would've been? You're $1.5 million here. $15,000 per, what do you think it would've been if this thing was an ancient asset?

Gino: That's a great question because you got to talk about plumbing, the cast iron plumbing in the 60s builds, do you have to replace all that exteriorly and driveways that costs money. In the interior you start seeing it brittle, and then you might see aluminium wiring in each unit. You may have to go into all the breaker boxes. There may be Zinsco or Federal Pacific breakers. You may have to change all those, and then roofs, you got let's say fifteen buildings, $20,000 of roof. You're talking a lot of money for roofs, and then the HVAC, if you've got ninety seven units that are HVACs, is each one of those $3,000 or $4,000 average at least of those, that's another $300,000, and if you've got to do driveways, you're looking at the driveways, which can be a lot more money.

I'm not saying don't buy older assets, I'm saying buy older assets at the right price point. Dan, what you were freaking out about and what Jake and Gino were freaking out about over the last 3 or 4 years is, these older buildings were trading at such high multiples at high prices and such low cap rates. Why would I buy a 1960s build for a 4 cap when I could buy a 1950s build, or 1990s or 2000 build for a 3 and a half cap? Why pay about the same for an older building as I could for a newer building? And now that's what's going to start to change, because a lot of these assets that you're seeing on the market right now are older assets. They're assets that people don't want and they're going to sit there and now the market's going to take care of itself, and a 4 cap is going to become a 7 cap, and that's how real estate works. It's cyclical.

Dan: Yeah, and we're seeing it, twelve months ago we weren't seeing it. The price discovery, meaning where the buyer would buy and where the seller would sell was nonexistent. There was no price to discover. The seller's expectations were too high, and the buyers could only make it work at a certain price, and now we're starting to see a lot more deals close. Like you mentioned, there's these builders who built the asset and it's 2 and 3 years old. The equity's wiped. They're selling it to cover it alone, not a good situation. I have friends who did the same kind of thing. They made a lot of the mistakes that you talked about earlier in our episode here, and unfortunately their equity was wiped. Not fun times and then I guess if you run into probably the estate kind of situations, the price is the price. It's just math.

The sellers wish they can't build a business on wishing and luck either, right?

Gino: Yes. Well, Dan, the interesting thing is I think it's actually a great time to get into the business because brokers are actually calling you back now. Like you said, there's not much deal flow going on and there's not a lot of buyers out there, and if you invested in a deal in the last twelve months and your equity was wiped out as a passive investor, are you going to invest in another deal for the next twelve to eighteen months? Probably not, so syndicators can't go back to their wells and can't raise from them, so there's less demand for capital and hopefully that'll make that imbalance where there's more deal flow coming on, and there's not as many people bidding on these assets, and when you have the fallacy of like, oh, I can't invest in real estate rates are too high.

What the hell does rates have to do with investing in real estate? It's math. If you can get a 1, 2, 5 debt coverage shown 10% cash on cash return, if you're paying 18% interest, what the hell does it matter? That's the problem. That's what people don't get. It's all about the numbers, and seriously that's the crazy part, and don't look at what the interest rates are, look for the long term prospects of the deal itself of the market, and if it works today, can you imagine when rates will go down? I don't know when but when they do go down, can you imagine? That's when the party starts.

Dan: Yeah, in some deals, I don't want to say you're having to like take it on the chin. You might have to put 35% down to make it work. If it is your cash and your a million dollars and you got the increases in rent, what difference does that make in the end? I was laughing when you said that the rates were 7, so it doesn't work. I don't think I've bought a single building since the rates moved other than my Florida house, and it's the same thing. I hear you in my head except I'm the guy complaining, oh real estate doesn't work. We did three hundred deals, we flipped them all. Mostly we promote home ownership, so we're in this liquid single family market and that's where everything happens.

Oh, I just can't pay 7 and a quarter percent. I can't even start to sit down and do the math. It's a mental block for me and I do hundreds and hundreds of deals. We've done eighty of them this year so far, so if I can think that way, I imagine that is probably prevailing, and I had to have this conversation with myself, Gino. When I bought the Florida place I put it under contract and then I'm like, "Oh shit, they're like 7 and a quarter percent. This is"... and it took me like a week to come to terms with this mentally and I'm like, "Oh my god." It's my Florida house and we put it on Airbnb and it pays for a good chunk of itself that way, so it's a little bit of an investment, which is the reason I was able to probably get over the hurdle and say, okay, and we went to closing and my interest rate is 7 and a quarter, I think maybe 7 and a half.

Gino: Dan, we are kindred spirits. I just closed on a farmhouse, 5 and a half acres, twenty minutes from downtown St. Augustine. It's $860,000, the interest rate was 7.69% and it was from my community bank in Tennessee, and I would've paid 8% because to get a loan on our personal residence with over 30 LLCs, it's a freaking nightmare, so I didn't even ask her what the rate was, but I'm saying the same thing as you. I'm like, "I'm paying 7.69 for a house." I put 50% down and I'll probably pay the loan off in the next 2 to 3 years, but just that mental hurdle, but saying to myself that if I buy this deal right now, I know in 2 years this house that I paid $860,000 for is going to be worth $1,000,001. I just know it is, so whether I pay 6%, 6 and a half, 6 and 3 quarters, what's my exit strategy?

That's what we have to worry about. If I'm worried about paying another $300 a month on my mortgage, but I'm going to make another $300,000 on the backend, does it really make a big difference? I think that's what we all get caught up in price versus value.

Dan: Yeah 100%. Is the farmhouse going to be like your place in the country, or what's the deal with that?

Gino: I got 6 kids. One of them is 25 years old. She's getting out, she's leaving the house. I'm going to have her be the steward. I'm going to get chickens, maybe a couple goats. I'm going to at the little garden. I'm on the beach so I want to get away from the beach, and I just want to have like that farm life, and listen, when we were in New York, I had 5 acres. I'm Italian so I would even make my own wine. I had a garden. I loved all that stuff, and coming down here I sort of lost my roots. I'm like, "Let me go back to my roots." And my kids need to be outside. They need to be able to run around. They need to be able to have horses around them, be in nature. It's a phenomenal thing just to unplug and be away, so that's what this house is going to be for us.

Dan: Yeah. That's really cool. When we got to Florida House last year, I remember probably the year or 2 prior to that, and it's been a goal for me. We're from the Northeast, Philly, New York. What do you do when you kind of get older, you make it or whatever. You go to Florida in the wintertime. That's always been the dream.

Gino: You do. Yes.

Dan: The funny thing is I live in a condo building. We're on the water too. We have beautiful views and it spoiled us because man, now anytime we look waterfront views and that whole kind of a thing, but the thing I missed living in the condo is the sound of the trees. Be like walk outside and the wind's blowing hear that. Just like, man, I'm craving the sound of the trees. The Florida house is in a little bit of a wilderness. The area right there where it's not too highly developed. There's plenty of trees and it's definitely fulfilled the wishlist there.

Gino: That's awesome.

Dan: Yeah, so if we took another case study approach here, 2024, it's May and we have somebody listening right now. Maybe they have twenty, thirty, forty, fifty rental properties. Maybe they have 8 to ten and they flip a dozen houses, so they're having some success and moment. They understand how to raise a little bit of private money. They know how to manage some tenants at even a small scale, maybe a little larger scale. What would you suggest to someone like that if they're saying, "Hey, I like the conversation, I want to get into this larger multifamily, a hundred unit building or a two hundred unit building sounds great." But if that person showed up on your doorstep, what would you advise them on let's say the smallest unit size that's worth taking on? How should they approach that first decision in getting into multifamily?

Gino: That's a great question. I would be self-serving and say join a group. Join a mentorship. You can join Jake and Gino. You can join anybody out there, and the reason why you do that is it's for the community. It it's not for the education, it's not for the videos. It's not for just talking to me. Our students have done over eighty thousand units. They've closed over $5 billion. They've blown away anything that I could have possibly done. You want to learn from them. You want to get questions from them. You want to talk to my coaches and see what journey they've been on. It all starts with what you're trying to accomplish. Multifamily is not for everyone. Just because you're doing single family and you love it and you're hearing everybody go big, get into the space.

I personally think it's a natural progression and I think everyone should get into multifamily. I would say if you have that capital and you're already based and you already have some single family homes in your area, why not start with a twenty five or a thirty unit? You already have some kind of infrastructure. You already have some kind of teams. You already have an inspector, you have a title company, you have a CPA. Just scale up and if you can't do that and you've never done it before, go seek out somebody who has. On our third deal I never would've closed that hundred and thirty six units if I hadn't had my mentor. I had a guy named Craig Haskell from Value Hound Academy. He passed away a couple years ago from cancer, and I can honestly say that I don't think that would've closed that deal if it wasn't for Craig.

Getting on the call every time because there is some differences in single family, multifamily, it's financing and deal flow. Those are the 2 big differences in the space but if I hadn't had him walk me through the deal, the underwriting aspect of it, the due diligence aspect of it, the takeover aspect of it. I even created a credibility book to be able to go to a lender. Understanding all those things from somebody who had done it before. It was a huge help, and listen, I was on BiggerPockets yesterday and I'm listening to this person put a thread. They're going from a 9 unit to a thirty five unit, and they're asking on BiggerPockets, does anybody have a checklist for due diligence? And I'm like, "You're going to buy a 2 and a half million dollars asset, and you're asking for free advice online from somebody you don't know about what they do."

I'm just saying, it boggles my mind. You won't go out and spend 10 or 15 or $20,000 on your personal education. You'd be really willing just to say, "Hey, I want to get this from this person because they're"... find somebody who's done it before. Find a system or process who's done it before and then follow that, but specifically to your question, what are you trying to accomplish with this multifamily? Are you trying to diversify from single into multi or are you going to be doing it full-time? Are you going to be doing it part-time? Do you want to partner up with other people? Because multifamily is a team sport. It's not Gino, it's Jake and Gino. I had done Gino by himself and that didn't go too well, and then when I met Jake it went a lot better, so understand it's a different mindset and understand that multifamily is a business.

We say Jake and Gino, we create multifamily entrepreneurs. because once you see it through that lens, you're not just buying buildings, you're buying little cash revenue generating businesses. You're buying future streams of revenue, whether it's a 6 unit or it's a ninety seven unit. Now, I'll tell you the ninety seven unit spits a lot more cash, but it's still the same principles, the same systems and processes that you need to run that ninety seven, you're going to use them for the 6 unit.

Dan: Yeah. A couple really good things you said there. Number 1 is it is a business, my rental portfolio is I bought a bunch of assets and I am not running that like a business. I handed it off to managers and probably some temptation would be maybe this happened in the last 3, 4, 5, 6 years. Oh, we're going to buy this three hundred unit building throw with management and raised the money, and never have to lift another finger, but the business of running rental real estate's totally separate way of thinking about it, and I think that is what is helpful to lead to success. One of the other things you mentioned was the community and the group, and like you said there are quite a few of them out there.

Gino: A lot.

Dan: I go to a commercial group. I like self-storage. I like shopping centers. I love industrial property and you're right, it's not the bullet points on the stage from the guru. That's really the biggest thing. You shake the hand of someone who's got 2, 3, 4, $500 million worth of assets in transaction volume and they just closed the deal and it was $3 million from a refinance, and you see like, hey, these are people just like I am and I can do this, but there's also the inspiration and the little bits of nuance where you get your idea ingredients in your brain that kind of produce the right course of action for what it's going to be in your own life from a group like that.

Gino: Yeah. I agree.

Dan: On that same note, what are the most effective ways to building up deal flow?

Gino: In multifamily specifically?

Dan: Yep specifically.

Gino: It's different than residential, and in residential you have the MLS. You go on Zillow, you talk to a couple of brokers and everything's out there, and multifamily I'm still waiting for somebody to disrupt. They've got websites like Crexi, they've got LoopNet. Go on there and utilize it to find out who the brokers are. It's unfortunate, what you're going to need to do is you're in Nashville, Tennessee, you're going to Google Nashville multi-family brokers, and you're going to see thirty, forty, fifty pop up. You're going to need to opt into every single one of their lists, and you're going to have to contact them and let them start sending you deals, and as you start seeing deals, you call the brokers on those deals. Once what you're talking about and say, "Hey Dan, I see you've got a deal on 123 Main Street. Can we go do a property tour?"

That's how you're going to get deal flow, and it's important if you're working with wholesalers too, gosh, if you can find out a wholesaler who's wholesaling these deals, we worked with a couple wholesalers. They banging the phones all the time. They're the ones who are talking to owners all the time. It's unfortunate because anything fifty units or more it's a lot harder to solicit through direct mail, because they're a lot savvier, especially over the last few years. They didn't have to sell to me by sending out a letter. They could have found the broker and it's interesting because the broker community, there's not a lot of brokers in each market but they're the ones who really control the deal flow.

You want to get on their list, on their buyer's list and you want to have conversations with them, and like I said now is the time because Dan has been getting deal flow and has been sitting back and selling 4 caps for the last 4 years, but now times a little tough and Dan's calling Gino, you can sign a confidentiality agreement and within thirty seconds you're going to get your phone dinging, and they're calling you. It's really interesting to see that happening, and it's exciting because now it's like, "Wow, they need to pivot as well." And I think sellers are starting to feel it as well. We're like, "Wow, okay, I've got this asset that I have to sell." And anytime that there's motivation in real estate, that's when you have an opportunity. It's really about a motivated seller.

It's not about the deal itself because if you've got a good deal, but there's no motivation, you're not going to get a deal from it. You need to find sellers who are motivated, so go out and start networking with brokers, and I think the second thing, or you can do a couple other things. Talk to property management companies. Talk to other people in the real estate space. Talk to these community banks and say, "Hey, do you have any loans that are coming due? Or anybody who's in distress, I'm a buyer. I'll buy it from you and I'll even finance it with you so you can keep the loan." That's a great strategy. We bought a couple deals from our community banks. Other thing, go out to these events, these seminars, these meetups.

That's where people are doing deals. We add in our events in October every year we had 6 live events. Our multifamily, masteries, a thousand investors in a room, that's an amazing place to network with people and find out who's in the business and start exchanging cards and learning who's actually doing deals, but brokers I think in our business are the gatekeepers. That's where I would start.

Dan: I think you're right. I've been mailing, apartment lists for 5 years and we do some duplex deals off of there. The fourteen came through there, but I can remember getting like maybe 5 calls from people who had like seventy units or more. That's it. We're mailing them all. They're not calling us, they're going to be probably already in a relationship with some kind of broker already.

Gino: Yes, and Dan don't quit though because now things may be turning a little bit, the thing is you need to be consistent. You need to be putting this stuff out. You need to be spending money. You can't throw out one letter and go, "Ah, I sucked." You need to be throwing out maybe fifteen letters before you see any kind of results, and now maybe this time where these seventy unit mom and pops have an unrealistic expectation, they think their property's worth 8 million, but it's really worth 4 million, so no broker's going to take their listing. You send them a letter and it's like, oh wow, I got somebody who wants to buy my property, and they may have a come to Jesus moment and go, it's not really worth 8 it's worth 5. Dan, let's have a conversation, so I'm not telling you not to do that, but there is less success in that, but right now in this part of the market cycle as things are shifting, that delta between by and seller is starting to shrink, I think you may have a little bit more success doing that.

Dan: Yeah, 100%. When you talk to a broker, let's say you've had, 4 or 5 calls, maybe you've even closed deals with a broker and he or she calls you and says, "Gino, I got this deal." What are the top 3 questions or pieces of information that you're most curious about on that call?

Gino: That's a great question. Let me backtrack and say before that broker calls, that broker knows what I'm already looking for. It's the buy right criteria. I want anything from twenty to three hundred units. I want 80s vintage in newer. If you've got 2 bedroom town homes, garages, ugh, I love you. If you've got $50,000 plus median income in this part of the city, I love that. Washer dryer hookups. I love that as well. If I'm giving them a blueprint or a criteria of what I'm looking for, when that deal pops up, they're going to think of me and like, "Oh, Gino, I got this deal." That's what I would be looking for, but specifically, if I'm starting out, I want the broker to know what my criteria is, and listen, you can deviate, and unfortunately Dan, it does change as the market cycle changes.

Because when Jake and I started back in 2011, those old properties were really cheap, and they were really great to buy because the price points were cheap, but as the market cycle continued to cycle out and we started getting higher pricing, higher pricing, well now the newer properties are much more favorable for us, but as these see properties start to drop in price, we're going to have to recognize where we are in the market cycle and shift with that as well, so when you're talking to a broker, let them know what kind of markets you're looking for. Let them know what kind of assets you're looking for. Is it affordable housing? Is it section 8? Is it market rent? Is it LIHTC?

Understand where you want to play in this space. Understand the size. If you only have the ability to buy ten to twenty units, don't be looking at a hundred units plus, don't waste a broker's time by doing that as well. That's something really important, but I think the market where you're trying to buy, median income, the size of the property, I think those are all things you need to focus on with a broker.

Dan: Yeah, that's smart, so let's say they call you with that, what are the 3 questions that you're going to ask that person at that point?

Gino: The broker when he sends it over to me, the first thing that pops up is why is the owner selling?

Dan: That's right.

Gino: Because I have to create value. It's what we call the SPY technique in negotiation. We've created this acronym, it's seller property and you. I need to know what the seller's motivation is for selling. How can I create value? That also lends to say, hey, if I can use seller financing, great but I need to know why they're selling. Are, do they have a 1031, do they have a death in a family? Is it a trust? Are do they have another opportunity? Are they moving out of state? Are they mom and pop who's burned out? All those questions are important because then I know if they just bought the property a year ago and they're just burned out but they bought it for 3 million and they're trying to sell it for 3.1 but it's worth 2.4, I'm not even going to waste my time on that opportunity because there's nowhere for me to make any value on that.

Understanding the owner's motivation is number 1. Number 2, how long ago did they buy it? And what kind of debt do they have on it? That's important to understand because if they have debt, maybe you can assume the debt maybe the debt's expiring so they're motivated to sell. Maybe they've got a 1031 coming up and they have some flexibility in pricing. That's an important question to understand, and then from the perspective of the property, you want to know if the broker can understand what the condition of the property's in, and then obviously you're going to get your trailing twelve months, which is a twelve months of income and expenses, and you want to get that T12 and you want to get a rent roll, and you want to look at that rent roll and analyze both of those pieces of data.

Dan: Interesting that I think a lot of people probably would ask questions about the property first, and hear your answers are why is the owner selling? When did they buy it? And what's the debt that's hanging out out there? And now third is property details and financials.

Gino: I was just thinking about from the passive perspective, it is about the deal but it's not about the deal because it's about what value the deal has and it's about the sponsor, it's not about the horse, it's about the jockey. It's the same kind of mentality I think, and I think if you can't buy something at a discount in real estate, you're buying this great asset, it looks awesome. All right, but is there any value? Are you able to create any intrinsic value in the property? Another question you can ask a broker is, Mr, and Mrs. Broker, where do you see value in this property? Oh well Gino, you can raise rents. You can add a RUBS program or ratio utility billing system program where you're going to build back the residents for some of the utilities. Or you can add carports and add more revenue that way.

Ask them what they think the value is and then they're always going to tell you you can raise rents, that's upon you on your duty to go out and and see that, but that's a great question because you're always trying to drive net operating income NOI in multifamily, and by doing that there's only 2 ways. Either you increase income or you decrease expenses, and that's one of the things that you can be doing in this part of the market cycle right now is operational efficiency. It's not valuation through renovation. That's what we've been doing. Renovating units and raising rents. Now it's valuation through operation and a lot of operators are going back to, wow, I really need to operate my property and get my expenses in line.

Dan: Wow, so you mean I don't just buy it and hope that it goes up Gino?

Gino: It works.

Dan: Hope's not a strategy. I can't build my business on luck

Gino: Until it doesn't. It works until it doesn't.

Dan: Yeah,and we've come off an interesting decade, 2008, 2009 through 2022 has been an increasing upward value where you didn't have to actually operate. You could just buy it and hold on tight, and the cap rates continued to compress throughout that entire time, and a lot of operators and syndicators made a lot of money through there, and now the game has completely shifted and changed, very challenging. Very challenging moment, but I think like you said this is a great opportunity for people who are capable of doing the math. Qualified in closing the deal, and have the kahunas to make the offer that needs to be made to get to the right price discovery.

Gino: Now you can do that. You can have the kahunas. because now there's no one behind saying I'll pay more. Now's the opportunity where you can make a reasonable offer based on what you can borrow. That's important. Based on what you can borrow now those offers are actually at least being listened to.

Dan: Nice, so before we transition, are there any other questions I just didn't have the foresight to ask that you feel like we should cover here?

Gino: No, the only thing I would say is the 2008s to 2020s we had a time of low interest rates, and low interest rates spurred private equity and everyone else to go out and to have that euphoric feeling and to really, they're going out there and they're placing capital and they're taking an inordinate amount of risk. When have you ever heard in in history that cash is trash? Everyone was saying over the last 3 or 4 years and we all got caught up in it, but just learn from that lesson because it's going to repeat itself. Market cycles and history repeats itself, so if you've crapped out on deals, we've all done that. I've crapped out on multiple deals. You learn from that and go, "The next time that happens, I'm going to try to avoid that mistake."

Dan: Nice. Gino, are there any book recommendations you make to the listeners maybe on the topic we shared, maybe just they were really impactful for you along the way. 1 or 2 maybe?

Gino: Yeah. Psychology of Money by Morgan Howell. I think we can talk about strategies, we could talk about cap rates. We can talk about interest rates. If you don't understand the relationship you have with money, you're going to make it and then lose it or you're going to make it and then not enjoy it. Or maybe you have a healthy relationship with money, you're going to make it and you're going to enjoy it. Just understand what that relationship is you have with money, and understand that money is just the tool for autonomy, and once you have autonomy, that is what leads to ultimate freedom and into ultimate optionality in life. Not the money itself but the autonomy that comes from the money.

Dan: Nice. Crown jewel of wisdom, Gino. If you could go back, you're in the restaurant there, what was it? 2006, probably 2005, you know everything now. What will be the crown jewel of wisdom that you would share with yourself then?

Gino: There's so much that I would say to my former self, I would say have more kids. I only have 6. I would've liked to have a couple more. Wow that's a hard question because there's a lot of mistakes that I made, and I think being responsible for my actions and taking responsibility for my actions a lot sooner than what I did. I would've been able to get into multifamily a lot sooner, and I think just taking responsibility and saying, "Hey, it's on me." Don't play the victim card. I've gotten here from all of my actions. What do I need to do to take it to the next level?

Dan: I think the have more kids answer is probably the most interesting one I've ever heard to that question.

Gino: Yeah, it's one of those things where I have 6 kids, I'm blessed but I was always hearing on the outside, they're so expensive, you've got to pay for college, you've got to pay for weddings. Very few people ever said to me, "Hey, congrats on having another kid." They would always come with, "Hey, you've got a lot of bills there." And it's unfortunate but I think when I've spoken to hundreds of people through Jake and Gino and through all these various other platforms, most people's regret is they wish they had another kid or more kids, and I know that they say that to me because they see that I have a large family, so I've got an amazing wife. She's unbelievable at being a mom. Having a couple more kids would've been pretty cool.

Dan: Very cool. Before we get to the final question, would you like to share some contact information, websites, things of that natures, where the listeners can get more information?

Gino: Jakeandgino.com. Just go there. If you want a copy of our book Creative Cash, which talks about seller financing, the SPY technique. We talk about market cycles and three pillars of real estate. Just email me gino@jakeandgino.com and I'll send you a PDF copy.

Dan: The final question, Gino, what is the kindest thing anyone has ever done for you?

Gino: That's a great question. Another great question, Dan. When you asked me that and I had to reflect upon it, I remember it was my sixth child. We were pregnant and it was really hard and I wasn't making a lot of money. I was at the restaurant and I was in confession with with Father Luke, and he heard the news and instead of everybody else, he said to me, "Hey, that's all the world needs is another Barbaro in the world." And after he said that, I felt really good, and you think something so small, so innocuous as to say something like that would be like not a big deal, but to me I needed to hear that at that particular moment in time and it made me feel so good, and it made me feel as if God was speaking through him and telling him it's going to be okay.

Have faith in me, and you just never know what kind words can do to somebody, so if you've got something kind to say to somebody, you just never know. Somebody may need to hear that, and that is stuck with me ever since.

Dan: Wow. Very cool. I have had a blast here. I really appreciate you coming on the show and giving us way more time than you probably have, so thank you for coming on the show, Gino. It's been a blast.

Gino: My pleasure, Dan. Thank you.

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