

EPISODE 616

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.4] WS: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today, our guest is Adam Levine. Thanks for being on the show, Adam.

[0:00:32.4] AL: Thank you very much Whitney. This is very fortunate to be a guest on your show. Thank you.

[0:00:36.7] WS: Thank you. I appreciate your time and being willing to share your expertise and what you're up to right now so we can all learn from it. But a little about Adam, he has Master in Science in Property Management from Drexel University. Manages family real estate portfolio of debt and equity investments, private equity real estate funds. Adam, grateful for your time, like I said, give us a little more about who you are and maybe where you're located and let's jump in.

[0:01:00.5] AL: I'm located in Central New Jersey. I have an office in Somerset. It's like right next door to New Brunswick. People are not familiar with Central Jersey, I'm like 45 minutes from New York, I'm a little bit South, about an hour away from Philadelphia so I'm central.

[0:01:18.0] WS: Awesome. Well, give us a little background on your real estate right now, what your focus is.

[0:01:24.7] AL: Great question. A little background on myself, I grew up in a real estate family. My father is a retired dentist. He's done very well for himself, investing, buying, holding, built, rentals. And that was more as an active investor. And recently, about seven, eight years ago, he decided he wanted to become over passive investor and he relies on me to help him make the right decisions in passive investments.

What I wanted to do was I wanted to build relationships with the top sponsors. We're talking about sponsors that have the financial strength. That have the track record that had been around thorough multiple cycles, that is not the first rodeo they've been around and I partnered up with Daniel Edrei, who is like a mentor of mine. I'd known him for about five, six years, He started out as a lender back in the 90s, a mezzanine, a bridge lender and he has a private equity firm and he partnered up and created new entity called TCS Anika Homes, where he partnered up with one of the largest real estate families in the nation.

What we're doing now is I created a co-investment vehicle where typically, to invest directly with TCS Anika Homes, investors would have to invest a larger denomination. Typically, usually a few hundred thousand dollars. I'm creating club deals where I'll invest as well and investors could invest with alongside with Levine Capital with as low as 25,000.

On top of that, there's an educational platform as well that we have a mastermind where there's a lot of investors that are looking for education and I'm willing to and there's some other investors that I brought on board that will be part of the mastermind that will help with education and the strategy is to do something similar to a Blackstone did, Blackstone Invitation Homes. The strategy is to buy thousands of single-family residential homes to rent and then eventually open up a REIT.

The goal is to do this on an institutional level and it's very interesting.

[0:03:45.2] WS: Sounds like it, it sounds very interesting. Just a few questions though, you know, about some of that. You talked about wanting to build relationships with some of the top sponsors and I think no matter what business you're in or whatever part of this business you're in, like your network is everything, right? Probably almost any business. But you know, building

those relationships, how did you connect with those top sponsors and what did that look like, how did you do that?

[0:04:08.8] AL: LinkedIn. LinkedIn's a powerful tool. Daniel Edrei. I tried working on a deal with them, maybe like five years ago. I was trying to raise money on a deal and I wound up inviting him as a limited partner on the deal and the deal never happened, the deal just fell through. But we always kept in contact and I kept – I followed his career, I followed him and then I was like, "This is a guy that I want to be connected with."

He's very – he's not a blow hard. He is very easy to work with and as you know, in this realm, you're not dealing with the best characters a lot of times. To make a long story short, he invested with some developers my family invested with as a limited partner. It's a small world I found out, and then I realized he moved down to Philadelphia to create a new company called TCS Anika Homes.

I sent him an email and shortly after, we had a meeting. Basically, the meeting was like look, "I'm looking for someone that I could – like a mentor like yourself that I could learn from because I know that as a lender, yourself and as an equity investor, you had the best sponsors, right?" What do you do to best sponsors and I want to understand what he does.

And also, that he told me more about his plan with TCS Anika Homes, and how he partnered up with the Oller family and I fell in love with it. This is unbelievable. He told me that he partnered up with one of the largest real estate families in the nation.

I looked them up and I was like, I was blown away, this is unbelievable. I asked him, "How did you get them?" He said, he told me everything, he told me all the steps that it has and I looked them up and if you look up who we're talking about, it's no joke.

[0:06:01.8] WS: Wow, okay. You used LinkedIn and then you dug into that connection just to find out more about how they operate. You found a mentor in that and a business partner as well, it sounds like.

[0:06:12.1] AL: Yes. LinkedIn is a powerful tool. You can find a lot of – there's a lot of good people in there, there's also a lot of bad people you got to watch out for. That was – that's something that I want like, I want – make a long story short, you know, you run into some bad sponsors, you learn from that and really, what I wanted to do is I want to learn from someone like Daniel that this is what he does.

[0:06:37.5] WS: Of course. You mentioned like you were talking about you created a co-investment vehicle and you call it like club deals. What does that mean exactly, what are club deals just so we can all understand?

[0:06:49.4] AL: Okay, very simple, typically to invest with a sponsor such as TCS Anika Homes, investors would have to write a larger check size. The typical minimums are \$200,000 and they're eventually, when their deals become larger, they're going to raise it, right? What I'm doing is, I'm aggregating capital, I'm invested as well and we're meeting those minimums, right? By meeting those minimums, I'm allowing co-investors to invest with myself with as little as 25,000.

So, instead of let's say investing 200,000 which that may be a large number for most people, you could start out with 25,000 through us, Levine Capital. And then on top of that, we have the educational platform, which is something else that I added as well.

[0:07:42.1] WS: Yeah, we'll get to that but I wanted to ask you, is that a fund? Or you know, how is that structured so you can take in 25,000 per investor and then you know, put it together, you know, and put it in for a larger sum or the requirement to meet the 250 or 200?

[0:07:57.2] AL: Great question. Right now, we're doing this deal by deal basis. So, I'm not taking in many investors. Right now, we're structuring it as joint ventures. The attorney is Greenberg Traurig, a national law firm. They're drawing up the joint venture docs and then what I do is I'll just create an LLC where we'll be members of that LLC owner and we'll have it operating agreement. Whatever you invest, you have a pro rata share of ownership, through our operating agreement. Our LLC will invest into the master fund which will be whatever fund. TCS Anika Homes 3, that's the third fund we're launching.

Does that make sense?

[0:08:39.0] WS: Yeah, it does. Yeah, I know in our business, I mean, you know, if an investor is not directly involved, you know, the deal, then you're syndicating a deal so you know, it's just a little different than a joint venture.

[0:08:50.0] AL: But that is what I'm thinking for fund number four. I may do a 506(b) because I have interest from – What's interesting is that TCS has employees that want to invest with us but a lot of them are not accredited. What I'm thinking is, "Okay, well, I'll just have an attorney, we'll draft up a private placemen, we will do everything the right way, we do a 506(b), we're taking 35 non-accredited. And then we could also invite accredited in there." That's something else that I'm thinking about for fund four and I'm going.

And then once this grows large enough where there's enough deal flow coming because the key is, we don't want to create a fund and then have capital which is sitting there and not doing anything.

We do a deal by deal but once there's enough deal coming, I could create a fund that just constantly just raise money to invest but right now, we don't have the deal of all coming and the deal – it doesn't make sense to do that right now.

[0:09:44.7] WS: Sure. Tell me about the educational component that you created to help your investors in case the listeners are thinking about doing something – a lot of them are working on raising capital and nurturing those investor relationships. And tell me about just your thought process behind that and how you've done that?

[0:09:59.6] AL: Yeah, this is actually a really interesting story. He's a friend of mine, a good friend of mine now, worked for Goldman Sachs for over five years as an analyst. Now he works for Prudential, he's a CPA, CFA and he wanted to flip a house. And I told him look, "You have a nine-to-five job and flipping houses is not like what you see on TV. It's not fun and games, going around with a sledge hammer. It's very stressful and it's very risky if you're not doing it as a full-time job."

I said, “Hey, how about this? Why don’t you invest on me and we could learn together?” and what ended up happening was, he invested with me on fund number two. I opened up a whole new world. The knowledge that he has now going to grad school, you wouldn’t even get this type of knowledge. I’m getting this knowledge because I’m dealing with experienced guys that are in this industry, creating a fund –

[0:11:01.9] WS: Because you did that work finding those experienced sponsors like you are talking about, yeah?

[0:11:05.5] AL: Right and what is interesting is you wanted to do a deal. You want to invest with a flipper, pre-COVID, like before it and if you want to invest in that deal could have blown up in his face. What is interesting, what we are doing as a fund, you know fund number two, we bought 15 properties so our risk is diluted. So, if one deal doesn’t work out it is not going to blow up our whole investment and everything in between, we are looking at documents.

You name it mortgage, stocks, HUD’s, joint venture docs, everything that you could think of you know we are dissecting this investment together and we just closed last month and we still have a lot to go and it’s exciting.

And my goal is to grow it where we’ll have other investors come in and let’s say you have a question, you know right now we have weekly calls. We jump on our Zoom meeting. We share the screen. Also, if you have questions in our mastermind group on Facebook you could ask, there’ll be answers.

But by all means you know, most likely it would be a bi-weekly calls where you have questions then we would jump on a Zoom meeting and we’ll answer it. It could be any type of questions and there is no such thing as a dumb question. It could be as simple as “How did you find this property, what were the steps?” And whatever. So, that is what’s we are doing and then eventually, if you like you can go do this on your own. That’s the goal.

[0:12:32.3] WS: And so, tell me what is a way that you have recently improved your business other than that or maybe that we haven’t talked about that we could also apply to ours?

[0:12:38.7] AL: So, a way that I improved our business was number one, we're focused on workforce housing, which I feel or it's not just me, I have been reading a lot of institutional investors are focused on and what is interesting is we're looking to do the buy the rent. I mean this is just basically a big bird that we're doing. What is interesting now is that this pandemic that's happening is a horrible thing, but if you are an investor it is an opportunity.

So right now, what is happening is, is that we're playing more offense where for example, we're looking to buy 11-year portfolio and now a 22-unit portfolio pre-COVID. The pricing per house was about \$67,000 a house. Now we have corona pricing where we are looking at 50, \$52,000 a house with ARBs around 140, 145.

So, if you are waiting on the sidelines, look, there is opportunities out there. Don't sit. Go hunting and what we're looking at is workforce housing more affordable. Meaning if anything you know yes, a short term assess that we could buy cheaper, but the long-term fundamentals, we're looking very bullish because if anything, there is going to be more tenants to choose from. I mean you could have tenants moving down from a class A to a higher type of asset class and you are going to move down to our product. And there is already a huge demand. If anything, there is going to be more of a demand.

So, we look at this as a recession-resilient type of investment. And yeah, I think this is where you want to be if you want to build up a rental portfolio. And another thing too is funds. I think a fund is a better way to dilute your risk because if you buy, people talk about single-family homes, "Oh there is risk, blah-blah-blah." When you are buying portfolios, you know 15, our next fund we are looking to buy like 34 but the goal is to own thousands, now it is similar to multifamily. Now you are dealing with operation efficiency similar to multi-family and pretty similar to multifamily.

[0:14:45.3] WS: What's the number one thing that's contributed to your success?

[0:14:47.5] AL: The number one thing is my relationships. I have a graduate degree but really, I like to surround myself with people that are smarter than me. I feel that you know I like to be humble. I like to always listen and I am glad I reached out you and I am sure you have a lot of

knowledge you could share. But you know, just listen and learn and really relationships that to me is the most important thing in this business if you really want to survive in this business.

Relationships is key, it could be lenders. It could be investors, real estate brokers, whatever it is I think that is what's really helped me. And I built a really solid foundation of relationships.

[0:15:29.7] WS: What's your best source for meeting new investors?

[0:15:32.4] AL: So, investors are everywhere. So, investors could be on BiggerPockets. I am sure that is not a secret. Investors can be on LinkedIn, right? Investors they could be anywhere, you know you could be a golf course and my father I mean literally he plays golf a lot and he wears my Levine Capital hat and he refers investors. And naturally he refers people.

But I think really what I heard was because usually just to want to keep this feed very honest. Originally when I started, I was always investing my own family capital. So, I started allowing investors to invest with us. This is very new but what I've heard was that's successful ways is that getting on podcasts like this will help attract investors because they get to know you. I traded a realty 401 article on our call investment.

And I shared it with someone and she basically said, "Wow, that is so basic. I feel like I got to know you," and that helped her wanting to invest. So, I think mostly you want to get yourself out there on social media, podcasts, webinars, put yourself out there. Be honest, getting up here with you, I am not comfortable but you got to put yourself out of your comfort zone. That is what I am trying to do.

[0:16:50.6] WS: How do you like to give back?

[0:16:51.8] AL: So, interestingly enough, I like to give to my church. I try to give my 10% I try to do that and whatever it is like I want to do more. I know my wife she tried helping. she's Brazilian. So, she tried because there is a lot of, I guess, immigrants here that they don't have social security cards. So, they can't get any government assistance. So, we had like a food drive to try to buy food. But whatever it is, you know I always try to give to my church and I want to do more.

Whatever it is and I know my wife and I were talking about more things we could do maybe with seniors, maybe helping with deliveries because it may be tough for them to go to a store because of the risk. So maybe we could help with picking up groceries. And I am always looking for opportunities for ways to give. But you know that is definitely a good question. Thank you.

[0:17:53.1] WS: Yeah, no thanks for sharing that. And I appreciate you giving back and Adam –

[0:17:56.6] AL: And one more thing I like to give back, I'm sorry, I like to give back on helping the investors as well that is why I created this platform because I realize there is a need. There is a lot of gurus out there. There is a lot of scams out there you have to watch out for. And so, for me, I try doing this for myself to find the best in class operators. So, I feel comfortable investing, my family feels comfortable investing. And what I realized is I want to be able to help other people where they could invest with me.

And give back by also giving educational content and to be honest with you, it is a lot of work, but I don't mind. I love what I do so I like helping people. And if you talk to one of my investors, hey, these help so much and it just makes you feel happy about he is learning a lot and I want to get more people like him to just learn and eventually they could do on their own and that makes you feel good to be able to help people all different ways but this is all right.

[0:18:56.1] WS: For sure. How can people get in touch with you and learn more about you?

[0:18:59.7] AL: So, my name is Adam Levine. So, if you Google me, you'll probably find the singer, you know I don't sing but you can find me on just Google me at levinecapital.com. You can contact me at adam@levinecapital.com. Facebook, LinkedIn, I mean they could contact you, Whitney, I am sure but I am trying to work on my SEO so hopefully if you type Levine Capital, you'll find me somehow. But I try to make myself more searchable. Or if you want my phone number I will give you my office, 732-858-1758 that is my office line as well.

[END OF INTERVIEW]

[0:19:42.5] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feed-

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[OUTRO]

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