EPISODE 96

[INTRODUCTION]

Dani Beit-Or (DB): I love residential real estate. I love both quality and holding long-term. Quality for me means a nice single-family home or duplex or fourplex, in a good part of town, doesn't have to be the luxury part at all. That for me is a very stable environment for investing.

Tejas Gosai (TG): Ladies and gentlemen, welcome to Real Estate Investor MBA. My name is Tejas Gosai, and I've had the honor of helping hundreds of investors achieve the American Dream by creating generational wealth through real estate. I've spent the past few years interviewing the most knowledgeable experts I could find in the business to cut your learning time and conquer the hardest subjects in the game. Check out rei.mba, which my team and I have packed with over 75 interviews and free access to our real estate roadmap, webinars and publications. If you're listening, I am rooting for you. And you're already on your way to financial freedom. Cheers and happy hunting!

TG: As always, thank you for making it to the program. I love what I get to do here on Real Estate Investor MBA, picking the guests, making sure that we're covering the most knowledgeable subjects. Right we've had Kim Daly on recently who talked about franchising and how that is beneficial to high net worth individuals or folks that are trying to change careers. We also had Curtis May, please check all these out on our website, rei.mba. Neal Bawa, I've mentioned him a couple times has a billion dollars in assets under management, they call him the mad scientist of multifamily, brilliant guy, Zach Booth who has developed an app that helps you contact sellers through augmented vision and your phone. So you can like be on the street looking at a house and collect information, contact that person. Please take a listen. This whole podcast is a tool for me to be able to advance my own knowledge in my commercial real estate business and more importantly, my private equity fund that I have built over the past few years and to be a strong fiduciary for capital and for high-net-worth individuals, you have to know what you're doing. So, I'm very passionate about this program, please check out some of the past interviews.

Today we have Dani here. Let me tell you about him. Brilliant guy. By the age of 26 Dani was already ex-Israeli Special Forces. He had an engineering degree and was working for an Israeli high-tech company. About that time, he realized that working for others was certainly not the way to build wealth. So, he made a decision to embark on a journey and to chart his own path to financial freedom. With over 20 years of experience investing in the US real estate market, Dani uses his knowledge and expertise to secure financial growth for beginners to experienced investors. Since 2004, Dani has worked on over 5000 investment transactions, helping investors to build strong real estate property portfolios by investing in various US metros, super brilliant guy. And you want to have folks share what they're doing today. And that's one of the things I tried to get right into. Dani helps both beginners and experienced investors by customizing each strategy based on experience age, goals, knowledge and financial abilities. He's developed a series of online seminars, classes and videos so that anyone who is interested in real estate investing can learn the principles and benefit from his knowledge. All the information to get a hold of them is in the show notes and I love you guys enjoy the interview. Cheers.

[INTERVIEW]

TG: We have Dani here with us today, Dani, thanks for making the show. Love your resume. I just told everyone a little bit about yourself. Welcome.

DB: Thank you for having me. Thanks very much. Appreciate it. Always a pleasure.

TG: Definitely. You have a lot of things going on. And we're going to talk about a few topics. But just quickly, tell me some highlights about your resume and how you got to where you are now.

DB: Yeah. So, I'm originally from Israel, I was born and raised in Israel and went to the Israeli military spend three years of mandatory service in special forces. So, if you have to make it to the Special Forces, even though it's mandatory, you have to volunteer. So, it's not that you can just go there just because it's mandatory. After that, I've done my four years got my four-year engineering degree in Israel, and while getting my engineering degree and then transitioning to my first, I call it my first adult high-tech job, which was paying relatively well, for the years before I started, I started asking myself tough questions about real-life economics. So, I got my engineering degree, which had economic, you know, part of it part of the school, but that taught me absolutely nothing. When I started my adult life, I felt somewhat real-life finances illiterate, and I started teaching myself, going to courses, we're talking about the year but 2000, give or take, depending, you know, exactly where that framework. And while I was teaching myself while I was attending, you know, lectures, there was no like, data was around, but it wasn't as developed as it is today. Then I kind of slowly progressed into investing in U.S. real estate while still living in Tel Aviv.

TG: That must have been crazy. I'm from India, moving money is not easy from one country.

DB: So I always joke with myself, like talk about, you know, kind of remote investing is what I do for the past 20 years. And that couldn't be far remote than that, you know, there was no Google Maps, no, Google Satellite, Google was a startup, right? Google was a startup. I feel so old. And we use MapQuest. I bought a completely sight unseen. I do. I flew out there eventually, when I was already under contract. But it was like, compared to all the tools and you know, website and information we have online today. That was like, really dark ages, so to speak. And then in 2004, I fell in love with real estate by buying my first property, scrapped, literally, every dollar that have my bank account, I put into that. And when I left the closing, I had maybe $200, in my bank account, and I knew the next salary's coming. So, it wasn't like, oh, my God, what am I it was, oh, my God, what have I done? I knew the next salary is coming maybe two weeks or something like that. So, I wasn't intimidated. I was also very young. So, I told myself, something happens. I have plenty of time to kind of recover, so to speak.

TG: How old were you?

DB: That was I think 26 or 27, something like that. Kind of funny, in Israel, sometimes for me, it sounds young. But in Israel, because of the military, everything gets delayed, like in real life progression the military forces your life compared to other countries or other people in other parts of the country, three to four years easily because sometimes you have to wait a year until you start the military then the military kit holds you for three or sometimes more years. So it's kind of everything is pushed.

TG: Amazing. So, we'll catch up to speed now. How many units, investors can use? Can you talk about some of the highlights?

DB: Yeah. In 2004. I did say in 2004 because I fell in love with real estate. I moved to the States, my wife and I, and I had one clear goal I want to work I want to continue investing in real estate but I also want to immerse myself in real estate to get better at it. And I found the passion of not just investing but for me the passion was still is working with others, right. That's what fulfills me. Since 2004, until today, I have helped other investors normally, typically a couple or a person, not companies, not corporations, like real people, right? Buy somewhere in the ballpark of 5000 rental units, rental doors, mostly single-family homes, duplexes fourplexes, for the most part, so something that you know, I stopped, I lost count.

TG: It's clear, though, that you helped a lot of people, you've moved a lot of weight. A lot of the unit count stuff, I think it's important for new time listeners to hear, where you were to how big you got here. I love it that you shared your age, let's bring it right to now. You have investors, you have people that you're coaching, working with. Everybody is kind of in a, in a weird flux. First of the year, it's 2023. Lots behind us. What are you talking to people about? What projects are you looking at? You know, what do you have going on?

DB: Yeah, so I think that's really a good question because, you know, after doing it for 20 years, I found that every era, every period or phase, there's always a main question being asked. Right? Right now is like more I think people are looking for guidance what to do. Because on one hand, there's a lot of when I'm reading everything, I'm confused, right? The companies are, there are layoffs. But if you really read behind the title, you know, the news title, then you see the layoff was not massive numbers, right? It's not small numbers by sin. But you know, sometimes when companies saying we're, you know, they're firing 1000 people, it's maybe like, 3% of the workforce. Again, not pleasant to be one of those 3%. But it's not nasty, right. Then, when my wife and I went to book, get out, you know, for dinner, every once in a while we do, either by ourselves or with friends midweek evening you know, you can’t find a place at the restaurant, right? Stock market is doing this, crypto is doing this. So, there's a lot of confusion, right?

TG: FTX.

DB: FTX. Right. That’s even more and more. What I have found over the years of investing, I've started investing in 2002 really picked up the pace in 2004, and five and six, and then hit the crash. Right? So the crash of 2008. That's my PhD in real estate investing. I came experienced into the crash, but I came out I had to dive into so many nuances and aspects of investing, it's really taught me a lot and refined my formula. And maybe there's few things I can share that like if I refined everything that those are the key things I will take.

So, first of all, I love the residential real estate. I'm talking about the U.S. residential real estate, and I love both quality and holding long term, you buy quality mean quality for me means a nice single family homes or duplex or fourplex, in a good part of town doesn't have to be the luxury part at all. No upper middle class, middle middle class, lower middle class, good schools, attracting that family with the kids and the dog or maybe two dogs. That's for me, it's very stable environment for investing. Right? It maybe not cash cow.

TG: The second dog matters, right?

DB: Yes, exactly. So it's very liquid type of real estate. It's not necessarily cash cow, but it's very solid, very stable, right. So that's the type what I say quality. That's for me, that that will translate.

TG: Single-family homes and townhouses, think things like duplexes, twins.

DB: Duplexes for plexes, sometimes triplexes is not a very popular product, you know, fourplexes but even when I go with the duplexes and fourplexes I try to find those quality that look and behave a little bit like the single-family or the simple single-family home.

TG: Like a backyard, having a garage, parking.

DB: Garage, backyard, ideally, right, ideally. It’s a range, but when people ask what quality is sometimes it's better to ask him what, you know, what is not quality? And I think it's easier to answer. I know this piece of property like to say an older home, a smaller home in not necessarily the best part of town, you know, it's not a quality property or investment. Now, it's not that you cannot invest there

I'm not saying but this is less, this is more for me that type of investment is a little bit more speculative compared to the less speculative single-family home duplex in a better part of town that attracts those types of tenants that normally the chances of they're inherently having problems of pain, or reduce it's not zero but just reduced. Yeah. So that's number one quality, easy to understand. Many people just don't really internalize it.

The second thing is long-term. And long-term. What is the main reason I love long term for me long-term is, I'd say seven years or more, ideally 10 or more, but let's just call it even seven to 10 years. Why long-term? When you buy quality in long term, inherently, you're hedging right against the economical time. So that means if you bought at the peak or the valley or in between either way direction when you are going to hold the property for 10 years, it's very likely you will hit some sort of, you know, downturn, right? Statistically, there's maybe a downturn, on average, every 10 years, there's something right? So that is, that is you are going to be buying quality in long term you're going to ride it through. It's not pleasant, and I've been there myself to have a property that you purchased for 200,000. And now it's worth 100,000. I've experienced that. But if you're telling yourself quality and long term and you just weather the storm, ride it out. You know, as long as you didn't make horrible decisions along the way.

TG: You have to try to fail in real estate. People do this by being careless.

DB: That's exactly right.

TG: Yeah, these are your points. I love it. I love it. Keep going. I don't want to interrupt.

DB: So those are regardless, that's always true. I think it's just more true nowadays when we're trying to figure out what to do. The third point in my mind is the, I have seen in periods of time there was uncertainty in the market, we are in that era, we are in a time of uncertainty. People, people at large, not just in real estate related, when it comes to uncertainty, they hunker down, they sit on the sidelines, they do nothing. Why? Because they're waiting for what to see where the wind is blowing. Right. And I get it. What I've seen over the years, when in times of uncertainty, those who were very decisive in the times where most people are undecisive really exploit the opportunity. We've seen it in the crash of 2008. And we've seen it through the first few months of COVID. There's another time that I've seen it maybe something more specifically, I can't remember right now, but I could tell the decisive ones, understanding how they can leverage their time in their favor. Right?

TG: I love what you're saying, because it's very prudent for right now, all of your points, none of them were about location, or property manager, or fundraising or whatever. The one great word you used is hedge. And I've said this before, like when you're in real estate, you're a miniature hedge fund.

DB: Oh, you're so right. You're using my own terms. I don't use it with people, because I think it's confusing it. But that's what I tell myself.

TG: I mean, yeah, thank you. The definition of hedge is like you're getting ahead of it. So like, just from this, I can tell you very data-oriented, you follow those systems. And now, there are so many people, looming recession, what's going to happen? Here, I'll give you an exact example. There's people that I've talked to for the past three and four years that want to invest in real estate, they keep missing the boat, keep missing the boat. And now people are more afraid than anything. I'm like, no, this is the boat. Like, you have to do something here. So, you're talking to people right now you're communicating. I mean, I know you have a large network, and then there's people that rely on you. So, what are they doing? Are they buying, are they how are they hedging?

DB: You know, things started slowing down in July, right? And immediately, I felt it as a business, the number of customers I work with, the number of customers didn't change the number of how active they are slowed down. I got it. I knew exactly where I'm heading was no surprise very quickly I know we're getting there. But what I also you know, also kind of maybe to connect it to the point of uncertainty is that it's happening as we speak. I knew, first of all people like you know, they hunker down and then wait, typically, right, this is where you want to push forward that's fine if you're not there, but also people don't stay in a time of uncertainty for many, many, many months. So that means if we started in July, we are five, what, five months into these times of uncertainty, right? Eventually, with rates going up, eventually people say, Okay, this is the new norm, the new standard, I gotta find a way to get back in, right. So, you're always going to have the early adapters, so to speak, and people that are coming back.

So, starting the past about a month ago, from very active up until July, things didn't quiet down completely, I could see less activity, which for us is also a good thing. There's time to do other things, you know, in the business to improve certain systems and processes and applications and all of that. So that's usually in marketing. That's usually what I do during those times. And now for the past month, all of a sudden, there's an uptick of people coming back, you know, new ones and the existing ones. And they're all asking, first of all, is it a good time, right, and I tell them exactly what we talked about. I say, listen, here's what's going on, here's where we are. Here's what I think we should do. Now, the way we execute, is we try to make aggressive offers. I'll be very honest, I'm not trying to lowball anybody, but with the interest rate, pushing the cash flow in a way down. It's challenging now, do we get everything? No. But do we get some of those aggressive offers? Absolutely. I don't care. You know

TG: I gotta pause you because this is so important. How many offers are you throwing out there? You know? What's the number you can say? At least you're getting past an offer, and they're entertaining.

DB: Yeah, I would say that we put somewhere between, on a slow week, 20 offers on a busy week, 50 offers out, right? Knowing I tell my investors like listen, I don't care how many offers we put you know, although it's time-consuming, but we're not going to get, I only want the one out of 10 so to speak, right? But almost always we get a feedback and answer, right? Even a no. So sometimes starts, you know, just give me one example, we made an offer on a house outside of Kansas City, you know, in the metro of Kansas City, they already dropped it once or twice, it's now 250. We offer 225. A 250 is a great deal, right? At 225 we knew we're just going to use this opportunity for a better deal. Back and forth, you know, my investor came to 235, they came down to 240. Unfortunately, we were not able to close that gap. Nobody wanted to close that gap, you know, only 5000 it feels so small. I know. But maybe what is going to happen now is a week later, that's all happened last week, we're gonna reconnect. If the house is still there. I only need each party to contribute 2500 then we're done.

TG: You're speaking my language because first of all, you're not seeing these properties. Are you doing an LOI or a full-blown agreement?

DB: Full-blown.

TG: Full-blown agreement.

DB: I want the attention. Full attention.

TG: I love it. You skipped over the time part. All right. I'm a real estate agent. I manage a fund I put out a lot of offers. This isn't a five-minute thing. This takes time to get the tax record this, that, whatever, put everything in there. And if it's a like agent represented property, right, you gotta compliance. I mean, sometimes it's four or five hours, maybe more than that in a week. Probably more than that. So, alright, I wanted to point that out. And then getting a position, you're bringing up the most important thing, people don't have the balls to just throw out an offer, throw out an offer, get a response. But if you get a position and they say, yes, get on the plane, like play ball.

DB: You know what I'll tell you one other thing that I've learned it's really important when I am aggressive with offers. I tell I have local agents in different parts of the country and they are representing my buyers, right? Let's say an agent in St. Louis is representing my buyer sites. It's not a random agent. This is handpicked person in St. Louis works closely with us for years, for example, and we have multiple, multiple such agents. But I have learned with all even the best agents I have worked with over my career, and I've worked closely tightly with well over 70 agents and I'm not talking about the one off I'm talking about closely. It's anywhere from 20 deals that we've done to 200 or maybe 150 deals right?

TG: That’s like 20 million to 50 million.

DB: Yeah, exactly. So those are really close relationships. We know each other well. I always tell my clients I always tell the agent. Let me explain to you and you need to explain this to the seller or the seller’s agent why I'm making this offer. The explanation you know, this is like a secret sauce. You know, it's not a secret sauce. But you know, if you use that I want the other party to swallow in a bitter pill. I really need to help the other party to swallow that pill. And I need my agent to deliver that message. Why am I? Here is the reason, right? I know it's a bitter pill but when I help my agent explain it to the seller's agent who can explain to the seller, it helps. If we don't take this time, and because we think just the agent is going to do they're not going to come up and they need to be empowered.

TG: Coached, they need to understand.

DB: We coach and explain, right? They will just move, move, move. If you take five minutes, say this is the reason and I want you to deliver those, those explanations to the seller's side. So, they understand where I'm coming from. You know what, I'm not saying it's always gonna work, but it's gonna make oiling the message, right?

TG: Absolutely. Absolutely. And I'm assuming you do other things in there. Like, maybe you have a bank statement, or like, hey, here's our resume, here's who we are, you know, just to grease the wheels even more.

DB: Absolutely, sometimes do whatever is necessary to kind of grease the wheels properly. But we always want to make sure at least the offer with either the proof of funds or the approval loan approval is ready to go. Exactly.

TG: All right, I gotta ask how many agents, what markets, what types of properties?

DB: Okay, so we have currently active mainly active in six metros, those are Nashville, Tennessee, greater Nashville, Tennessee, Greater Kansas City, St. Louis, Missouri, Birmingham, Alabama, Dallas, Fort Worth, and Houston. Right? Those are the main six. At the moment, not all of them are performing, are active, you know that much just because, you know, some of them like, Texas markets are challenging with cash flow due to property taxes and insurance rates compared to the others. We do have probably four or five other metros that we have I call it the inactive teams that the teams are there, the market is not there, numbers-wise. And if the market will get there, I can you know, with one phone call, activate my secret agent.

TG: Military style.

DB: And you know what, it's funny that you mentioned it, all those inactive markets and teams, I keep in touch with them. Like I take the time to call to check up maybe even six months, every once in a while to maintain the relationship, although we have some relationship ongoing with other properties that are held by our clients. I still maintain those relationships because I'm great, I'm always gonna, I know there's going to be a day or I'm assuming they're going to first of all, it's it's the right thing to do. And I like those people to work with because I like those people to begin with. And I also like to see to hear what they have to say what's going on in their market, but also I know that there could be like, Alright, we're ready to go.

TG: Ready to go. There's 20 million to close.

DB: I feel like, it’s a secret organization here after this conversation.

TG: Honestly, though, that's the way to do it. Listen, nobody knows what, people on the podcast do and no one knows what you're really doing every day. You're, you're crazy. Everybody on this podcast, You're crazy. You're trying to run your life. You know, most of the people who are who are really aggressively in real estate it’s a 24-hour-a-day business. You have to have systems it's really difficult to maintain a personal life but it's a sacrifice and you coach people into doing it I mean, simply do it right?

DB: Simply do it. That's it.

TG: How about the real estate agents that you're working with and some of those folks just curious, some more active than others? Are there agents that you've done like, 50 deals with in a specific market you could talk about with specific buyers, maybe as one buyer buying a bunch of stuff, but just want to hear something like that?

DB: All the agents you know, the smallest agent I work with these days we've done maybe 15 right, and we just started a year ago. That's maybe the smallest one the biggest ones are probably two I'd say 150 each right? Million. No, no, no 150 houses No, no more than 150 million.

TG: Well, then we got to get there one day, right?

DB: I’m talking about when I say 15 I mean 15 properties. When I say 150, transactions.

TG: 150 transactions, that's 25, 30-something million in deals closed.

DB: I would say we’re talking about

TG: Oh, yeah, you're in bigger markets, they're not 100,000-200,000 a unit.

DB: They are, let's say, 250. So, we're talking about what, almost 40 million in one market. So, 40 million in smaller markets till now would be maybe 5 million, that's a small market worth of real estate.

TG: But the point that I was trying to get to is that data right there that you have, with that many closings in one market with just a couple of agents, that's invaluable for your company, yourself, your investors. I mean, you got a good matrix in your head about all the things that are going on. I don't want to run out of time, I got to ask you about just the landscape for next year. What's your crystal ball? You know, I ask people about rates, what they think is going to happen. Can you share what you're thinking?

DB: Yeah. Here's my take, you know, I should have maybe added it when we talked about earlier with the quality and long term. The one thing that we do, we have an Excel that I've put together more than 10 years ago, everybody uses you know, it's like our business template for rental property, everybody uses it, all the investors, all the clients of ours, all the realtors.

TG: I want a copy of that.

DB: No problem, with pleasure. But what I tell my agents, when I coach them in the clients, I say, run the analysis, as you always have done so with the current interest rates right? When the analysis is set, and you're looking at the numbers take a moment, put, instead of six and a half percent in the interest rate box, put five, right just before the moment that sealed the numbers beginning with five. In the reason I tell them I want to put I want them to put five because I wanted to see when things will go back to normal, right? What is normal five for me is normally what's happened over the history. I think we're gonna get there how soon we're gonna get there. I don't really know. But my assumption and that's what I tell my clients is someone who will make this offer. Don't say you're not marrying the 6.5, my guess anywhere from six months to two years, three years, guess what it will go down, you'll have an opportunity to refinance. And now look at the numbers, right? So, use 5%, use four and a half, you want to use five and a half even. And then see how the numbers work. Mentally it's a mental exercise. But it's really important. Because if we are just you know, we have as investors as people we like so focus on what's in front of us right now. I'm not buying a property piece of property for tomorrow. By the way, the Excel that I mentioned, I don't analyze it for the first day, month or year. I analyze it over 30 years, and I take periodic averages for the first five, 10, 15, 20 I want to see how this property performs, at least in the first five years. I don't really I don't care. I do care. But it's not I'm not focused on year one, which is many times not a good year.

TG: Now that's brilliant. That's good to share. Especially with people on the fence. You know, there's good deals to be made. And there's good banks that are willing to loan to good people on good deals. It is like, you know, there's so many people I just have on the fence that are like, I don't want to do it. Now's not the right time. What's going to happen to me, you don't need five deals in the next five months. You just need one, right? Or two or, like, you know, you'll eventually figure these things out. But yeah, they're saying, you know, interest rates will go down sometime, Q3 or Q4 or maybe never right? Like you never know what's gonna happen. So, make the move. Everything that you've been sharing is good. It's motivating.

DB: I hope so.

TG: Yeah, definitely. Some fun stuff before we gotta go. You know, I love men in the military men of uniform. How much did your training and your specific ability to like withstand pressure and frustration and all that because you've lost money before? Tell me about that. How that like how you got out of it.

DB: You know, every period that I went through that was extremely stressful. Not just regular stress, extremely, exceptionally stressful, which there's been at least three of them in my adult life. I don't know why I honestly don't know why the one thing that I've done early on is realize identified with myself, I mean that challenging phase and seek out help now seeking out there but doesn't mean I went to, to seek professional help that is part of it is like telling my environment, my surrounding, you know, my network social network friends, family, you know, professional people in my life, everybody's in my life that's close enough, I say, hey, listen, I am going through a rough patch, I need the help I need and just talk it through. So I don't know, there's something which I am not used to because of the military or not that was able to identify early on, I remember, it's very clear in the crash of 2008. Very early, I realized there's problem like major problem, and I acted accordingly. So many things that the decision I made came from that realization, I did not hide from it, or you're not stuck my head in there. That was something I'm blessed to identify and blessed to you know, seek help.

And I think the other thing that is kind of related to it, is that I also told myself or maybe this is maybe karma, I told myself, especially since the crash of 2008. Anytime I see someone was down like going through, even before I had my own situation, I always reach out and say okay, how can I help you? Right? And I remember I made a promise to myself, the beginning of the crash of 2008. I saw a lot of my peers disappearing, like disappearing, right, people who were in similar position to mine, they just vanished. Some of them I saw coming back when things were clear. Some of them I haven't heard since. And I told myself, every client of mine was going to call or email or whatever I'm calling by the crash of 2008. I will pick up the phone and I may be the one who needs to bash to put their anger that's fine, to vent. But maybe I can help that person. Maybe I can steer that person guide that person maybe I can learn something. I'm also in that boat, maybe I can share something to you. And there is not a single phone call or email that came through that rough patch. And they were not talking about two or three years of those unpleasant conversations. I was there. I did not shy away I did not hide and it's let me tell you it's not fun on a daily weekly basis getting those phone calls. But you know, then people say really? I really appreciate it like a while back. Yeah, that's good.

TG: Yeah, used the word karma. Yep. Listen, we're overtime, my producer is going to kill me. Dani, you're the best. Everybody. All the information’s in the show notes. Get a hold of this man. You heard how great he is. But Dani, thanks so much for being on the show.

DB: Thank you. Pleasure.

TG: Definitely. Same thing here.

[END OF INTERVIEW]

