EPISODE 305

Speaker 1 Elevate Nation, welcome back, this is Tyler Chester. I'm so thankful to have you here, and I'm blessed and grateful to be sitting with Charles Carillo today. You're going to learn about the journey of learning hands-on in the trenches, in real estate to scaling exponentially what that looks like in terms of components of pivoting, navigating market cycles over the past 17 years, how you can apply that in your own business as an investor, whether you're passive, active and or both, you know, there's a lot to be learned from today's discussion. You're also going to learn about how limiting beliefs could be perhaps holding you back, how to break through that, and to learn the difference between what is limiting you and what is serving you in terms of, "well, maybe I have some dialog that's happening internally that's causing me to not move in a certain direction that could actually be serving me." There's also times where that dialog could be holding you back from living this life that you're destined for. So, let's learn the difference today. You are going to learn those things. I want to excite you. I want to get excited with you because Elevate Podcast is all about mindset, mind, expansion and personal development for high performing real estate investors. I'm your host, Tyler Chesser, and I'm a professional real estate investor and entrepreneur. It is my job to decode the stories, habits, and multifaceted expertise of world class investors and other experts to help you elevate your performance and lifestyle. Are you ready to take it to another level? It is time. Let's raise the bar today. I am super excited to raise that bar with you with Charles Carrillo, and today's conversation is tremendously valuable. So, I want to go ahead and ask you to please pay it forward, because that's the fee for listening today is to share this episode with one person. All you have to do is grab that link through the podcast app and share it. That's all you have to do. One person. If you've done that in the past, I want to thank you. If this is your first time listening, perhaps you are a result of that. We're asking you to do the same. The only way that we can continue to grow is if we receive your recommendation to pay it forward to someone else. So, I just want to thank you for that. I want to give you the opportunity to go ahead and do that right now. Also, if you have not done so already, give us a rating, a review, and subscribe or follow Elevate Podcast and wherever it is that you listen or watch podcasts, we're going to continue to bring tremendous value. And let me just tell you, we have some very, very, very exciting things on the horizon for this podcast. So, I want to encourage you to buckle up, but I also want to encourage you to be ready to be transformed as you engage in these conversations, as you jot down distinctions, as you jot down action steps, as you discuss these conversations, I want you to be open to a transformation, and that's what this is all about. So, I just want to thank you so much for listening. And I also want to dive in and introduce you to Charles Carillo, who is the managing partner of Harborside Partners, a real estate syndication firm, and has been actively investing in multifamily and commercial real estate since 2006. Since that time, he has invested in over $200 million worth of investment real estate. Charles is also the host of the Global Investors Podcast, where he interviews professionals about investing in US real estate, and I was blessed and grateful to be a guest on that podcast. So, we will put a link in the show notes as to where you can find the Global Investors podcast. And without further ado, buckle up and enjoy this outstanding conversation with Charles Carillo. Charles Carillo, welcome to Elevate, my friend. How you doing?

Speaker 2 Good. How are you, Tyler?

Speaker 1 I'm great. It's great to be back with you. I was blessed to be able to be on your podcast, the Global Investors Podcast, and I want to invite the listeners to go check that out. But it's great to have you now on Elevate Podcast because I know you bring a lot to the table and I want to introduce you to Elevate Nation. So, why don't we start with you talking a little bit about your upbringing and your backstory?

Speaker 2 Yeah, perfect. So, my dad was a real estate investor. He bought his first multifamily property, a six unit, in 1984, and he helped manage all of his properties. And I bought my first multifamily in 2006 after graduating college. So, my dad's properties were what would be nice. I mean, C- properties. Some of them were even, I mean, it was pretty bad. It was D's and C's. I disliked the whole thing when I was like dealing with it when you just as a kid just going to those properties and was like a twice weekly event, you know? I mean.

Speaker 1 I always think real quick, I always think it's funny when people describe a property a C-, because I can only see I already know what that means. It's like you're kind of being nice. It's like more of a D probably.

Speaker 2 Yeah, that's my dad. It was nice. It was just like tons of stuff. I mean, all the different experiences from I mean, there is times when we show up to the property and they had like DEA, like six vehicles going to go into a unit, found heroin needles in, like the hallways before--

Speaker 1 I've been there.

Speaker 2 I had like we had to go to a police station one time. I had to look through like the books of photos. It was just like it was it was not something I was used to and this is probably these probably. I'm from Connecticut, from a small town. I live in a small town at these probably 25 minutes away in a lake, a city where my dad owned these properties. And it was night and day from where I grew up. So, it was very interesting. And then I was I never thought, I want to be a real estate investor. And then I think like high school, I kind of realized all the benefits with it. And my dad started buying better properties at that point, too. And it was something that when I was buying properties--my brother and I--my dad always just stressed to me: buy better properties. And, you know, like you said, C-, but a D, but it's really just like you're really focusing on C plus and above kind of stuff. My dad was like, and I found out because I bought some that were C and you're like, oh, it didn't work as well as like a block away and it was like a C+ type property. And that makes a huge difference with keeping renters, you know what I mean? And the ease of renting and keeping renters for many years. I mean, I saw that portfolio of stuff I had and kind of get last year and I had one one tenant that was there for 12 years that I actually rented to when I was self-managing. So, I self-manage my property [for] six years, 2006 to 2012, I moved down to Florida third property manager for ten years on that property while I was living in Florida and once in Florida really start focusing on larger properties and then getting involved with syndications in 2017, 2018 time frame.

Speaker 1 It's interesting to hear from you with that background with your dad investing since '84, starting with a six unit and some tough, challenging properties and you seeing that and saying, "man, I don't want to have anything to do with this. I don't know what my dad's doing. This is insane. He's flipping through, you know, police books and all this kind of stuff to identify people. That's insane." Heroin needles, by the way, I've been there. I mean, it's it's not a great place to be. And when you start to see that stuff in challenging properties, but perhaps it's a stepping stone to get to where you want to be. So, what was it in in high school that really caused you to say, you know what, maybe there is something there? I mean, were you did you become more financially literate at that time? You started to think about the benefits?

Speaker 2 Yeah, I think one time, I read my first real estate book, like between middle school and high school, and it was Trump: "Art of the Deal," his first book. It was pretty dark, but if you don't want to go into real estate after reading that book that from back in the eighties, then you'll never be a real estate investor. But it was I started like just being more involved with my dad and my dad started bring me to like involving him more in the business myself and his business where we did everything from what properties that he was looking at buying. What properties that he was selling and handling, you know, rent collection. I was with him with doing rent collection and stuff because he had superintendents that had collected rent, but there's always tenants that didn't pay them at that point and he'd be there and he would walk literally apartment to apartment with the old carbon paper, you know, the rental books. And he would sit at every kitchen table, write receipts, talk to people. It was completely different from people today like, oh, we have an online account. We never--it was very personal, you know, getting $300 in cash from different apartments. And then it was a very hands-on business. And I kind of realized how you deal with tenants and then going to everything from eviction court to I mean, it was everything: dealing with contractors, all the fun stuff that one has to do when they're self-managing. And he had a good set up with it. Like anybody that's only those type of properties, you really don't have a property management. There's not really a third party property management for D class properties or C minus properties. It's really just you have to do it yourself because property managers are very class-specific and finding a good C class one is very difficult. Being A? It's very simple, you know what I mean? You've got good credit tenants, you've got a good property, it's small problems. You can ask for a lot of documentation when renting to them and people really abide by the lease. When you start getting into lower class properties, that's when every every time there's, you know, rent's due. It's, you know, a lot of units become a negotiation. You're getting it what you're getting it and it's not just like it's you know you're some you know when I left, when I left Connecticut and I was doing my own brand management, it was it was pretty straightforward: I had really good tenants and I would collect every month without any type of issue. But it was time consuming, you know, I mean, a lot of times my paying cash lot and, you know, getting it third party management was great because it was able to hey, this is this is we're not the owner anymore. This is how we do it. You have to send this money order in here. You have to drop it all off, all this kind of stuff and not taking cash anymore. And that was a whole change for myself by freeing up that extra time every month from, you know, dealing with calls here and there, dealing with opening doors for handymen and stuff like that. And so it's a night-and-day process. If anybody wants to self-manage--self-managing is great to learn the business--but you don't have to do it for six years.

Speaker 1 I totally agree. And I started, you know, in that same vein where it's you know, the first deal was like eight units and it was like, all right, hands on. And I never knew that people would negotiate when they're going to pay, how much they're going to pay and all this kind of stuff. It was totally foreign to me. But when you start to realize the different classes of investments and, you know, the functions of generating cash flow and really making it happen, because what you see on paper and what you read in the book can be different than what you learn in reality. And as you operate a portfolio on perhaps maybe a scattered scale where maybe you've got a duplex here and you've got a a quadplex there, maybe you've got a few houses and they're, you know, in different neighborhoods and things like that. You learn that it's not super scalable. While you can learn a lot by kind of just working the business and really functioning within all of those things. And that can be helpful for you as you ascend the ladder. As you ascend, sort of the the different components of being an investor, you know, thinking about that, I mean, the difference from then to running a business, right? Because I think that's a big difference between a lot of business owners, business tacticians, and successful investors and business owners is that a lot of times business owners--and I think that this is 90% of the reason why 90% of businesses in America fail--is because people try to do everything. And while it's great to learn, but if you continue to do everything, first of all, you're going to get burned out. You're not doing half of those things nearly as well as you could or as well as someone else could to support you. But if you don't have the scale and the the capacity to scale, it's hard to bring in people to really function and, you know, collect rent and pay bills and make sure that utilities are set up and switched and, you know, maintenance is taken care of and all that kind of stuff, you know what I'm saying?

Speaker 2 Yeah, no, I totally agree. And it's the same thing is that it's important to understand how everything works. So, I'm very hesitant, like not invest. I passively invest in a lot of deals now in syndications as well as doing our own deals. And it's something that... I don't invest with people that haven't actually self-managed properties before because if you're told something, you know, it's like if you have your property management telling you something, I mean, how do you know exactly what is happening there when someone tells me or having we have a you know, we have an apartment being changed over and if you talk to someone that's never managed properties like, oh, that can be done like 24 hours, no it can't. I mean, you have crews and they have to be it's the people that are painting or cleaning, you know, it's got to be marketed. It's a whole process. It takes a month, you know, in most situations. So, it's like knowing those type of ins and outs of how it works. And then also on your tenant base, too, I mean, when you're buying properties, I find it even more important when they do a like lease audit, when you see who's in the property, when you're buying it, then knowing that when you buy it, what you thought during due diligence is going to be off. And you know, as you keep on doing this, no matter how good you are, because you mean you're going to keep you're not going to buy deals if you are... If you look like you have to knock on anybody's door beforehand, even if they would even let you in and verify people, it's something you find out afterwards, but that you have an idea of what you're going into, then it helps you make your proforma and helps you tell your investors like, listen, we can't give any distributions for the first nine months or whatever it is because we have some issues there that we have to, you know, sort through. But you know that going in and your investors know that it's much different than, oh, we're going to start the first quarter and it looks like everything's great over there. Well, that's just something that doesn't know exactly what they're doing or they have a great property that they're buying and they're paying top price for because it's not a value add, which is obviously what we focus on because it makes the most for investors.

Speaker 1 Yeah, to your point, I think one of the central components to success in real estate investments is anticipation, and you've got to be able to predict the future and project into the future what is realistically going to occur. And of course you want to be conservative, you want to be aggressive, and you really want to execute on a business plan to under-promise and overdeliver. But if you've never gotten your hands dirty and realize some of the particulars and some of the margin for error that you truly need in all aspects of the business, then it's very challenging to accurately anticipate and project into the future. So, I couldn't agree more.

Speaker 2 No, it's a very important part of the business.

Speaker 1 And so as you you know, you graduated college and you said, all right, I'm going to I'm going to do this. So, you started buying smaller properties and collecting some properties, kind of like what we're talking about, self-managing. And then you mentioned that you just sold some of that portfolio?

Speaker 2 Yeah. So, I started buying about where I went to college in Connecticut. Was probably like a mile and a half down the road and was the same town that my father had owned properties and he owned a few at this point. He had sold a lot prior to this, but I started buying them and I bought a three family in which what we call now house hacking. But we didn't have fancy names like that back then. And and then like about another three family, like literally a block and a half away. And the one thing I did, which I didn't really know I was doing it, but I did it was I bought properties really close to each other and it made it easier to sell them. It made it much easier to manage it and it made it much easier to find third party management because now it's like, okay, this is where this guy, you know, his basement here, right, is where he keeps all of his storage place. But plus or that handyman that were working for me directly or working for our property manager at that time, you know, you can go and access that. You know what I mean? Everything's there. It's very it's very simple. It's very difficult when you start like you were saying, you know, drive 45 minutes to a duplex and then you drive over here. It's a great deal, right? But it's not like you said, it's not scalable. And the scalability is something that you kind of need to have the foundation for. If you're if you're going to do that by yourself, you know, you can definitely do it. The problem is that when you're doing it on a smaller scale, you really need to buy a lot of units and not like thousands of units. But if you can get to 40 or 50 units close by to each other, you know, within a couple of mile radius, something, that's when you can you can hire a full time handyman person, which is really your big thing. Because while the other rent collection can be done online, a lot of that can be automated on that end. But it's really getting to the full-time handyman piece of the whole puzzle because that's going to take care of a lot of issues and you're going to decrease your hassles because you have one person that now you know is going to go out there that you trust, has all your keys, doing all that stuff. And then you you just really take that off your plate, you know what I mean? So. But getting to that very difficult. That's why most people like myself, I didn't have that many units, so it was difficult at that point--I found good management through referral and I was able to kind of run the whole portfolio, but, it's definitely a difficult route if you want to do everything yourself, which is why we partner and do our own stuff now with, with other partners.

Speaker 1 Yeah, I almost look at those first few deals as really truly the learning experience. That's where the most value is. But to your point, if you want to continue on that path, if your goals align with that trajectory, then there's certainly some strategies that you can employ to be able to, you know, design a system and design a process that can handle that type of scattered site, you know, considering the geography. But now as you've grown, I mean, it's crazy to I'm sure you have thought about this, but man, we're talking about 17 years into the future now at this point, I mean, 2023 from 2006. I mean, your strategy has certainly evolved tremendously. So, walk me through the evolution there. I mean, from, you know, starting to collect some scattered sites, smaller properties to scaling to a large degree.

Speaker 2 Yeah. I think there's like a normal progression of real estate investors and it sounds like you had this as well, Tyler, where you're starting off with those C-class properties looks so great on paper, right? And, and those brokers are so convincing. You operate them and C's not that bad, but when you start getting the D, that's what people are like, Oh, this I'm looking at buy my first rental property and steam like don't like don't even don't do it know it's just not going to work for what you're doing and it takes a real it takes a unique investor with a unique setup to handle D class properties. But I feel that most investors, it's a progression where they start with Properties C or D, and then they progress into like the B class properties because the B class properties I feel are the best. And that's really what we're focusing on our group for the last couple of years on acquiring and selling our last C-class property right now. And the reason for that is you get the mix of good credit tenants. So, tenants that actually have credit, they have income that's at the same job for the last three months. You know, these are people that are going to be around. They possibly want to buy, they have car payments and they possibly want to buy a house in the future. So, they're going to pay their bills on time. And any you know, for other times when you're not, you can you can actually work out some deal that they're going to, you know, keep keep on track with. And then it's but it's not as much just A class properties and so you can have most people that are going to go through a B class property at some point during their life if they're in A class property and someone's hours are cut back and then household, they might go to a B When times are good, a C goes into a B, but the B is the place where you can stay for many years. You're going to have people that are there. And the whole goal with multifamily is to keep people in their properties for 24 plus months because then you can cut down dramatically on repairs and maintenance, you know, make ready for the next person coming through. And, you know, it allows you to really build a tenant base that when you go to sell it or go to refinance it, you can show people these leases and be like, you know, this is this just we just didn't load this up last week and just bring it to you. You know what I mean? It's a seasoned property with good tenants that have been there.

Speaker 1 When did you first bring in partners with you? Because it sounds like you started with your own capital and maybe you didn't, but when did you start bringing on partners?

Speaker 2 So, I bought properties initially, some by myself and one with my brother, who'd be the only partner I had. And so that's how we we really started when we were up north. And when we started being partners, the first thing we did was really with a syndication, and that was 2018 when we did our own syndication. So, with that being said, that was something that you just we finance everything ourself. I had I had another online business that I was running at that time and I was, you know, that was my goal was just to buy properties, build my own portfolio. I learned about syndication initially in 2008, and I wanted nothing to do with that. I just didn't like the idea of raising money for properties. You know, I just didn't want to do any of that. It was much easier to buy properties and buy properties, manage them the way you want, and get them up and running and, you know, it just makes a lot easier. And then we add syndication and you have a whole other part of the business, which is great because you can scale and now you can work with investors who would beforehand not be able to purchase those properties because they just don't want to. But it now allows you to kind of open up what your passion is of investing in real estate and cash flow and all the good things that we love about real estate with other people. So, but initially I didn't have any partners outside of my business, and my dad never invested into any of our properties. Initially, it's just my brother and I and then we syndication was the first time really taking money on the equity side from people. You take, you know, you take debt from people. We had some private investors that you would use for doing flips. We did our stabilizing properties you know small multifamily as before getting refinanced, but nothing like a real equity partner until we started syndications.

Speaker 1 Now, looking back, since that was 2008, you were like, I'm not doing that. Then to 2018, you were like, okay, now let's let's move in that direction. The ten year gap, I mean, is there anything that you would have told your 2008-self that, hey, you're missing the boat here, you're missing the opportunity in this direction, in this vantage point? I mean, is there anything that you learned from, you know, actually diving into the syndication path?

Speaker 2 Oh, so I was you know, we had reached out and we were planning on doing flipping with with private money and finding investors up north around like 2010, 2011. And we never really moved forward with that. And what I should have been doing is focusing more on multifamily, but it was a whole different ballgame when I bought properties in like 2009 even end of 2008. I mean, everything was melting down. I mean, no one I remember I, um, I bought a property in 2009 at the end of 2009 and literally paid like $0.28 on the dollar when it sold in 2007 for I paid cash for it and I renovate the whole thing in three months. Was a five unit mixed use or had like a little office downstairs but 95% of square footage was residential above. And I literally brought that to a bank. And a bank would only offer me if I was going to refinance. The whole thing was rented out, right? And the bank was going to offer me like 25% of like they would only loan me a loan to value 25% of what I had paid on the property. So, it was like, you know, and that's not counting all the work, you know what I mean? So, they were literally giving me like a 10% loan to value on the property. So, it's great to see you go back and and buy more property. During that time it was very difficult. If you didn't have cash, if you had cash in hand, you could do anything you wanted. You know what I mean? And even lenders like, oh, we'll go to lenders. There is no bridge lenders, right? You had some hard money lenders, but they're like, oh, well. And like half of what the asset value says--qqI mean, it was like it was like, you know, 3% loan to value because like, you had to have cash. If you had cash, you were your golden. But getting cash, if it wasn't your own is very difficult. You know what I mean? Places like that. Because just as we've seen over the last year, I mean raising money in 2021 much easier than raising money in 2022 or 2023.

Speaker 1 Sure.

Speaker 2 And I understand people, but it's also if there's a deal, there's a deal, you know what I mean? And if it's not, the everybody wants to buy at the bottom, but most people miss it, you know.

Speaker 1 It's interesting.

Speaker 2 And I imagine you have these conversations, too.

Speaker 1 Yeah. I mean, one of the most interesting components that that we see, you know, from an investor psychology perspective is that when the deals are, you know, overpriced and, you know, irrational exuberance is abundant, you know, the capital is plentiful, it's everywhere. It's ready to go. And when deals start to get very attractive because of some distress and because of some, you know, perhaps fear in the marketplace, the capital is also scared and it's almost like you need the opposite. So, you know, it's challenging. It'd be challenging to raise capital when the deals are much more attractive because of some dislocation and the opposite is true. So, you know, I want to talk about the components of navigating successfully navigating market cycles, because you've been around I mean, you've been around the block for 17 years. So, you know, I do want to talk about, you know, strategy today and some things that you've been working on, of course, as well. But let's talk about that, navigating market cycles, because, you know, we're in one right now, right? We're in the changing the tide has changed. It is continuing to change. And by the way, it's always changing. But for you, I mean, what are some of the components that you found to be critical in terms of navigating market cycles successfully, whether we're in recession, expansion, contraction, you name it.

Speaker 2 Keeping your occupancy as high as possible in your collections as high. And, you know, maybe if you have a business plan that's a little aggressive or you where you're, let's say an aggressive, you know, where were you two years back? We put $5,000 into a unit and raise rents to $2,500. And that's important to do. And we're still doing that on some of our properties, but it's at a much lower number per month where before we were doing, you know, we have a property that's like 160 units outside of Atlanta and we are doing like five per year, you know, a five per month. Now we're doing somewhere around one or two, and it's really keeping that occupancy. We have occupancy over 98% there. So, it's something that keeping that high during all these times, you're not going to get aggressive with it and you're on to you can continue your business plan, but kind of maybe we would probably pull back a little bit and just make sure that when we are doing a unit, we know for sure when we start renovation, hey, we just rented one a week ago like this. So, there is there's an appetite for it in the market, but it's something that you want to be doing like, you know, go through your property and hey, we're going to like 20% right now and these like two or three months, then you have no idea. Whereas a lot of people are just like, Hey, just just renew me and I know you got to raise the rent and a little bit and that's fine. You know, keep them in there and do that and then people move out and maybe some of them we renovate fully and some of them you're just cleaning and painting and, you know, for a thousand bucks and you put them back on the market for an extra 25, 50 bucks a month. And I think that's kind of where we are. And knowing what that what that you know, what the goal the best the equilibrium there is of what your of what you can do and what you can't. And I would rather provide back to investors a report that says, you know we're at or 95 97% occupied with these collections and you know we're still able to raise rents if we wanted to on these units, $160. But we haven't, you know, and you're not going to get pushback from investors on that. I mean, you're running the property correctly. I think the problem is people get it and they really you know, you really start it because the problem is if you're renovating units, you can't get a top price and you have to cut that back a little bit to rent it. Well, now you're not getting that return and you're like, oh, we were going to get our money back in 36 months and now it's, you know, 60 months. Well, not the best of investment for you is probably better just to hold on and re-rent that property, get your money back in one year and just doing some cleaning. So, I think that's the big thing about it and just, just really vetting your tenants, you know what I mean? New tenants coming in and making sure property managers are really vetting them, even if that's cutting down on applications that are getting approved or applications in general. And that will be something that really solves the problem. That's one of the pluses about having third party management institution because there's not an emotional--they don't don't really care about you paying your mortgage this month and you renting it out and getting some money and, you know, doing it. They care about putting good tenants in because they want to possibly get that renewal fee at the end of the year. So, they're going to wait it out. And that's one thing you really have to do. And we've done that with a lot of our properties where we've just we've increased a little bit of what we're, what we're asking for in the underwriting to make sure we're getting good tenants in there. And in the beginning it's a little bit difficult because you're not filling as many units, but as it goes and years down the road, because a lot of problems, you can, you can rent to a problem tenant, they won't be a problem tenant for seven or eight months. It's not like next month. It's an issue in most situations. It's usually like down the road. So, what you're doing now isn't going to come about in the wash for another year, you know what I mean? In certain situations. So, it's just important during these times, make sure that people are working, they have the income, doing your full background check, and not skimping on any of that. And then I would just focus more on occupancy and collections with your tenants that are in there. And I wouldn't worry as much about doing interior renovations to try to get an extra 125 bucks out of someone.

Speaker 1 That's great, that's great feedback. And, you know, it almost seems like in other words, it's like read the tea leaves and pump the brakes where necessary, but also up your barriers to entry for folks, you know, who are looking to reside at your properties so that you can say, look, this may be a challenging decision today to say, well, maybe we're going to have an occupancy hit if we raise our standards for new applicants. But in the long run, we're going to be in a much more favorable position. And as we navigate some continued uncertainty because none of us can predict the future market, we can't predict where things are going to go. But as you start to feel what are the tides turning, then perhaps we can get a little bit more aggressive on renovations. Perhaps we can get a little bit more aggressive on, you know, going back to the business plan and executing and and really, you know, hitting the top of the market, so to speak. Are there any other components aside from occupancy and collections that have been, you know, integral for you to navigate successfully market cycles and changing dynamics in the marketplace?

Speaker 2 If you're going in with any type of you know, the best is to go into any type of downturn like this with three, four years of, you know, fix that, what you got going on. Because if you're going in with really short term debt, it's going to make you do decisions that you probably otherwise wouldn't have done. And I always tell new investors, they always ask me to just get fixed in. You know what I mean? Just get fixed in your first deals. Do minimal renovations on your first deals, if anything, because whatever you're doing, whatever you buy it, there's going to be work required. So, you're going to get that renovation experience, but you don't want major renovation experience. You want to really come in there and not have too much of a project to take care of and really rent in for the long, long term. That gives you a lot of it gives you a lot of options in the sense of that when you're renovating stuff and it gives you a lot of breathing room to. And so, that's what I would say.

Speaker 1 That's great stuff. So, let's talk about pivoting, because, you know, I think any successful business owner/investor has to continually pivot, right? You've got to continually look for feedback in the marketplace and say, look, this did not work. We had a failure. You know, failure is feedback. It's not fatal. Now. It's an opportunity for us to change strategy, for us to adjust, for us to make adjustments as we move forward. So, talk to me about some pivots that you're making today and maybe how your strategy is evolving as a result. I mean, before we started recording, you were talking about, hey, we're navigating away from C properties or really focusing on B. Was there anything else that you would point to in terms of pivots that you've made?

Speaker 2 Focusing--so, yes, definitely the C to B is definitely a pivot we've been making. The second I would say is buying in markets that just aren't cash flow, buying in markets that are actually growing. And it's difficult. You have a lot of people that I'll see from a new investors. Tyler, Imagine you have people that want to invest in property themself actively and they'll tell you about this and you're looking and you're like, well, this probably isn't the best market for what you're doing. And they're just looking at the cash flow, right? And cash flow is important, don't get me wrong, but the mix of cash flow and appreciation. And when you're in a down market, right, you don't want to be owning in a place where population job growth is stagnant or even declining. During these times where people are moving, they're moving for jobs, are moving where employers are, they're moving where the climate is better, whether it's financially and also possibly where we're going down--people are going to the Sunbelt. So, it's one of those things that if you're in these areas that are growing, that's where it's going to give you a buffer on what happens with your properties. And right now I would much rather have our properties--C-class property in somewhere in Florida, Atlanta, something like this compared to having it maybe where I had him before in Connecticut, not really growing, population's declining, there's not new, if any, employers coming. There is no new jobs. So, it's something that that will weather the storm a lot better is where you're located and where people are actually going to go. So, that's going to help you because you're going to be able to pick from a lot more. You have a bigger potential tenant base and with more tenants to choose from better tenants, you you should be getting. So, I would say, you know, focus on markets that are growing and obviously the whole thing we're talking about the property class. That'd be one other one for sure. I would really focus on doing it. And if you, you know, there's a benefit to having long term debt. And I'm not saying like you have to get, you know, 25 year commercial loans or something like this. But if you're getting, you know, five years, just five years, ten years, seven years, whatever you're getting from your bank gives you a lot more breathing room than getting 24 months or 36 months.

Speaker 1 The key word in everything you just said, in my opinion, is buffer. You need buffer, you need margin for error because there's a lot of things that you cannot anticipate, but you need some wind at your back, right? You need some components, and there's decisions that you can make to make sure that the wind is at your back. It's, of course, market, it's demographics, it's trends and so forth.

Speaker 2 Right. That's definitely true. Yeah.

Speaker 1 So, one thing I'd love to know, you know, obviously investing in Florida as an example and this is the case across the country for sure, but more so even in Florida. So, talk to me about insurance. I mean, how are you guys handling insurance? And, like, I mean, we're seeing just absolute paradigm shifts. And what I'm hearing is in some Florida markets, you're looking at 200% increases in some cases for renewals. So, how are you guys handling that major bogey?

Speaker 2 So, we haven't we haven't purchased in Florida and probably a year and a half. And when we do purchase and when we're doing our proforma, it's just something you have to get quotes from multiple insurance carriers. And so your broker is usually going to bring you the best. But I also kind of want to see the other ones, too. You know what I mean? And Cs, it's like when you're going out for renovation--you have your own house and you get contractors to come out and you're like, Why is this 30? This guy's 32, this guy's 50. You know, like, tell me about this guy at 50. Am I going to throw this away? Like, why is this? And they might say, well, these materials are really what this cost is and stuff like this. And they're like, okay, you know, this still might be overpriced, but it's good to know that these people are really shooting it low down here. So, I think the same thing with with insurance is when you're doing out your numbers, insurance is just gone crazy in Florida. And it's because of our obviously our weather situation. But the other thing, too, is that 70%, I think was 76% of all lawsuits against insurance companies come from the state of Florida. So, it's something that we have tons of attorneys down here, too many attorneys, and they're chasing too little dollars so everybody in their mother get sued. Insurance companies for anything common maintenance is now you sue it and they have to repair it or some kind of thing happens. So, that's the big thing that we have down here that hopefully gets fixed. But when you're underwriting for that, you have to really shoot high and you're going to lose a lot of deals. It's like just saying that if you're some of these sharpen their pencils saying rents can go up 25%. You say they go up eight, you know, that's who's going to have a more aggressive offer, you know what I mean? Who's gonna get that deal? But in some situations they might go for a buyer that doesn't have the highest offer that they can close. So, I think that's something that you just have to stick to those numbers and especially where we are now in the mortgage cycle, as you were talking about before, you just really have to really focus on making sure that your all your numbers are checking out. Right? There's less unknowns going in and you're not oh, the market is just going to fix itself or something like that as well. People are still going move to Florida. People are still going move to the markets that you're in, Tyler, that's for sure. But we're not going to get those huge double digit rent increases, especially not this year. So, it's something that when you're doing out your numbers, you just have to make sure that you're taking considering all the different insurance because that low insurance quote you got from year one might actually end up being on your renewal what the high insurance quote was. So, that's kind of what we want to see. And we're like, oh, well, we should still go up higher. And I was just talking to an investor that was buying down here and he was telling me that their insurance came in 30% lower than what they thought, okay. When they were doing the numbers and they just shot a really high. But they're still keeping those numbers because they don't know on the renewal. And, you know, it's usually a thing where it's just you, you they go up high and then really they--they're jumped in Florida and we've kind of seen it where it's kind of stayed like that. It's just they had a huge jump over the last year or so and people got hit in all different policies from if you owned a townhouse to owning a 200 unit complex. It was just everything.

Speaker 1 That's great stuff. Charles And you know, it's not fun stuff to really talk about, but at the end of the day, it is a huge mover in terms of driving NOI, which ultimately is a driver in terms of cash flow and value and all these kind of things. So, it's important to have your finger on the pulse and not have your head in the sand to say, well, where are things today? And we're in a very volatile insurance environment. As we move forward, hopefully things will start to stabilize to a large degree so we can start to anticipate, as we were talking about earlier, make accurate projections and navigate that as we move forward. Because to your point, whether, you know, a lot of the stuff is happening in Florida, you know, a lot has happened in Texas, a lot is happening across the country in terms of weather events. But the insurance carriers are going back and they're readjusting how they're doing things in many different geographies. So, it's important for investors across the country to realize how things are moving and so that they can make appropriate projections. But I want to switch gears a little bit and talk about you and really how you're investing in yourself and how you're optimizing your perspective so that you can make decisions in complex territories. So, I'd love to know how does mindset play into your success? And as you're continuing to evaluate challenging circumstances and make quick decisions and work through, you know, building your investor base, building your portfolio, you know, how does mindset play a role in your success?

Speaker 2 Mindset's the big thing. I mean, my goal this year's to read 20 books and I would say every other book I read is mindset and it's just something that you have to consistently work on and it's difficult. Don't get me wrong, it's very difficult because it's not something--you don't see the needle being moved right then, you know what I mean? It's something down the road, so it's something that you're investing in yourself, but getting around it like-minded individuals. So, I'm part of two mentoring groups and it's something that Mastermind type groups and it's, you know, you can pass a lot of ideas in front of people and see how they respond. And that's really powerful because you have ideas of what you want to do or you're having an issue or you're just anything you can really learn from what other people are doing, see what they've done, and then something that you think's a great idea that we don't even know. We tried that. You know, you hear that from multiple people. Hey, we try that. It doesn't work. And you're like, oh, that's fantastic.

Thank you. And that's kind of why you're putting yourself around that. So, kind of aligning yourself with people that are in the same journey you are possibly, you know, you have some people behind you and know some people ahead of you, which is the best way of doing it. So, you can assist people and then people can assist you. And I feel that's the best way. And it's it's very difficult to find those people because that the majority of people, they aren't taking action or they don't have that same mentality that you do. So, I would get around those people and then assist with what you're doing.

Speaker 1 And I love the fact that, in my opinion, in my belief, my one of my core beliefs is that there's always another level. So no matter where you are, whether you're beginner, highly sophisticated, highly successful, there's always another level to ascend to. And I think that's a component of living a fulfilled life is continuing to grow and a lot of that's uncomfortable. But, you know, one of the quotes that I'm super passionate about and I really enjoy as well as I think it was Henry Ford, he said, "Whether you think you can or whether you think you can't, you're right." And so it starts with what do we believe is possible? And perhaps that is what is pushing or propelling people into saying or not saying, but doing or not doing. Right? You were talking about a lack of behavior or lack of action. And so, you know, from your vantage point, sounds like you're really investing in yourself by reading these books, you know, that are sort of on the mindset trajectory or paradigm, as well as surrounding yourself with other people so that you can up-level yourself, so that you can become more like those who are where you want to be. But talk to me about, you know, are there any limiting beliefs or things that you've learned about yourself over the past few years that you're kind of working through and you're you know, you're sort of overcoming to say, well, wait a minute, where did that come from? What story was I telling myself that was kind of holding me back? Are there any limiting beliefs that you've learned about yourself that you're working through?

Speaker 2 Limiting beliefs. I mean, there are I think they pop in everybody's head all the time. And it's difficult for people that are wannabe high achievers or are high achievers. And it's something that you just kind of have to bring back to. And you kind of have to just settle yourself back and be like, you know, especially when you're around people that have done what you're trying to do. And sometimes you'll meet people and let's just say you're less impressed than, you know, what you thought you would. And then you're like, oh, well, this is that really, you know, kind of fades a lot of your beliefs because you're like, if this guy can do it, you know what I mean? Or this woman can do it, I can do it. And you see it sometimes, and then you meet some people that like, this person's like, amazing. You know what I mean? And how do I, like, follow on what they're doing and how do I change my thought process to match with what they're doing? And I think it's just it's definitely limited beliefs, but it's also just really setting a plan of where you want to go, really, or where you want to just kind of a goal of where you want to go and then kind of constructing a plan of how you're going to get there. And it's very difficult with, I mean, different from person to person because if someone's starting investing real estate now, it can be a much different journey than if they started five years ago. Right? but it's also probably going to be a faster learning curve, right? Because you didn't have this crazy market that no matter what mistakes you made somehow was fixed. And that's kind of dangerous for anybody involved with that, especially if you're a passive investor and you don't really understand. So, how do I look at deals now versus 2018? You know, you know, in one of these markets and know exactly what I should be looking at? And so there's just a couple of things. I think it's just really focusing on your mindset, focusing on following other people that are ahead of you. And then there's also great when you are able to share that knowledge with people that are behind you.

Speaker 1 A couple interesting things that you just said there. So, one of which is, you know, when you meet people who you just put on this pedestal and you're like, man, they are just they they walk on water. Everything they touch is gold. It's like, man, they just can do no wrong. And you start to realize, well, they put their pants on the same way I do, and they have a lot of similar faults. Or maybe they have a lot of similar fears that I do. Or, you know, there's a lot of things that, you know, it almost humanizes them. And it's like, oh, well, if they're doing this, then I can do this. And I love that. I love reading biographies and reading memoirs and surrounding yourself with people who are doing those things so that you can see that, so you can humanize that and it can put it in the realm of, you know what, if that's possible for them, it gives me a reference point that it's possible for me to and I think references are critically important. The other side of it is there are some limiting beliefs and there's some thoughts that we have that are fear-based, that say, well, if you do this, then you may fail or there may be challenges. Right? And some of that can be valuable, right? It's not like we don't need to just be positive thinkers to say, well, anything I can do this and I will do this and I will be successful. Let's listen to that voice and we'll say, well, where did that come from? You know, where did this belief come from that if I do this, I might fail and then this might happen and then this. It's like, does that come from a pension of reality or is that come from some other belief that came from some other place in my childhood or somewhere else that is not actually serving me? So, is it serving me or is it limiting me? I think is a is a critical question to ask ourselves as we're having this internal dialog. But man, Charles, I want to I love this conversation. This has been a lot of fun. Before we transition to Rapid Fire section, I want to ask you, you know, you mentioning investing in yourself by being a part of Masterminds and things like that, but are there any other things, whether it's actually investing your own capital in yourself or your own time and attention that you think is really up-leveling the way that you're thinking or the way that you're approaching your business or your life in general to step up your level of performance.

Speaker 2 Just try to surround yourself, even if people are not in your industry, finding people that are high achievers or their goal is to become a high achiever. And if they're true about that, it's going to be a much different friendship and relationship you have compared to other people. And you'll know what you're talking about and you'll know that every time that you're you leave that conversation or you leave that person or those people, you're a better person, you know what I mean? In a sense, you're more motivated, you've spoken to someone that's on the same page as where you are. These are all powerful things. And my wife and I, my wife's also an entrepreneur, and it's something that when we meet with friends or we are out to dinner with friends, we really focus around people that are self-starters or people that want more out of life and, you know, doing what it takes to educate themself and invest themselves and invest in their future.

Speaker 1 I totally agree. And this is something I learned from the psychologist, organizational psychologist, Dr. Ben Hardy. It's really what you're describing is individuals who are future focused. And I think if we can just focus on surrounding ourselves with other people who are future focused and perhaps they're future focused in a different way that we are, that's okay. That can inspire us. And, you know, there is a big difference in people who are stagnant and not really thinking about the future, they're thinking about things that perhaps average people think about, and they're not really surrounding themselves with that type of thought process that you can, you know, subconsciously you self-regulate yourself back to that type of position because it's a comfortable place to be. So, I love that share, I really appreciate that. Charles, this has been really, really fun. I really appreciate you spending some time with me and riffing with me. But before I let you go, I want to transition to the Rapid Fire section of the podcast. It's called the Rare Air

Questionnaire. It's all about being uncommon. And a lot of what we've talked about has been extremely uncommon today. I'd love to ask you if you would point to two or three of the most impactful books that you've read over the past few years and what those have been and why.

Speaker 2 I would say "80/20 Principle," which probably was five plus years ago, a fantastic book for anybody involved... it's great for people that are in numbers games of businesses, when you're sorting through people or that have client bases or customers. It's a fantastic book. I would I'm sorry, I'm looking I would say I'm another one. There's I would say "Thou Shall Prosper," which is a book I'm reading right now. It's very good. It's written by a Rabbi about money principles and being successful, which a mentor gave to me. And there was a there's also a short book. It's a Jim Rohn book. It's called like "Five Pieces of the Puzzle" or something like that. And you can just find if you put Jim Rohn "Five Pieces of the Puzzle," whatever it is, into Amazon, but it's a fantastic reading's like 100 pages. You can like read it on a short flight and it's obviously very, very similar to what a Tony Robbins would say, obviously, as Tony learned from Jim. But it was something that a great read and it really puts a lot of principles about what you're doing with your life, where you want to go and making those changes and really setting a course for it.

Speaker 1 I love that. And we're going to make this easy on the listeners because we're going to put links in the show notes is where the listeners can find those books. So, thank you for those shares. But Charles, aside from what we've already talked about today, what's the biggest way that you elevate your life on a daily basis?

Speaker 2 I think one of the things is that I set aside time to read every day. I'm a big proponent of getting things I don't like to do or don't want to do done in the morning right away. And that really opens up when you're getting things done on the way that aren't your favorite. It leaves you when you're coming around into the afternoon or whatever. You really have time to really work on, you know, growing your business and doing stuff and growing yourself and growing your business and you become a lot more... You become a lot more productive in that sense. So, that's one thing too, is I would tell people.

Speaker 1 I love that. I love that. Thank you for that share. What's the biggest way that you elevate others around you, Charles?

Speaker 2 I love giving back to people and I always say this, and it's one of the things it's really just if their people are motivated or they've shown some sort of some sort of kind of progress towards reaching their goals. I love giving back to some people like that. So, I'm working with someone right now who just like part time and they are an investor, meaning like a wholesaler, and they're getting into more of multifamily investing themselves like I had decades ago and just asking questions about doing stuff. And some of that's, you know, obviously successful in what they're already doing, but just kind of adding on another layer and then I'm not like, you know, I'm not just like talking to the wind. It's really just something where what you're telling them they're actually or there's a high probability that they're actually going to be doing it. You're not just wasting your time. Whereas with most people you talk to, it's just a waste of time because they're not going to take any they're not going to take any action on what you're saying, and it's just not worth it. So, it's just one of those things I understand now why coaches charge, because it just sorts out. Not that people need that money to make their car payment. It's really to just to to not waste your time. They want to see something that progresses.

Speaker 1 I completely agree, Charles. Well, Charles, it's been a lot of fun. I want to acknowledge you for really showing up and sharing your story today. And your story has been amazing over the past 17 years, and I'm excited to see where things go for you here over the next 17 years as a real estate investor, as an individual who is future focused in not only expanding your portfolio and your cash flow and all these beautiful things that we all love about real estate, but your horizons as an individual as well. So, I just wanted to acknowledge you. I wanted to share my appreciation with you before I let you go, do you have any parting thoughts or words of wisdom that you'd like to share with all with Elevate Nation?

Speaker 2 No, I mean it just if if anyone is interested in learning more about what we do. So, my company is Harborside Partners and www.HarborsidePartners.com and go to it, you can learn more. We have a guide on passive investing and if you're interested in learning more about active or passive investing, reach out to us and I'll get on call if you or my other partners and we'd love to go through what we're doing and see if it matches with what you want to do.

Speaker 1 Absolutely. And we'll put a link in the show notes is where the listeners can find you. Charles with Harborside partners investor with Harborside.com and of course the listeners can also check you out on the Global Investors podcast. Right? So, why don't you tell the listeners a little bit about what that's all about.

Speaker 2 Yeah. So, our podcast, the podcast I do is called Global Investors Podcast and it's right on our Harborside Partners page, so you'll find it right there. Or any podcast player. But what we do is I've been doing it since 2019 and it is a interview type format once a week. And then I also I do it what's called Strategy Saturday, where I have short bits that are 5 to 10 minutes on different parts of real estate. So, different terms, different strategies, different experiences. So, you might find a podcast on what prepayment penalties are explained and you might find one and you know why we buy certain properties and why we don't buy other properties.

Speaker 1 Beautiful stuff, my friend. Well, you're doing great stuff there, and I just want to thank you again for being on the podcast, Charles, until next time, appreciate you being here.

Speaker 2 Thanks a lot, Tyler.

Speaker 1 Elevate Nation with a great conversation with Charles Carillo. And I learned a lot from this conversation, not only from his story about really being in the trenches and learning hands on, but then taking that experience and scaling it rather than just saying, you know what, I'm just going to continue to chip away linearly. He then went exponential. So, I just want to encourage you to identify what did what did you actually learn from today's conversation? What was it that really stood out to you? Was it the way that he's thinking about, you know, pivoting and shifting his strategy or navigating market cycles or utilizing other people to partner with you on your journey? What was it that you learned? Was it something about insurance that helped you navigate that complex environment or helped you gain more awareness on the volatility in that side of the business? Because, you know, there's a lot of different components of this business that are a lot of complexity. You know, what was it that you learned? What were your biggest distinctions? I. To encourage you to jot down your top one or if you want to get even further, if you want to be an A-plus student, it's two or three distinctions from today's episode, and I want to encourage you to not only jot those down and maybe just jot down your one aha, your one takeaway from this episode. Have a discussion with someone else about that, whether it's your business partner, whether that's a colleague, whether that's somebody that you invest with, and ask them how are they handling certain things that really stood out to you that maybe you're concerned about, maybe some things that you're excited about? You know, what was it that you learned about your own mindset, your own limiting beliefs, your own things that perhaps could be holding you back or could be protecting you and helping you make wise decisions as we navigate some challenges, as we navigate a changing market environment, as we as we navigate a changing market cycle. I want to encourage you to identify those and really just reflect on that, to say, all right, well, I'm not going to let this pass passively. I'm going to recognize this, that this is an opportunity for me to take a pivot, for me to make a change, for me to implement something new in my life, in my business. And I know that there's a tremendous amount of value in today's episode. Someone encourage you to share this with a friend and pay it forward. Of course, that's that's the ask that we have for you as we continue to pour into your cup. The only thing we ask from you is for you to share this with someone else. The most important thing is to take massive action on what you learned as you jot down those distinctions, as you have discussions, as you share. It's about implementation and it's about moving forward and seeing how it works for you. Course correct. And continue to take massive action. Until next time, Elevate Nation, I just want to thank you so much for listening. And we will see you next time.