Episode 314

Tyler Chesser [00:55:50] Elevate Nation. Welcome back. This is Tyler Chesser. I'm so thankful to have you here. And I'm blessed and grateful to be sitting with Keith Wasserman today. You are going to learn about how compounding can serve you and change everything about your real estate investing journey and how you can lean in to delusional optimism, paranoia and the inability to quit, and also how you can make the next decade an unbelievable transformation and one that maybe you are not even able to understand how powerful the next decade can be. Man, this is a great, great conversation. One that I'm going to be revisiting many, many times. And I really enjoyed this. And I definitely want to encourage you to buckle up because today's episode in today's discussion is transformative and one that there is tremendous deep generational truth within. So I'm so excited to share this with you. 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, an 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 we are absolutely sitting with a world class investor. One that has built a humongous and tremendous track record across the country, is a real estate investor in various different asset classes, but one, he's built tremendous scale. So you definitely want to listen closely to this episode today if you want to develop tremendous success within real estate, but also within your life. I mean, there's a lot to be learned from this conversation in terms of being a dedicated father, a dedicated husband, a great friend, someone who is generous with your time. You know, it's not just about building wealth and, you know, it's definitely not about being selfish. And so I think that really comes through in this conversation today with Keith. You're going to love this. And as we dive into this episode, I want to ask you to pay the fee. The fee is to pay it forward and share this episode with one person. All you have to do is grab the link and send it in a text message and an email. Whatever you need to do, send it to one other person and share this episode with them and pay it forward. That's all I ask is for you to pay it forward just like any other business. We're asking for your introductions, for your referrals. We want to pour into more people and to really do that, we ask for you your help. And that's all I'm asking for today. I'd love for you also if you have not done so, to give us a rating review and subscribe or follow Elevate Podcasts on wherever it is that you listen or watch podcast. By the way, we are available on YouTube. If you want to watch this episode, feel free to hop over to YouTube right now. If you are there. You can also listen on any of the podcast platforms that are out there, all the beautiful podcast platforms that are out there, but I hope you are having a phenomenal day. I'm having a phenomenal day. I'm having an exciting day and this conversation is so great. So definitely buckle up. And while I get you strapped in, let me introduce you to Keith Wasserman, who founded Gelt in 2008. During the height of the recession and financial meltdown, Keith has now been involved in the acquisition of multifamily and self-storage properties worth over $3 billion, mainly across the western United States. He oversees the company's operations marketing, investor relations, acquisitions, leasing development and disposition services. He graduated in 2007 from the University of Southern California and the Marshall School of Business, and he sits on the board of the USC Lusk Center. Keith leads Guild's Charitable Giving program and recently teamed up with Damian Langer to form the resident Relief program, a501c3 public nonprofit whose focus is on helping renters avoid eviction upon unexpected financial emergency. Keith is also the member of YPO, Tiger 21, and the Milken Institute Young Leaders Council. So you are going to love this conversation. You're going to love the energy that Keith is bringing to this discussion as well. And you're going to learn so, so much. So without further ado, please enjoy this phenomenal discussion with Keith Wasserman.

Tyler Chesser [00:00:04] Keith Wasserman, welcome to Elevate, my friend. How you doing?

Keith Wasserman [00:00:07] Doing well. Thanks for having me, Tyler.

Tyler Chesser [00:00:09] Absolutely. No, it's tremendously my pleasure to have you. And I've been looking forward to this conversation for a while. So I appreciate you making time. And I know Elevate Nation is going to receive tremendous wisdom from you today. And while we dive into this episode in this conversation, I'd love for you, if you don't mind, to share a little bit about your your upbringing, your backstory. Of course, we'll talk about, you know, what happened. And, you know, as you were founding your company in 2008 and the trajectory there moving forward. But talk to me a little bit about your upbringing and your backstory.

Keith Wasserman [00:00:38] Yeah, so I'll do pre pre business days. Yeah, I grew up here, born and raised in Southern California and Los Angeles, specifically the San Fernando Valley. I'm a unique breed in that I'm born and raised here and not a transplant. So yeah, my whole life I've lived in L.A. I even went to college here at USC and stayed local. And I've always been very entrepreneurial. My father was also the same way, very entrepreneurial. And I think I don't know if it's learned or in the genes or combination, but he never really had an official job, but he never really worked for anyone. He used to work for his father, like working together in the factory, manufacturing mainly jackets in the sixties. So my dad's around 77 years old and he worked with his father and then he went out and started his own law practice. Never worked with another attorney but you know, best bar and and some of his other clients were people in the apparel business. And he did that for over 40 years and grew to be one of the largest law firms in the San Fernando Valley with around 80 attorneys. And but he I don't think he ever was that happy, like practicing law. And he always told me that he probably made more money in his real estate investments over these years than practicing law. And I never had any interest in practicing law because, A, it's generally you're paid by the hour and there's limited amount of hours. B I had no interest in practicing law. And in general, I try to avoid any litigation and whatnot and try to, if there is any, just settle and only the lawyers make money in general in those circumstances. But yeah, so I think I was just wanting to start my own business and I started, you know, at a young age like us through a little ventures, like I was ten years old. My housekeeper, nanny would take me to Costco. We buy boxes of candy bars, can't wholesale, and then sell in retail at the park one by one. And then when I was 15, my my dad had a apparel client that was sitting on 100 of these leather jackets. I remember him like it was yesterday. They were Perry Ellis lambskin leather jackets that retailed for like $40 at the department stores. And and he just couldn't sell them. They had all these small blemishes. They're called the Wranglers. So I learned an important skill about negotiation and not being fearful to just say what I want to buy the thing for. And, you know, if it offends the guy, okay, so be it. But so I negotiated and I literally bought these things for like $10 apiece. And he had them sitting there for years, couldn't sell them. And then I sold them all to the parents of the students that the my teachers, the janitors, whoever I could. I had a car of leather jackets and they sold them for like 80-100 dollars apiece as like when I got my license, like 16 years old. So it was pretty cool. Started making money and learning and important lessons of making money on the by having a margin built in. And that was a huge margin. But and then that led to my first real business, which was Keith's Bargain Center. We started buying and selling just all kinds of general merchandise on and then on eBay of all places. This is 2003 to 2007. eBay was just pretty much getting started and I didn't have so much competition. And we scale the business. So we're we we sold around 200,000 items while I was in college. I had a warehouse in the San Fernando Valley close to my parents house. And I was driving back and forth from school to to the warehouse. And and the lady that took care of me and my daddy and a housekeeper was the one that managed the staff. We had like 13 people. And while I was in school and it was pretty cool to go to downtown L.A. to buy stuff from jobbers and go to local auctions. And eventually I made trips to China to buy like bulk containers of merchandise. So really cool, like in an early age, running a business and learning how to deal with customers and suppliers and and employees and ultimately made some money on it and just sort of got burnt out. And eventually eBay fees kept piling on and pay pal fees piling on and a lot of competition. And eventually I just sort of sold out of all the remaining merchandise donated what I couldn't sell and and try to figure out the next thing which happened to be real estate. I could go on to the story of how I fell into real estate, which is pretty cool. My cousin Damien Lingiari and I were always looking to start some kind of business together. We had a few. Did didn't really fail, but we never really we just dated on different ideas and concepts. And he said his dad was buying and renovating and being very hands on with small for two 1520 unit apartment communities in a city called Bakersfield in the Central Valley in California, which is 2 hours north of Los Angeles. And I said, Where in God's name is Bakersfield? And he said, Well, let me come here. Let me let me show you. So we drove out to Bakersfield, to ours, you know, And I'm like, Where are we? And we got the freeway and it's a it's a town of around, I think, 500,000. And it's based on mainly oil and agriculture, which is very different from here in L.A. But I like what I saw. And and we delved in like, you know, we didn't have much money and experience, but we Damian got an FHA loan on his first property and got a credit card advance to do the rehab, borrowed money from a friend for the down payment and and literally, you know, just scraps some nickels together to do that one. And then we bought another one where I brought the, you know, the 25% down payment and and these were back then like $150,000 purchases they previously sold in oh six at the high last night for like 4 to 500000. So sort of no brainer kind of things. But people were very fearful and scared and there was tons of foreclosures. And that's like usually the best time to get started. But rents were sold declining, but and there was still more blood to be had, but it was like just a no brainer. Our mortgage payment was like $600 a month and our unit rented for 695. So it was just sort of like a no brainer. And yeah, we learned the business by, by doing we were driving out to Bakersfield every week, multiple times a week back and forth and overseeing the renovation, which is Dad was very hands on, showing us how to deal with contractors, renovate the units, and we were signing all the checks and paying all the vendors and overseeing all the work and leasing them out. And that's where we cut our teeth. Like, you know, we read books, which is up to a certain point. Good. And then but the best way learning by doing right and we surround ourselves with great mentors, you know, and that that's the path we took. I mean, people always ask like, what's the best ideal package? Just depends what your goals are and how your personality is. I'm just not I'm not easily employable. I don't think I've never I literally worked till lunch time and I quit at lunch time at a big developer shop. I just didn't want to, you know, just filed papers. I'd rather file my own papers and file papers for someone else. So yeah, that's a little background.

Tyler Chesser [00:07:32] You're the entrepreneur's entrepreneur and, you know, it's like it's almost built into your DNA. And so it's really cool to hear about your story and you know what you were doing in college and then your cousin Damian, then kind of bringing you along to this real estate deal. So it's really interesting to think about that. Did you actually know anything about real estate or were there any were you having any sort of thoughts about moving in this direction prior? I'm just curious.

Keith Wasserman [00:07:55] Yes. So great question. So I graduated college in 07 and I didn't know what kind of business I was going to do. I always said I wanted to start some kind of business. And so I use that time to learn and read as much as I could about real estate and any of my dad's meetings that included any of his real estate investments, because he wasn't the general partner, he just invested with some other people. And so so I would go to all those meetings and then I spent that year learning and got my broker's license. So I've only used it once, but I thought it would be good just to learn the nuts and bolts and some of the, you know, the laws and just learn as much as I could about real estate transactions. And so I got my broker's license. And at the same time, yeah, we were trying to figure out different businesses and, and Damien's like, yes, this is what we're doing. This is opportunity. Like, this is what the numbers look like. And I was intrigued, but, you know, I knew my parents did well in real estate investments with other people and stuff. And they always touted all the tax benefits of it and all the long term compounding and benefits. And the illiquid nature actually helps you stay in the game and all these things long term. And it's generational wealth through creating and you could pass it down and there's step up in tax basis. There's all these beautiful things about it that we that the laws are out there and we take advantage of it and you know, just help other we've helped, you know, 1,300 other individuals and families that have invested with us. You know, we're sort of like an outsource arms for individuals and families that want exposure to real estate. Most people, you know, they own their own home, maybe they own a vacation place, but they don't have any income producing properties in their portfolio. It's just, you know, they're just not exposed to it. They don't know where to start. It is a bigger dollar amount, you generally. So this way they can put a little in a lot of deals and not have to handle anything. And we handle everything from start to finish with the transaction. You know, it's.

Tyler Chesser [00:09:44] Interesting, you know, fast forwarding 15 years now from then, you know, there's some similar dynamics going on. Of course, there's some differences. But, you know, you bought at a time where there was a lot of perhaps maybe a meltdown to it to a large degree. And it was it was well underway. And I'm sure you were looking around and I'm sure it was, you know, a little bit scary. To make that move when you were seeing declining rents, declining values, but you were also moving confidently in that future. I mean, what was it that compelled you to still move confidently when you started? You were hearing all this negativity and you were seeing people lose their shirt left and right.

Keith Wasserman [00:10:19] Yeah, I mean, we didn't have any legacy properties in portfolio to to worry about going. So we started with a clean slate. Like, you know, we started December 08, we bought the first building and then all of 09. We were buying these little four boxes. And then December 09, we bought our first kind of larger community. I'd say some of it's naivete, some of it's just not listening to the crowd. We've always been very contrarian over the years, like even my mentor, like he missed, he didn't't. These nine was a generational biomaterial or nine, ten, 11, 12. He just for years was just like not buying stuff. Just, you know, things are going to get worse, whatever. Like you can't time the exact bottom or the exact top. So it's like, you know, we're buying through our cycles, but like, it's like when the market starts heating up, heating up, we just slowly lift the get the foot off the accelerator a little bit. Right? So we're slowing down. And then when things start really struggling and shit hits the fan and stuff and there's this place, you know, negativity. And then we start stepping down harder and, and there's periods of time like we're entering one right now, right? Like we didn't buy a deal for a year and we were patient. And I mean, I'm actually impatient, but we were forced to be patient because we kept getting outbid on things or the sellers kept pulling things, and we just didn't feel comfortable buying a certain price. And now, like pricing is reset, values are down 20 to 40% depending on what it is and where it is. And sure, it could go down more. Okay. Could fundamentals erode more? Sure. But I think it's it's like all priced in, in my opinion. And we're a long term hold anyway. And with conservative leverage, you're like, yeah, I think now's a great buying opportunity is as bad as it was in 09. No, but we're value destruction was even worse then. But like. The fundamentals then were were way worse. Rents dropped tremendously there, like from peak to trough and Phenix, our first major market, we bought 2500 units from 2010 to 15, rents dropped to 20%, values dropped like in half. And today you're starting to see fundamentals erode, like rents are declining in those markets. The boom or bust markets, other markets are slowing down a lot. The growth, the values are way off. So I think it's a great time to start deploying capital. And that's what we just started doing. And we're buying a deal right now in Southern California and a core location, newer building. And I think finally sellers are realizing we're not, you know, 15 months ago pricing, you know, So, you know, there's some sellers out there that are starting to capitulating and sell stuff. So, yeah, I've.

Tyler Chesser [00:13:00] Heard you say all roads come back to buy and hold. And I think, you know, this is a great time to come back to that realization that this is a long game. You know, I think there's been a lot of players who are, you know, looking for the quick money. And over the past few years, there's been a lot of that irrational exuberance which has driven, you know, players like yourselves being outbid to so many, you know, such a large degree. And you know, that patience is now paying off. Of course, I'm sure you guys are seeing some pretty compelling opportunities, all things considered. But going back to those early days, I'm curious. I mean, you were talking about driving back and forth to Bakersfield and managing this asset and, you know, working through that whole thing and really getting your hands dirty. Talk to me about where you took things from there, because I'm sure that was hard. I know when I got started, I was doing self management as well, and that was a big, big challenge. But talk to me about where things went from there.

Keith Wasserman [00:13:47] Yeah. So one of the hardest things is going from 0 to 1, right? Like in terms of starting a business, having your first kids 0 to 1 is a shock to the system. I'd say that that was difficult. Like we didn't know how to get started, where to go, like just everything's new, right? But we got started and the momentum started picking up and stuff. And we, we made a big evolution going from the for plexus to building the 78 unit. And we realized we needed we had big gaps. Right? One capital, obviously. So I'm like how do we how do we raise. So we went from raising like 100 grand per deal for this little for plexus to raising 1.3 million for the first deal we bought. So we put together a group of eight people and the ringleader we brought in my dad, who has a great track record as an attorney, and people really like him and good reputation as a businessman. So we brought in like family, friends and clients of his that were the original eight investors that put up 1.3 million in this deal that we bought in Bakersville for 3.9 million. And then the next year we bought another bigger deal in Bakersville, 128 units, and then we moved into Pheonix with our first big deal is 415 units in Pheonix, which today would be over 100 million that back then it was 60 million and we raised five and a half million, which was the next big jump from going from 1 to 2 million to 5 and half million. It took us six months post closed to continue raising the money. And like we had, we borrowed money from lines of credit and from friends to help close the deal. And looking back, that was like one of the best deals and the best time to be buy. But we've always kept pushing the envelope and going into new markets. When people are exiting the markets, like the institutions generally, their timing's been sort of screwy, like they were exiting Pheonix when we were entering and exiting. So now when we're going more aggressive and so timing wise, that's a good counter indicator. Also when it's like people are more fearful and it's harder to raise money, that's generally a good indicator that the deals are going to do well. But yeah, we were buying Pheonix 2010, 11,12, like no one was there. It wasn't a hot market and we sold everything in 2017, probably two, three years early and in that big cycle. But I always said to myself, I'd rather be early than late and having to go through another cycle. And it helped create the track record. We returned capital to investors, helped create a track record, put some money into our pockets so we had some resources and we're able to keep doing what we're doing and hold long term and whatnot. And yeah, I mean, we're that's, that's how we grew in the early days, Bakersfield to Pheonix. And then we moved into new markets for different reasons. You know, Salt Lake City, no one wanted to go there eight years ago. It was a small market and why Salt Lake was slow and steady. But we saw like, you know, just so much dynamism and young population and growth and just like geographic barriers to entry and lack of new supply. And so and everything worked out in Salt Lake. Then one of our biggest, best performing markets, Denver, we came in after it was already growing pretty good for a few years, maybe six, seven, eight years ago. And people are like, Oh, it's a little too late and whatnot, and we've crushed it in Denver. Albuquerque, we bought no one. That was the hardest race. Albuquerque, you know, Breaking Bad was on. People like this is Albuquerque. But literally, no, it's tough to build new units there. There was no nothing in the supply pipeline and rents were very affordable. So like, it just took off the rents after 15 years of holding it and copper just dropped. I mean. Skyrocketing. We we sold the sizzle and got out of there. We bought it for 50 million. Sold it for like 150 million. And, you know, it just said, thank you, Albuquerque, and maybe we'll be back to one day. I'm as a professional investor, like I don't fall in love with anything. And I mean, I fall in love. It's just like trying to with the long term company, if we sell something, we always try to roll it with a 1031 exchange, but we won't force it if something's not available, we won't force the issue. One of my mentors say he'd would rather regret not buying a property than buying a property he would later regret. I've taken that to heart and I totally understand that one. And he always said time and inflation are real states. Best friends, which we've seen time and time again. And like, yeah, like when I started I'm like, Oh, I wish I was live earlier to be buying in the early nineties when they and then owning him and then looking back, that looks so cheap. And then I'm sure right now when things are off 20 to 40%, ten, 15 years from now, it's gonna be like, Wow, I wish I was buying more in 2023 or whatever. So.

Tyler Chesser [00:18:17] Right. And you know, having the foresight to see or, you know, the vision to see what others are not seeing is something that I'm observing with you because hindsight is 2020. Like you can look back and say, Well, of course we should have entered Denver or Salt Lake City and all these different markets that, you know, at the time people were looking at you like, are you crazy? And, you know, now it's like totally clear. But I'm curious about, you know, talk to me a little bit about that confidence and willingness to act when you know, the market or, you know, the talking points across the board are saying the opposite of the actions that you're taking. I mean, tell me a little bit about the vision that you've been able to step into or is it just really studying history and, you know, following sort of the thought process of when others are fearful, be greedy, and when others are greedy, be fearful? Or what else would you say about that?

Keith Wasserman [00:19:04] Yeah. I mean, like, just looking back, I mean, Bakersfield, like people in L.A., like, they don't know where Bakersfield is. Why Bakersfield? Like, I had it. We literally took 100 plus trips to Bakersfield. Loading up the car, bringing people like loading up a sprinter van. Just bring our investors out there to show them the lay of the land and why Bakersfield. And like what we're doing out there in Phenix, we literally we didn't have much money, but we would take our acts and roll that into flying charter like planes of nine people and bring our biggest investors out there to see the properties and see the lay of the land. And and like that was just so important to show them what our vision was from. Phenix is the fifth largest city in the United States or was back in I don't know. I haven't checked in a few years, but like you said, it's good it's going to recover at some point. And I mean it just like, yeah, it's things change. It was temporarily but it's bounced back so so you know and like yeah I mean right now it's hard to raise money in Southern California and there's a lot of people that are anti California because they read the headlines and yeah there is some truth in that. But it's all priced in, in my opinion. Right? Like it's all priced in and we're buying great value and it's high barrier to entry market and I think 5 to 10 years we're gonna look back and be like, Thank God we bought all these great newer vintage assets in Southern California and you know, we're competing against also, you know, the risk free rate, U.S. treasuries and money markets paying 4 to 5% or whatever. And, you know, but I think that's short term and that's not going to be forever. So, like, you know, yeah, generating three or four or 5% upside and like we're going to hopefully hit our 12 to 15 project. We underwrite try to find a 12 to 15 IRR kind of thing. And you know, we've average like 22 to 25, got to try to under-promise, overdeliver kind of thing. But yeah, there's a 3 to 5% thing is good now, but it's, it's, it's not as tax efficient because with the real estate we have depreciation to shelter all that and also I think those are going to be short term. I don't think you're here in a high rate environment indefinitely. I think and you're already seeing long term rates are coming down. And so I think I think those are good for short term just the part money that until you find something but it's definitely yeah it's not an easy time to raise capital and that those are the best times I just played my gut that these are going to be great deals that we're buying right now and just like I thought you know. 2010 to 15 and it was tough to raise, but not enough. A lot of no's, but there's a few people out there that are yeses and you just got to find them. They have to buy into the vision and you align yourselves with the right investors, which we have, right? Just people that are long term minded and patient. And if someone's into they need to liquidate in a year or two, I'm like, we're not the right people for long term. If, if they want to get a ten x return, yeah, you'll be ten X, but it'll, it'll probably take 15-20 years. But like it's going to happen but over a long period of time. Ten X you got to take way too much risk by startups, which is fine for a small piece of your portfolio. Maybe, right, But not the big money should go into the safest things, in my opinion. You know, real estate and you know, maybe buying blue chip indexes of stocks. And just so that's the way I view.

Tyler Chesser [00:22:15] It's interesting because when I'm listening to you and I ask you the question of how do you how have you gain the confidence and willingness to act when others are saying the opposite? It almost feels like it's just become common sense for you because you're so deeply entrenched in this game and in the market, in psychology and in trends and where you're you're you see the future before it develops. It almost feels like to a large degree. So I am I'm curious about how you've developed that. I mean, what that has been other than just repetition and, you know, surrounding yourself with others, you know, who are perhaps ahead of you or in other aspects. And in addition to that, I would like to know and this is a little bit separate, you know, when you think about long term and bringing other investors along to the ride with you, I'm curious what the structure for these long term investments generally looks like for you. Because, you know, in in a large degree in the capital raising world, people are looking at, you know, a five year time horizon, which is not necessarily long term. So I know a couple of separate questions there.

Keith Wasserman [00:23:10] Yeah, we always show seven and ten year old projections. And the reason I do that is like, yeah, to train the investors that this is long term hold. That being said, our average hold has been like five six years and like and we sold some as little as one or two years even. But like I just like the long term hold mindset, I like the compounding mindset and, and when we sell we always try to 1031 exchange which prolongs that having to pay the tax now which allows the money to compound without any money sticking out of it, which is going be huge over over long periods of time. So the investors that have the option not to roll with us, maybe 5 to 10% don't roll when we sell. In exchange, most want to keep the money's going and not, you know, and then, you know, over time, eventually we refi in cash and distribute that money and that's all taxpayer money to the investors. So the ultimate goal long game is to get all the money out and so on the buildings. Right. And we it takes a long time to do that. But we've successfully done that. We just did our deal in Salt Lake. We about eight years where we returned all the capital and then some and it's been cash flow like crazy and we still own the building. So it's like, you know, a slot machine that perpetually pays. Like one of my mentors was telling me about a building bought, you know, maybe it was 20, 30 years ago for 3 million bucks. And every year now it returns 3 million bucks. Right? So it's just he got his he got his original maybe put, let's say, 25% down or even a third a million down. Like he's gotten that back in multiples, you know, over the time. And it just it just the law of compounding and utilizing, you know, real estate and letting the tenants pay down the mortgage and, you know, just time and inflation and rents growing over time. And you got to just be able to withstand that. You can't have any wipeouts in real estate. You can't have any any donuts. Right. In D.C. you're going to have 20, 30, 40 portfolio companies and you're expecting you want to have some bonuses. That means you took the risk like you thought of some. This company maybe could be life changing or visionary and it's going to make 100,000. It's like you need those Big Ben real estate. The return, the return profiles, the more narrow if you shoot for too high of return, like if you take on the max leverage. Yeah, your rate of return could be higher, but it's not going to make it multiples higher. Right. So it might as well not max out the leverage. Just we always stress that's the deal. You know, like what could occupancy drop too? So it's still positive cash flowing. What could rents drop to and and have a big margin of error And even then some we raise extra capital upfront for a rainy days, rainy day reserves. Right. So we don't have we've never had a capital call, we've never lost a dollar principle. And you know, I want to try to keep it that way.

Tyler Chesser [00:25:56] Yeah, absolutely. And you know, when I go to your, you know, your Twitter profile, it says compounding is the only thing it says in in the in the description there or in your bio. And I love that. And you also put a tweet out that said, remember that compounding results are seen in decade intervals, but you have to put in the baby steps daily in that direction. So talk to me a little bit about what you mean by that, because, you know, in many aspects what we're talking about in terms of compounding, it's a simple concept, yet hard in reality for for most people because most people aren't willing to commit to that daily step every single day. So talk to me a little bit about them.

Keith Wasserman [00:26:34] Yeah, I mean, it took me a decade to really understand it and see then understand the power of compounding. I think that if you could get that and really understand it the earlier you are in life, the better. Because it's not just money, it's relationships, right? It's like the compounding your reputation compounds it. Compounding could go the other way too, Right. So I'd say, you know, and I get frustrated on some days, but I'm like, if I can make just little baby steps towards, you know, a good over a long period of time, it really and now we have we've been in this since, you know, 13 years ish. And like, you know, the first five years were you know, the first year or two was really tough. And I was still living at home. I couldn't make enough money to leave the house. I was living, you know, 23, 24, living at home. I don't want to take that landlord. I don't want to pay any rent. That's fine. I think until I make enough money to have the money for a down payment and and then the first five years were this and then the next five years with us, and then we're into our third five years, it's going to be like this. It's it's really, truly a compounding kind of business and mindset. And it's just you got to, you know, do baby steps every day. And it's not like if you do, yeah, when I could see like a huge jump year or two years, it's like you've got to play the long game and, and commit to something and make your life work. Sort of like we are in real estate where I could be doing real estate my whole life. You know, it's, it's not like a like professional athlete. You have a limited amount of time to do your sport. Right. So. That's the way I view it. Just and you see and you see it really in the wealthiest families, like their multigenerational real estate families, because they've been buying their whole life. And I'm going to do pretty well, but my kids are going to be even better off and just hopefully keep them staying hungry. Humble. That's the biggest concern with that kind of thing. So, yeah, we involve our kids, we bring them to the job sites, show them what we're doing. I mean, they're three, four and seven. So it has to be age appropriate. But get them thinking about, you know, we drive around town and all that building, you know, it's rundown. It needs to be renovated. Okay. What color would you paint it like? What would it look? It's near these cool new restaurants that are popping up. Like, just get them thinking a little bit and, you know, hopefully start them, you know, really low and maybe support them. And if they want to do their own thing, too. But yeah, I'm just a believer in the long term power of compounding. I mean, any investment in any relationship, it brings fruit. You know, most people I mean, I'm impatient, but I think of it I try to be every day remind myself to be long term. When my investor says, you're very long term greedy, you are. Because I always say if the investor does well, like I'm a dwelling, I'm not going to get rich off one deal. But if over a long period time you're investing with us, then you tell your friends and your family, we have a lot of investors. We're dealing with their second generation now. And like, you know, it's all life is all about the best. I read something you Naval Ravikant a really smart, sharp guy. And I read a lot of someone put a book together of all his tweets. And a lot of it has to do with like just the power of long term compounding, you know? And it's pretty powerful. I really didn't understand it until, like, I sat down and thought like in terms of numbers, I sat with Calculator and started compounding at different rates and seeing what it would do. And the longer the time you have and obviously the higher rate of compounding it creates crazy. I mean, it's crazy. I mean, there's charts like Warren Buffett. Most of this wealth is created after like 50 or 60, right? You know, it's it'swild.

Tyler Chesser [00:30:22] It simplifies things and it also tells, you know, people to trust the process, stick with it. When it feels when you feel like giving up, keep going. And, you know, I'm kind of like you were. I'm patiently impatient, so to speak, where it's like my activity. And I think actually Naval Ravikant said this is like patience with action or sorry, patience with results, but impatience with actions and talk about that's like, oh, that makes a lot of sense. So you've got to show up daily. You've got to continue to press forward, you've got to be persistent, you've got to keep learning. But over time, that's where it compounds. And you know, the other thing you were talking about your kids out. We have 18 month old twins and they love this book called Goodnight Goodnight Construction Site. And my son, he makes the sound of the trucks and everything. And I'm thinking, oh, man, they're interested in the construction site. I mean, this is so exciting because now this is like the seeds of generational prosperity that we can sort of get them excited about these things. And of course, if they're not, you know, it is what it is. But I just think about that. It's really, really exciting. But nowmlooking back 15 years, you know, from really starting your journey, I mean, what advice would you give your younger self other than obviously trust the process and lean into the compounding nature of relationships and, you know, showing up and doing the hard things? What other advice would you give your younger self about scaling in real estate and continuing to build the right way?

Keith Wasserman [00:31:44] That's a great question. I mean, I would just say some of our biggest misses were like, you know, when we were we were the shiny object syndrome, like. You know, the grass is greener syndrome, I'd say. Like we. We didn't focus. You know, I was looking at, you know, is this gold going to transform into more of a all kind of investment? So we started doing DC stuff, which it just didn't move the needle on paper. They've done well, but it just first of all, it's on paper. We haven't seen any real meaningful ideas yet, but it's so it's still a lot of unknown and it's it was just distractions, right? So the compounding ways to really keep focused and I'd say with the mobile home parks we were buying, we did well, but like we didn't stick to our like we saw a big portfolio in Pennsylvania that was, you know, it was a good size and it would bring us mass. But literally the population in the city was declining and stuff and like we thought and we just couldn't push rents. And then one day we made like an eight IRR, projected a 12 or whatever. So it was a miss. We've only missed two or three times. So the one, the times we've missed our I'd say the on mobile home parks there where we thought, you know, getting mass and size just getting in would, you know, but it just didn't work out that way. And then one property that just had a lot more deferred maintenance and that's why we buy a lot newer properties, sometimes old properties was sucking capital like crazy and another one during COVID just collections were just abysmal. And it was a market that was just like really, really rough to deal with. And on top of that, it was all the stuff. So those were the call it eight, 7 to 10, I think like which were still solid singles but not as good as we projected. So we always try to under-promise over delivering those. I felt bad we didn't. But yeah, look, if, if we just never lose any money and have a good track record, that's that would be a win. Because this is money that's like you don't want to take the risk on kind of the real estate money is like a low risk kind of thing in my opinion. You shouldn't take a huge amount of risk.

Tyler Chesser [00:33:49] It doesn't sound like you regret any of those decisions, but there were learnings that you're sharing, right?

Keith Wasserman [00:33:53] Yeah, all learnings. And then like partnerships like we had, we have some great partners that are no longer with us and we learned a lot from. But I think having like minded partners and is like the most important, if, if you have partner, some people are better without partners. So knowing if you're going to be a better business with partners without partners. Right. There's pros and cons, but I bounce ideas all the time off my partners, I'm very aggressive, they're very conservative. It just how it helps to balance it out and have more minds at the table as well. So we used to have five plus, now there's only three of us and it's like it evolves. What I would I change anything? Like I mean, maybe, you know, certain investors like maybe not take their money knowing that, but I didn't know there were going to be there were going to be pains in the butts who berate my staff and like, you know, just like I could I could take a little bit of that stuff. But I don't I don't want. You know that that happened to my stepsister.

Tyler Chesser [00:34:53] So I agree with that. Tell me about this quote. I love this one, too. Success is built on delusional optimism, paranoia and an inability to quit. Tell me a little bit about what the thinking behind that quote is. I mean, I think it's something you tweeted a while back as well.

Keith Wasserman [00:35:08] Yeah, I think that was sort of an idea my cousin and co-founder Damian had. And I think, look, having optimism, you know, in realism, like being a pessimist, it does nothing good. Being optimist and realist and have persistence and grit. That's what differentiates people in life. And like just looking back, I mean, that's what. Has enabled me to get to where I am, like having the grit to start the business and even like I get the story about like my wife. I literally met her in like March of 09, and I was just consistent and persistent. Persistent. And I didn't get a first date until like August or like end of the year or something. It was just like I just kept that. I knew what I wanted. Like, I saw like I was just very persistent. And now, you know, we're married 11 years with three kids later. But like, just anything in life is worth. Going after that. That's good. Like, I could have just dropped that with my wife and gone on the apps that were just forming. And that's why the apps are good for getting in front of people. But it's bad for like the dating apps. You could just okay, if someone you know isn't easy to put out or whatever, like just go to the next one. It's hard. Doesn't teach persistence and perseverance. It's in my opinion, it's the opposite. But.

Tyler Chesser [00:36:34] Sounds like you wore her down, man.

Keith Wasserman [00:36:36] I wore her down for sure. I mean, I. I wear people down with kindness. And I wasn't like I wasn't, you know, like, I just wore her down with kindness and. Yeah.

Tyler Chesser [00:36:49] No, I agree. And, well, first of all, you've been super kind with us in this conversation, so I just want to thank you real quickly. But, you know, the one piece of that and I totally agree with this entire quote, but one of the things that we don't really talk a lot about on this podcast is the paranoia piece. And it's been something that's actually been top of mind for the past couple of years or so. For me, just in Protect in particular, I feel like there is a healthy amount of paranoia that you can, you know, utilize and I think it can get to an unhealthy place. But what is the difference for you? I mean, does that resonate with you? Does it make sense?

Keith Wasserman [00:37:21] Yeah, I mean, we're the most paranoia and we're paranoid to, like, lose any money, right? Like, I can't sleep at night knowing, like, we've so, like, damaged fear. That's the biggest fear. And we on one of our four places, we lost like 30 grand of an investor. And we, we came out of pocket, which was this was when we had no money really. We came out of pocket to make them whole so we could keep a track record of having never lost money for, for, for investors. And I'd say the best, the most paranoia and just like. I mean, in business you take risks, but I think we try to mitigate the risks as much as we can. And yeah, I mean, we're. You know, it's a healthy amount of paranoia. You're not. You're not. We're not. If you're so paranoid, you're not to come out of your house. Right.

Tyler Chesser [00:38:09] It's got to push you to action, in other words, right?

Keith Wasserman [00:38:12] Yeah, I think push you to action and.

Tyler Chesser [00:38:15] Be more strategic. Be smarter.

Keith Wasserman [00:38:18] Yeah, exactly. So a healthy amount of it, I think. But not. Not just. Yeah.

Tyler Chesser [00:38:23] So I'd love to have now that we've really established this, you know, a thought process of how you think and we're really, you know, diving into the ways that your mind is sort of interacting with the opportunities of today. I'm curious, what does the next decade hold and what's your outlook on the next decade? Because we're talking about, you know, compounding that is, you know, those results are seen over a decade. I'm curious from where we stand today, what do you see over the next ten years?

Keith Wasserman [00:38:48] Yeah, I think I'm continuing to buy apartments. I have a awesome guy leading our self-storage platform, just continuing to grow in those areas and, you know, just not lose any money from investors for constant consistently provide those singles and doubles. And if the market gives us a triple or home run rate, I'd say, yeah. I mean, Gelt VC is going to continue doing what we're doing surviving through these tough periods. I mean, yeah, collections were shitty during COVID, but we were able to go right through them. We have a few of these floating rate loans that are causing some grief, but we're going to get through them know, we just mitigated our risk. We didn't do the whole portfolio floating rate like a lot of our peers did, you know, like, you know, and yeah, it was it's always like when the values have gone up, it was, it was tempting to just sell everything right and like, but then we would have no business and I would have no long term in ten, 20 years from now. Those are going to look silly that we sold those things and if we didn't exchange it with that. So like I'd say, yeah, ten next ten years, just continuing to grow the platform, grow the investor base, grow portfolio and try to zig zag. Right. Like, you know, I think some my wife sort of spearheads all the ground up development and times that's better than than other times those we'll probably have more less projects depending on the time of development different times, more or less on the buying Right now. Yeah, we're in the process of starting our first fund. We've never done a fund. We're going to launch most likely a $250 million investment vehicle and try to raise capital from different kind of sources. And it'll give us more firepower having committed capital just versus going deal by deal, which will allow us to really buy larger properties and more importantly, like portfolios. We've never been able to, you know, we can raise a good amount of money at a clip for one property, but usually all the engine stock was raised for that property. So another one comes or another one comes or a big portfolio comes like we were just, you know, strong, hamstrung by the capital raising, so excited about that. What else, man? Excited about what opportunities are starting to occur right now and that are that are going to keep occurring for the next few years probably.

Tyler Chesser [00:41:10] Yeah. So tell me about that. I mean, in terms of outlook, I'm actually curious specifically, what do you anticipate will change and what do you anticipate will stay the same that investors should be paying attention to here over the next? You know, it's probably very difficult to answer that question over a ten year time horizon, but maybe over the next 3 to 5 years.

Keith Wasserman [00:41:29] Yeah, I mean, look, I was like even though you said but like, my my my mentor says to his investors and I say to like in the next 1 to 3 years, the property value could be coming down. Maybe we'll be down. Let's say it's down next like 7 to 10 years that, you know, that building is going to be way more valuable. Cash flows would be a lot higher. But right now, we're already seeing like, you know, inflation being tamed, The economy's slowing down. It was still strong, but it was not being overheated, you know, And yeah, we pump so much money into the system and just like it was bound to happen, I think, you know, I think with A.I. and different technology, you're going to have some jobs lost. But even more jobs gain. Like technology has always provided over the years. So I'm still very bullish on, you know, the demand side for apartments and self-storage office is another big I think that could be we bought a four acre sorry, seven acre office park but to redevelop into multifamily. So I think they make great covered land plays and you're going to see a lot of pain there. But then you're going to see new people come in and buy at much cheaper prices. And when the lenders take back or short sale or whatever, and it'll reset rents lower and it'll insinuate, But I don't know if it incite enough demand to really take, you know, all that space that's there. So I think that has fundamental change. Shopping malls and closed malls has changed. Like things change. And I don't I don't see any for multifamily. I don't see that changing. I think rent recommendations here to say, you know, it ebbs and flows the amount of people that rent homeownership. But I say with with with rates still elevated and with the lack of supply in certain markets, short term, I'm optimistic. But long term, I'm really.

Tyler Chesser [00:43:27] Yeah, I'm hard pressed to find those unforeseen risk in the multifamily space as well. I mean, you're talking about office and, you know, you would think back ten years ago, I would think that most office investors would have been hard pressed to have foreseen the pandemic and the work from home revolution. That's really just absolutely been catastrophic for the office landscape. I mean, are there anything is there anything that's remotely on the horizon that you anticipate as a tremendous risk on the multifamily side or the self-storage side and so forth? I mean, anything that's really kind of on the periphery there?

Keith Wasserman [00:44:01] Yeah, I mean, so the office side, like, yeah, we always had the ability for many years to work remotely, but I think COVID just was like an accelerator. And I think old people are still slowly trickling in to the office. I mean, I could use our scenario like, forget it. We had, um, we have 30 people and everyone was in office until COVID and then COVID hit. Everyone's out of the office, everyone's remote for a few years, a year. Last October, we got a satellite office, a smaller footprint where we made it optional, and now we're doing like two days on, few days off for people. So like solely people are coming back with we're in a much smaller space than we were. So I think your people are going to come more and more back, but it's not going to be to the level where it was, in my opinion. So I think the demands down tremendously. But then, yeah, you're not going to see new supply probably for a long time. So the people that are buying it, what's the right price to pay? But that's where the opportunity is when no one really knows what the right price is for something. So but I still would rather have the tailwinds and the headwinds. So that's why, you know, I like apartments still. And yeah, we're zigging. Exactly. You know, we're going to get blessed three years more. And so somehow selling out of the Pheonix and, you know, the boom and bust markets. But we'll we'll be back there, I'm sure, when, you know, there's a lot of buyers out there over the last couple of years with very high leverage with floating rate debt. And if rates too elevated, I mean, it's it's I know it's already causing a lot of pain for people. So I just don't know when you're going to start seeing, you know, let lenders taking it, you know, in the shorts or taking over properties or you know, how much they're gonna work with the borrowers. I just don't know. But I see signs of stress already and values. Down because rates have shot up so much. Right. So.

Tyler Chesser [00:46:00] Absolutely. Keith, you've been super generous with your time and your wisdom today. So I just want to thank you so much. And before I let you go, I want to transition to the Rapid Fire section of the podcast. It's called the Rare Error Questionnaire. It's all about being in common and being willing to lean in to the compounding nature of time, inflation and persistency, consistency and all the beautiful things that we've talked about today. So before I let you go, I want to ask you a few questions. If you had appointed two or three of the most impactful books that you've read over the past few years, what would those be and why?

Keith Wasserman [00:46:29] Yeah. On the real estate front, I'd say. "Principles of Real Estate Syndication" by my friend, mentor and partner, Sam Freshman. We did a lot of things together over the years. He's gone up there in age from 90, and he's sort of the pioneer of real estate syndication, so I always recommend that one. Other books, I mean, I've read, I get inspired by entrepreneurial stories. So I say "Shoe Dog" is an amazing read. I really love the Phil Knight story. What else? I mean, it's important for real estate. I read I forget what it was called, but from cover to cover some big, thick book on real estate financing and just got the meat and potatoes, it was like something like real estate finance, and I forget the name of it.

Tyler Chesser [00:47:16] I mean, was it Peter Allin?.

Keith Wasserman [00:47:17] It wasn't his. I really enjoyed Sam Zell's autobiography.

Tyler Chesser [00:47:24] "Am I Being Too Subtle?"

Keith Wasserman [00:47:26] Yeah, that was a great read.

Tyler Chesser [00:47:27] Yeah, I agree.

Keith Wasserman [00:47:29] Napoleon Hill “Think and Grow Rich" really brought me to the right mindset early on when I was young, I read all the Robert Stock or whatever his name is that "Rich Dad, Poor Dad" stuff. I think I've been understanding that investment was just getting paid by the hour kind of thing. And so and then, and then you got great like Twitter is awesome. If you follow it, you can follow where the hell you want to. I try to follow, you know, thought leaders and people that I admire and just people that sort of share what they're thinking occasionally and try to make sense of all. And, you know, that's another cool thing. So you can follow whatever you want. And I've learned a lot from people from afar that don't even know I'm learning from them.

Tyler Chesser [00:48:13] I love that. I love that. Thank you for sharing that. We will put links in the show notes as to where the listeners can find those books. I did want to mention you mentioned "Shoe Dog" as well. And there's a great new movie that just came out. It's called Air, and it's about Nike securing Michael Jordan back in the day. And it reminded me of the story of Sue Dog and just interlacing that, you know, entrepreneurial story with that long shot of a, you know, a signing which totally transformed the company for so many generations thereafter. This is such a cool story.

Keith Wasserman [00:48:44] Yeah. So it sounds.

Tyler Chesser [00:48:44] Like you saw that, too.

Keith Wasserman [00:48:46] Yeah, it was a great film and I didn't really know the history of that and the genesis and I mean, yeah, it was it was really cool, you know? I really liked it. And Ben Affleck is a good actor and Matt Damon stuff.

Tyler Chesser [00:48:58] Yeah, they did great. Aside from what we've already talked about today, Keith, what is the biggest way that you elevate your life on a daily basis?

Keith Wasserman [00:49:06] The question in my life. I mean, I find a lot of meaning in being a family man and being around my kids. So I try to spend a lot of quality, not a lot, but just quality time with them uninterrupted. You know, one on one, I have three kids, so to try to do as much, one on one with them as I can, different activities going to if it's going to dinner, a frozen yogurt like my daughter likes color me mine like just whatever brings them joy and just doing that with them and then date night with my wife every Thursday night going tonight, actually, and spending time and really, you know, spending a lot of time with her in a meaningful way and then getting away from the kids once in a while to recharge. Right. Like going on vacations with her little getaway trips on the weekends, whatnot. So what was the question? I just rambling biggest.

Tyler Chesser [00:49:56] Way that you elevate your life. I mean, it sounds like being with your family, being friends.

Keith Wasserman [00:50:02] This is my my close business partners and then, yeah, being active on Twitter and just meeting a lot of these people in real life. Yeah.

Tyler Chesser [00:50:13] Yeah. I can tell what you've been so successful, man, because you're genuine and you know you're all about giving and you know that that comes back to you, which is such a cool thing to see in real life, in so many aspects of what you've been doing. But I'd also love to know, how do you elevate what is the biggest way to elevate others around you?

Keith Wasserman [00:50:30] I think just as as a leader, I'm very into giving them autonomy and letting in sort of like I'm not very micromanaging and letting them on on their decisions. And I'm very giving in that like, you know, we there's this unlimited upside here for people that bring value, right? Like I always tell people, you get paid for how irreplaceable you are. And I just say find ways to make yourself irreplaceable in the organization. And there's different people that in organization that, you know, have like golden handcuffs because they're so irreplaceable. Right. So I think. Yeah, that's. What was that? Yeah.

Tyler Chesser [00:51:18] I love that, man. I love that. Well, Keith, I just want to acknowledge you, because, first of all, this has been an insightful conversation, one that I know that the listeners are going to walk away with tremendous amount of value and wisdom that they can come back and revisit as they continue to compound their own journey. So I want to acknowledge you. I want to let you know how much I appreciate, you know, the wisdom that you've shared with us today and for making the time to be with us today. Do you have any parting thoughts or words of wisdom that you'd like to share with all of the nation today?

Keith Wasserman [00:51:47] Feel free to contact me. I mean, I answer as long as there's a thoughtful question or comment, I'll answer you on on LinkedIn, Twitter. Those are social networks I'm active on. I just I just did the threads thing. So my Instagram is private because I share family kind of pictures and stuff and but I'm threads. I'm public. Twitter public. LinkedIn public. Or they can email me at keith@geltinc.com. What was the question? Sorry.

Tyler Chesser [00:52:18] Parting thoughts or words of wisdom? You've been. You know, if you've got more. Please.

Keith Wasserman [00:52:22] Yeah. Look, you gotta believe in yourself. You got to support others and lift others. Be your authentic self. You know, try to mitigate risk as much as you can and learn from others mistakes. Yeah.

Tyler Chesser [00:52:38] I love it. I love it. Where can the listeners find you, other than you mentioned Twitter? We'll put links in the show notes and of course, you know, social media in general. www.gelt.vc

Keith Wasserman [00:52:47] Yeah, I still go by my old email, I think. Yeah, I think it's Gelt Ventures, but I guess I'm just Keith's guilt income still goes directly to me. Yeah, it's.

Tyler Chesser [00:52:56] Awesome. That's awesome. Well, Keith Wasserman, again, thank you so much for being on the podcast. I look forward to part two, hopefully at one point in the future and we'll revisit this continued compounding experience that you're stepping into. So appreciate you, man. Have a great day.

Keith Wasserman [00:53:11] Thanks, Matt. Thanks for having.

Tyler Chesser [00:53:15] Elevate Nation. What a powerful, wise conversation with Keith Wasserman. I learned so much from this podcast today, and there's so much that you can read between the lines in terms of what he was sharing with us, not only from his story, the way that he's thinking about things today, but the deep truth that he operates with in terms of compounding, just continuing to persist, continuing to get after it, and letting time really serve as the multiplier of your results, because you've just got to stay in the game, you've got to continue to persist, you've got to do the right thing. You've got to invest in relationships. You've got to invest in others. You've got to invest in yourself and you've got to trust the process. So it is I hope that you found half as much value as I did because I'm walking away with a ton of notes, a ton of opportunities to act on those notes. So I'd love to ask you to identify what are your top one, two or three key distinctions or takeaways from this podcast today. What did you really walk away saying, You know what? Wow, I hadn't thought about that. Or you know what I've been thinking in the opposite way. So how can I navigate back to the deep truth that Keith was sharing with me today? I want to encourage you also to have a discussion with someone else about what you learned today. Of course, you want to share this episode with them prior to it and say, Look, I want to talk to you about this and I want to sort of iterate it and integrate some of the things that we talked about today so that we can take things to the next level and so that the next decade can be so much better than the last, even though even if the last was phenomenal. By the way, there are no mistakes in your journey and you are where you are for a reason and where your future self would like you to be is something that you can lean into in terms of dedicating yourself to the compounding interests of all of these concepts, of investing in yourself, of learning, of investing in real estate, and allowing your team to expand and to grow into these assets so that they can continue to expand and grow so that you can do the things that you want to do. And you are, you know, you know, are part of your future. So I want to encourage you to identify the opportunities to take action on this episode, because that's where the power really lies, is in the tension to take action so until next time, Elevate Nation, I just want to thank you so much for listening and I will see you next time.