Value-Add Apartment Investing: A Success Story

Host: Josh Cantwell

Guest: Tim Bratz

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Josh Cantwell: So, everybody, hey, welcome back to Strategic Real Estate Coach podcast. This is Josh Cantwell, the CEO at Freeland Ventures and Strategic Real Estate Coach, the nation's number one real estate investment coaching company. And I'm excited to be back with all of you on another interview. And I've got with me today my good friend Tim Bratz; Tim is a 10-year real estate investor and today focused primarily on value-add apartments. And just this year, really in the last 12 months, Tim has added, I don't even know what the number is now, but it's over a thousand, over a thousand doors, a thousand units to his apartment portfolio and we even partnered with Tm on a couple of his deals, funding, some of the equity funding, some of the deals with him, so relatively new relationship. Tim and I have actually known each other for a number of years and we actually share a couple of attorneys that we use.

Josh Cantwell: But Tim and I actually just really gotten to know each other in the last 12 months or so. And really a fun, very fun, cool relationship. Tim's a blast. So, Tim, welcome, welcome aboard. How are you today?

Tim Bratz: Josh, doing awesome, man. Excited to be here. Really appreciate you having me, brother.

Josh Cantwell: Absolutely. So, Tim, I gave you really quick foundation, a little bit of background, little bit of color around you. So just give us another 30 seconds to a minute about kind of where you're at today. Can tell us a little bit about your investing business. What's your focus and kind of why you're focused on that strategy?

Tim Bratz: Yeah. I own a real estate investment company that exclusively focuses on apartment buildings, so we own 1400 units in Ohio, South Carolina, Georgia, Florida, and Texas right now is where our current properties are. And we have another, over 1400 units under contract, so we're actually going to double our portfolio in the next five months by the end of the first quarter of 2019. So, a lot of good stuff in the works that was pretty bad at real estate for the first seven years. Got really good at it the past three years. And I think that's how a lot of stuff plays out. So, we like apartment buildings. I've done everything in the residential.

Tim Bratz: I've done everything from, you know, high end flips, low and flips turnkey offerings. I started in property management company. I flipped land and for me personally, I always have the best returns and the best processes and uh, for business and the most scalability in apartments. And so that's why I really like apartment. So that's why we've doubled down on apartments. We're not doing anything other than apartments right now and that's going to be our focus for at least the next 24 months. And then if the market shifts, maybe we'll, we'll take a look at some other stuff.

Josh Cantwell: Awesome. Awesome. Tim what's the maybe the one or two things that will lead you to apartments. What was, why did that become the focus after doing all the residents and stuff you've done the turnkey to fix and flips the rental portfolio with single family, multifamily. When did the light bulb go off for you on a partner and why did that become your focus and why? Why value at apartments in particular?

Tim Bratz: So, Josh, I think we all get into real estate for that, that elusive residual income and the passive income and the idea of that mailbox money, you know. And so, when I first got started in real estate back in 2007, I worked for a commercial real estate agency in New York City and I broker this lease of this landlord. It was 400 square feet. And the guy signed a lease for $10,000 a month on a 12-month term with four percent annual escalations. And so, when you do the math on that, it's, it's like $2,000,000 that this landlord’s making for doing something at one point in time. And I realized then that I was on the wrong side of the coin. I need to be owning real estate versus broker in real estate.

Tim Bratz: So, I always wanted to get into that, that, that residual, that passive income and that's what really led me into real estate in the first place. And um, but I think we, a lot of us get caught in this transit transactional mode of flipping another house wholesaling and other house. And I was finally able to kind of step out of that and just focus on building my portfolio the way that I've structured my business. So yeah, it's been, that's probably the main thing is that residual income and passive income that led me into commercial and the scalability of it. I like that it's easier to manage and operate and contract, one apartment building that's 50 units versus 50 houses. And so, you've got to negotiate with 50 different sellers if you're doing 50 houses versus one seller with an apartment building, you got a, you know, 200 walls instead of four walls with an apartment building, you have 50 roofs versus a one roof with an apartment building.

Tim Bratz: So, you know, the scalability of it and having to go to one place to manage 50 tenants versus having to drive all around town. I saw from a business perspective it gave us a little bit more leverage and scale in that regard. So yeah, that was probably the major reasons I got into apartments. What was the, what was the second part of your question?

Josh Cantwell: Second part was just value add. Yeah. Why value add.

Tim Bratz: So, I mean, just like residential and I've come from the residential realm and you would never pay retail for anything, right in the residential realm because there's no juice in the squeeze on that. So, for me, when I transitioned over to multifamily and apartment buildings, it was a very natural transition. Just look for value add apartment buildings. Where are the distressed sellers, the, the, you know, instead of looking for houses with tall grass, I started looking for apartment buildings with tall grass. And I found those distressed properties or the distress management that was in place and was able to negotiate good deals because I want to buy at a wholesale price and then, you know, put the value add, make the improvements to the property to force the appreciation and create that sweat equity.

Tim Bratz: And what that allows me to do is then refinance the property. I don't, I don't flip apartment buildings. I refinance apartment buildings. So that way you know, just like residential, you teach your students to be all in at 65 percent of the after-repair value. I do the exact same thing with commercial and so I want to be 65 percent of the after-repair value. So, if a building's worth $10,000,000 stabilized value or after repair value, I want to be all in for six and a half million. The bank will give me an 80 percent loan to value loan, which means they'll give you $8,000,000 on that deal, which allows me to then pay off the short-term construction loan and my private investors on the six and a half million. And then it also leaves a spread of one point $5,000,000 of loan proceeds which are nontaxable, another benefit of owning rental property that then we can distribute to our investors, our joint venture partners and my team.

Tim Bratz: So, there's this, there's a lot more that you can do with it and a lot of creative things in order to get paid on this stuff.

Josh Cantwell: Nice. Nice. So, when you think about Tim transition from residential to where you're at, you said you were bad at real estate for seven years. Got really good the last three years. What's maybe one or two things that kind of made the difference? What did you see when you made that pivot? That switch three years ago and things actually started the work really well, got really good at it. And you've become so successful really in the last three years or so. Can you, can you put your finger on one or two things that were so important to that transition?

Tim Bratz: Yeah, so I think the first thing was realizing that commercial real estate is not as complicated as everybody thinks it is. I remember early on I thought I needed a degree from Wharton School of business in order to get involved in real estate or I needed to come from generational, you know, my grandpa had to own a bunch of apartment buildings in order for me to get involved in apartment buildings. It's not the case whatsoever, it's just like residential. If you can understand a profit and loss statement or an income statement of, Hey the property brings in this much, the expenses are this much and it leaves you with a net operating income of this much. That's how properties are valued in the commercial realm. So, you just take a multiple of it and it's pretty simple and very predictable of what the after-repair value is going to be in these apartment buildings. So, getting out of my own head and realizing that it's not as complicated or complex as a lot of us, you know, paint a picture in our mind and just getting past that was a big piece of it.

Tim Bratz: And then the other thing is we're talking about big deals now, so it's hard to bring in a lot of joint venture partners and people on a $200,000 flip that only has maybe $30,000, $40,000 of profit built into it. Maybe too many hands in the cookie jar and not everybody gets paid on something like that. But when you're talking about an apartment building that has three or $4 million dollars of equity built into it, now you can partner up with people who are specialized and have certain unique abilities that maybe balance out your strengths and your weaknesses. So, I can focus on what I'm really good at, which is maybe finding deals or raising capital and I can bring in a phenomenal operator, I can bring in a phenomenal property management company. I can bring in lenders and I can, I can carve up the deal where there's a lot more juice in the squeeze and instead of having to keep 100 percent of a grape, now I can have 25 or 50 percent of a watermelon that has a lot more juice in the squeeze. Does that make sense? So, I liked that piece where I can focus on the things that I'm good at and I can cover my weak points with people who are really good at those, at those tasks.

Josh Cantwell: Yeah having 25 percent of a $10,000,000 asset, you know, it might be like, Oh, it's only 25 percent, but it's two and a half million bucks. Moves the needle versus 100 percent of a $250,000 Rehab. And so, we do both. We fund both, you know, apartments are exciting and you know, we're, we're jumped in and starting to fund more and more of Tim's stuff and bring in private investors and partners to do that because they see the same opportunity. So, Tim, we've talked a lot about, and you've already mentioned a couple of them, but there's typically four income streams for an investor, a private passive investor. It's kind of four income streams in a value-add apartment that makes these really, really sexy. So why don't you just quickly just zip through those four income streams. You've got a lot of passive investors that they don't want to be an operator, they just got a half a million bucks in their 401K or a million bucks in their pension, $200,000 laying around and they're looking for some place to put it. These value-add apartments really are a really sexy place to consider parking some money. So, tell us about the foreign income streams.

Tim Bratz: So, I lead money also. And one of the things that I've done is like put myself in a lender's shoes and I've found that lenders, private investors in projects, they really want two things. One is they want predictable return on investment. And then the other thing is they still want a piece of the action, you know, we're entrepreneurs naturally, we want a piece of the equity in the deal too. And so that's the way that I've kind of figured out how to structure loans, to take, take care of our private investors. So, when are investors, I'll give you an example on, on, uh, you know, let's say on that, on that this is a fairytale example, but it's very congruent with what a similar deal would look like. So, let's take a $10,000,000 after repair value deal. We're all into this thing for six and a half million. That means we probably raised about one point $5 million of it from private equity for private investors.

Tim Bratz: So, on that one point, $5 million, our investors, let's assume it's all from one person, but we can carve it up through 15 people at $100 grand too, but let's assume it's one person on that one point $5 million down payment, that would come from private investors and then the other $5 million dollars would come from a bank or some other financing institution. While the money's in play, which is usually 12 to 24 months. It takes us to turnaround. One of these properties stabilize it and then refinance it. We pay a 10 percent fixed return on investment regardless of the property's performance. So, our investors make 10 percent on their money. It's predictable from the day that they invest. Thirty days later they get their first check and it's hitting their mailbox every single 30 days. We actually ACH. So, it's hitting the bank account. They're completely passive.

Tim Bratz: Then once the property is repaired, improved, stabilized, all rented out, and we can go and refinance with long term debt. Then we do that. Let's say it's, let's just say it's 12 months to keep numbers simple. We pay the investor back all their money when we go to refinance, we take out 8 million bucks. Makes Sense? So now the investor gets back their one point 5 million and we pay off the short-term bank loan of 5 million. And we have a long-term loan in place of $8,000,000. Now there's a spread there of one point $5 million. The second way that our investors get paid first way was a fixed return. The second way that they get paid is from refinance proceeds. So, our investors usually have about 10 percent equity in one of our projects. So, 10 percent of that 100, one point $5,000,000 would go back to the investors and that's tax-free money.

Tim Bratz: So now they made 10 percent on their money while it was in play. So, they made about 150 grand for 12 months. Then we refinance, they get another $150,000, 10 percent of the one point five, which is tax free. So really now the internal rate of return is closer to 20 percent ROI and they have all their money off the table, they've been paid back in full, and then they still maintain 10 percent of all the cashflow in perpetuity. So, on that project, it's probably about I don't know, probably 200-unit apartment building. We cashflow around $20,000 a month on something like that. So, they get a check for $2,000 a month for the rest of their life as long as we own this apartment building. And there's still $2,000,000 of equity built in. So, our loan amounts, 8 million properties were 10 million they're a percentage of that 10 percent equity is a, is worth $200,000.

Tim Bratz: So, it actually increases their balance sheet and increases their net income, their net worth by 200 grand. So that's the four pieces. One is the fixed return of 10 percent, then they get all their money back. Then they also get 10 percent of the refinance proceeds, 10 percent of the cashflow and 10 percent of any future sales proceeds from equity in the deal. So, it works out really well for us. It works out really well for the investor and it breeds a lot of loyalty. When we pay back one of our investors, you know what the first thing is that they say to us, what are the next one, you know, let's roll into another deal. And so, the idea is the velocity that we can turn over their money, we can get them involved and maybe like five to seven deals over the next 10 years.

Tim Bratz: And then they have all their money off the table and then they have seven different little annuities that are paying them a monthly fee every single month. And then they're getting hit with these big pops of refinance proceeds and sales proceeds, that can be tens of thousands, if not hundreds of thousands of dollars whenever we refinance the property again or sell the property. So, it's an awesome way that our investors really appreciate and we love it because we're this thing for the long haul and we want to build long term relationships so it brings a lot of that loyalty where we can keep on doing more and more deals with our investors.

Josh Cantwell: Nice. Fantastic. Love it. And like I said, were placing this equity with Tim. Again, this is just a full disclosure. This is not a solicitation. We know real estate exchange commission rules, Tim and I are not soliciting money on this call, but we're trying to educate our listeners on the way that Tim structures his deals so that you can go out and structure them the same way for yourself. That's a, it's a fantastic opportunity both as an operator and or as a private lender to do these types of value at apartments. Now Tim how is this different than syndication and, on an apartment, a lot of guys who are out there buying apartments, they're essentially paying full price for apartments, the cap rates are really low and they're doing this thing called syndication. So, kind of explain just for a quick sec, the difference between what you're doing with value add and these other apartments strategies that are kind of out there.

Tim Bratz: Yes, so traditional syndication, I'm so glad I didn't grow up in the world of traditional syndication because it's so skewed. In traditional syndication, the operator, whoever is doing all the heavy lifting and all the work and finding the deal and raising the money and all that stuff, typically only gets about maybe 30 percent of the deal and that range is 20 to 30 percent of the deal, but they also get paid acquisition fee at the time of, acquisition. And they also get paid an asset management fee regardless of the property's performance. So, the investors put up all the money and they usually get 70 to 80 percent of that deal, which sounds good on paper. The issue is they only get paid if the property is performing. So, if the property is not performing, they see zero money, zero return on their investment. I know some operators who are traditional syndicators that their investors make no money until the property is sold five years down the road or seven years down the road or even 10 years down the road.

Tim Bratz: And so, it's not very congruent. What I don't like about it is that the operator gets paid regardless of the property's performance and the investor gets paid irregardless of the property, or doesn't get paid if the property's not performing only if the property is performing. So, it's incongruent. The way that I've structured my deals, I feel like is like I don't take an acquisition fee, I don't take an asset management fee. My entire, the only way that I make money is if we get to the refinance stage and my investors get all their money back, then I get paid my percentage of the proceeds and cashflow moving forward. So, I feel like the way that I structured is more now, now we're in the same car going down the road in the same direction. We're sitting on the same side of the table versus against, you know, across the table from each other.

Tim Bratz: So, and the other thing is if the investor does start getting paid immediately because the property is performing, it's typically because they bought a stabilized property at a retail price, which means they're paying $10,000,000 for a $10,000,000 building and even if you have 80 percent equity of a deal that has zero equity in it doesn't mean anything. You know, my investors who have 10 percent equity in a deal with three and a half million dollars of equity in the deal, that's worth $350,000. So, although it's less percentage, it's worth way more than if you go through a traditional syndicator that's buying market rate properties at retail prices. And your money's got to sit there usually for five to 10 years. So, you don't get the velocity on your money either if you're an investor. And you know, I think the way that we've done it because we're able to find great deals, it makes a lot more sense.

Tim Bratz: Now if you're going out and you're, and you're buying stabilized deals and, and uh, that's what you want. And you got crazy, hundreds of millions of dollars sitting in your bank account and just need to put it in play then yeah, stabilized deals make sense through traditional syndication. But if you want velocity on your money, you want a fixed rate of return a predictable return plus equity in five, seven different deals that I think the way that I structured deals is a little bit is a lot better for those value-add type place. So yeah.

Josh Cantwell: Awesome. Awesome. Good stuff Tim. So, let's, let's back up a little bit. You know, you and I have hit a lot of success in real estate have gone kind of two different paths. Both started in residential flipping. You went apartments, I went with fund, they're both sort of income plays, right? But we both started and we kind of both caught the real estate bug in different ways. So, for you, Tim, go back to when you caught the bug, was it, were you told earlier you were in New York and you saw this guy making this $2,000,000 lease agreement? You know, where was it, where you thought, you know, man, I really got to look at this real estate investing opportunity. I really got to, you know, get involved somehow, whether it was something you were running away from, maybe it was, you know, not making enough money or it was something you were running to where you thought, man, there's so much upside here. I've gotten to get into real estate. Do you remember the moment or the time when you man, I've got to go for this?

Tim Bratz: Yeah, I do remember I was going through college 03-07. So, I'm 33 years old now and 03-07 Marco's going gangbusters. Everybody's making money. Your hairdressers making money, your waiters making money. Everybody's making money in real estate regardless. And so, what motivated at 21-year-old kid back then was making money. And so, I remember, you know, I interned for one of these big home builders and I remember sitting in one of the weekly meetings and all of a sudden this was between my junior and senior year of college, so 2000 summer, 2006. And I remember the VP comes in with like $3,000, in $100 bills, you know, and just like, hey, somebody give me a good idea if you just raise your hand and said anything, he started handing out hundred-dollar bills to people.

Tim Bratz: I'm like, what the hell, something crazy? There must be insane amounts of money or the market's going crazy or whatever. Right. That's exactly what it was like. And I was like, holy cow. So that's what motivated me to get involved in real estate. And really, you know, what motivated me to become an investor was seeing that landlord in Manhattan making $10,000 a month off of that one retail space. He had seven other retail spaces in the same building and 15 stories of apartments above it. And I was like, oh my goodness. Like that's where the real wealth is built, you know, and then you start educating yourself and you read books like Rich Dad, Poor Dad, and The Richest Man in Babylon and things like that. And you see the different opportunities that wealth is created. I feel, you know, wealth has always been measured since the dawn of civilization and land ownership, you know, like, that's, that's always been the wealthiest people, more millionaires made in real estate than any other industry.

Tim Bratz: And all the people will make money in other industries put their money into real estate, you know. So, I knew that were, there was something in real estate that that made sense from a wealth building perspective. And so yeah, I mean it was money that motivated me back then. And you know, it's funny though, like you get to a certain point and now all of a sudden, it's like, who can I help? Who can I help bring with me and change their financial future. Like once you get to a certain point and all your basic needs are met, it's cool and you're doing it, man, you're, you're educating a lot of people and letting them know what other opportunities are available and making a big difference for a lot of people who couldn't get a fixed return on their investment by offering your fund and different opportunities. So, you know, that's, that's the stuff that feeds the soul and that's more the driving component for me today.

Josh Cantwell: Yeah. I was going to ask you about that. So, you started to touch on it now about feeding the soul and giving back, what are your sort of objectives, your big hairy goals for the next, you know, three and five and 10 years. Like what does that look like for you? Obviously going from 1200 units to 2,400 units. That's amazing. A lot of people couldn't even think like, oh my God, 2,400 units sounds massive and Tim's only thirty-three years old. But 10 years from now, right? A lot of people underestimate what they can really accomplish long term. So, what does that look like for you? Where do you work? What kind of path are you on?

Tim Bratz: Yeah. I heard an awesome quote was, everybody overestimates what they can accomplish in 12 months, but they grossly underestimate what they can accomplish in 10 years. And you know, you stay on a path, you stay on a trajectory. If you would have asked me 10 years ago, would I be where I am today? I would have said I hope, you know, but what did I actually believe it, probably not? So yeah, I, you know, I'm, looking at different opportunities now and you know, I think there's an achievement piece in us entrepreneurs. Like, how big can I grow it and how big can I build it? And it's less about money and more about just like achievement and pushing the envelope and, and reaching for the stars kind of a thing. So yeah, I'd like to build a portfolio to a billion dollars.

Tim Bratz: That's the short-term goal. In the next 48 months I'll be at about 200 to $250,000,000 of assets by the summertime, and so I'm very confident I can get there in the next 48 months, especially if a market shift happens and I can come in and start buying stuff on for pennies on the dollar, I think there's an opportunity, but there's an opportunity right now with financing. Financing is very easy to come by right now you can start getting into apartment buildings and get some very favorable financing terms. So, I'm going to get there regardless of a market shift or not. But yeah, you get a billion-dollar portfolio built up, what do I do with it then maybe then I hang onto it. Maybe I hang out over cashflow. Maybe I take it public with a real estate trust, something like that.

Tim Bratz: And then, and then maybe one day I can be in your shoes, Josh, and open up my own bank.

Josh Cantwell: There you go, that's what everybody wants to be, right is a banker. Lending out money, lending out other people's money.

Tim Bratz: I like the personal development side a lot too. I like helping people see themselves as more than what they can see themselves as, you know, I'm giving them that leverage, you know, breathing some inspiration into. On helping them, be more, do more, have more, give more. And I really like that piece a lot too. I had a couple young kids that, you know, Penelope is three years old and Hudson's one year old, you know, so I like the personal development for kids and educating them on how to think I'm achievement oriented or entrepreneurial oriented. And just, you know, helping people realize that there's more out there than going to work in a nine to five and trading your time for money and building somebody else's bank account versus your own. So, it would probably be something once I get to build up my portfolio to a certain level. I really liked owing the coaching stuff and I really liked doing the personal development side of things too.

Josh Cantwell: Nice. So, Tim like, you know, you're still really young, right? Got a lot of time. Thirty-three, you know newly married. Couple young kids. But we've learned a lot in the past 10 years. Obviously been through a massive market shift in 2007, 2008, learned a lot through that period. And then now the market's going crazy for the last couple of years. There's a market shift coming in the next six months to two years sooner rather than later. Most likely interest rates are going up the market hard to prove that the market will continue to appreciate at the rate has been going.

Josh Cantwell: So, there's probably things you've learned. And my question for you is, what kind of piece of advice would you give your younger, former self, especially after that comment kind of resonates. That I wasn't very good at real estate for seven years and I've ever been really good at for the last three, what's maybe the one or two pieces of advice that you would give your younger former self? Whether it's in finance or real estate relationships? You know, joint ventures, networking. It doesn't necessarily have to be in real estate, but what's one piece of advice you could give to our listeners that you would probably give to yourself? Something you maybe do differently,

Tim Bratz: I'm going to give you probably three or four. One is don't invest for speculative real estate. Invest for cashflow. The guys that I know who made a bunch of money and then fell on their ass in 2008, 2009 were the ones who bought with for speculation. They bought here and the price would go up to here and it didn't. And when that all went actually went down, they had, you know, all their net worth was fairytale dust, you know what I mean? And so, uh, they weren't worth anything once the market shifted. But the guys that I knew who invested for cashflow, not, not as sexy, longer term play, but when they bought for cashflow, they had tenants in place who are paying their bills every single month regardless of what happened to property values. And they were always able to cover their expenses, their debt service, and put money in their pocket. So, one would be investing for cash flow. Two would be develop a skillset in real estate. And I think everything in real estate boils down to two things. Finding great deals and finding money. If you can develop those two skill sets, doesn't matter what the economy looks like.

Tim Bratz: Right now, the skill set is you need to find good deals. It's easy to find good money. Five years ago, and probably five years from now, it'll be really easy to find good deals, very hard to find money. So, if you, regardless of what's going on with the market cycles and the economy, if you can develop those two skillsets, finding money and finding deals, you're going to be good regardless of what the market looks like. And then number three would be joined a mastermind. So, like, I know you have a mastermind. The day that I went to a mastermind, it was three and a half years ago, and that was the catalyst of what it was, what put me on the trajectory to where I am today. And what you'll find in business dude is, and you know this better than anybody, as you reach different levels in business and success, there's different levels of problems.

Tim Bratz: There's different levels of issues. There's different levels of hurdles that you're going to face that you're going to need to work through. And by being in a mastermind that meets on a quarterly basis, as you hit those different hurdles, you're going to be able to sit across from somebody who's like, dude, I went through that a year and a half ago. Here's what I did. Here's what I wish I didn't do. And you're going to be able to push through some of those hurdles and put yourself on a path to get there in a fraction of the amount of time that it maybe took other people to get there because you're surrounding yourself with brilliant brain power and wisdom that's in the room. So, one would be investing for cashflow, two would be get really good at finding deals and finding money. Three would be join a mastermind.

Josh Cantwell: That's great advice and appreciate that man. Especially, you know, real world stuff. So, you've really been through. And so, you know, what's, what's always interesting is know, talking about with experience guys like you and a lot of other people that I've interviewed and coach is everybody has that one crazy deal. So, I'm always interested to hear from all of my guests. What's that one crazy deal that you worked on that either maybe you bought that you shouldn't have or that you didn't buy, that you're glad you didn't buy or something that happened in a deal. Like I was in a deal about eight, nine years ago, found out, it was a deal in a city in Shaker heights. So, it was a short sale that we bought and I bought a month after we bought it, bought the property from a realtor and we never got the disclosure documents because it was already distressed and she was already in foreclosure.

Josh Cantwell: We negotiated with the bank, we bought it a month later she sends over the disclosure documents telling us that there was a double homicide in the property and crazy story, a young man who was, had some mental health issues, actually killed his parents and put them in the closet for like a week before they were found. And then we got this disclosure and everybody in the neighborhood knew that this had happened except for dummy us who bought the property. And the second thing was the house on the wrong side of the tracks. And you know, Shaker Heights has the railroad tracks that go through it, right?

Tim Bratz: Well, they're really the wrong side of the tracks.

Josh Cantwell: Literally the wrong side of the tracks, like the east side of Shaker Heights going more east towards the really ritzy area, expensive. The west side's closer to east Cleveland and Cleveland the not so ritzy area. We didn't know that. So, we miss guessed on or miss comped, I should say, of the property by a hundred grand. We thought it was a 3:50 property, went up selling it for 250 and we got murdered on it. We lost that, we lost 80,000 bucks, so I'll never forget that one because literally the one side of the tracks, two because literally a double homicide, craziest thing I've ever done. How about you?

Tim Bratz: Oh man. Unfortunately, I've had a lot of overdoses and homicides, suicides, a just general deaths in properties for. From a deal standpoint though, I think that one of the craziest things ever went through. I was closing on a portfolio 700 units earlier this year. And good buddy of mine sold a real good buddy. He's sold his cabinet company, his ecommerce cabinet company and ship shipping cabinets from China and then sell it to investors. And he invested $2,000,000 in deals with me pretty easily in early 2018, earlier part of this year.

Tim Bratz: And then I contracted this 700-unit portfolio down in Georgia and I call him up. I'm like, hey dude, you want in on this? Do you know anybody who'd be interested in this? And I got a raise. I think it was like $4,000,000. And so, he was like, let me, let me hit you back. Thirty minutes later, he goes, I'm in. I said, cool man, how much? He goes, I got all of it four million dollars. I was like, awesome. This is 90 days out. Easiest $4,000,000 ever raised, right? We should have known better. It was alluding to something. I didn't realize that dude, I'm twiddling my thumbs for the next 90 days until, until closing occurs. And a like a week or two before closing, I hit him up. I'm like, hey man, just a heads up, here's the wiring instructions, here's, we're going to be closing, you know, in two weeks, here's the wire instructions and just, you know, make sure you get it over there by this date.

Tim Bratz: And he texted me back. He's like, hey man, I don't have all of it, but I will don't worry. And so, I'm like, what do you mean you don't have all of it? He goes, well, you know, I'm raising money through a crypto currency from some African pension funds and, and royal families. And I was like, dude, you're telling me that you have a Nigerian prince financing but my apartment. I was like, what happened? He's like, no, you know. So anyways, he legitimately does he's good friend of mine, he's launching it, but the legalities and everything took a lot longer, like six months, eight months, longer than he actually thought. So long story short, he wasn't able to raise the money and told me the Friday before our Monday closing that he couldn't come up with any of it. Now he initially gave me about 500 grand so that's what covered the earnest money deposit and some due diligence and stuff.

Tim Bratz: But I needed to raise about $4,000,000 over the course of a weekend. And so, I, I, you know, when somebody tells you that and you're like, Holy Shit, like I don't know what I'm going to do over the next 48 hours because the deal's going to fall apart. Like my options were, walk away and lose $300,000 of earnest money, ask for an extension. But then I lose face with the broker, I lose face with a mortgage broker. I lose face with a seller. The reason we got the deal for millions of dollars less than anybody else is because we postured up and said we were going to close this thing on time. And you know, it just would have reflected really poorly on us, uh, with our lender, with our mortgage broker, with a real estate broker, with a seller. And so, my other option is just roll up my sleeves and get to work and, you know, it was a little bit of woe is me and what am I going to do.

Tim Bratz: And then I'm like, dude, if, you know, first of all, my kids are healthy, my kids are happy, you know, my wife's happy. We got a roof over our head. We got food on the table. Like we have working electricity and indoor plumbing. Like there's people who have to walk four miles one direction with a frigging bucket on their head in order to give their family water. And so, when you put it in that kind of perspective, you realize like, if my biggest problem is raising $4,000,000 in order to make $15,000,000 on this deal, like not a bad problem. So, I got into more of a resourceful mindset, you know, put all the docs together and put it in a Google, a Google drive drop box folder and it's got on the phone and started banging out phone calls to all my different friends, investors, people have done deals with and I'm really stirred the pot with a lot of different investors and stuff.

Tim Bratz: And there were some people who were like, dude, I would totally be in, I just not good timing. I need to liquidate some stuff or whatever. So, it actually developed some really good relationships for future deals. And I actually was able to raise $4,000,000 from six different investors anywhere from 200 grand up to one point $5,000,000. We closed on time on that Monday. It was an absolute whirlwind, but it was a ton of fun. And it was, you know, went from the easiest 4 million I ever raised to the hardest four million I've ever raised, but you learn so much in that whole process and again, it planted seeds with so many people I wouldn't have naturally I wouldn't have, you know, reached out to because I just had easy money. So now it planted seeds with a bunch of different investors and I have a lot of, a lot of access to capital for future deals because of it.

Tim Bratz: So, it was a real blessing in disguise, but it was, it was definitely throwing me for a tailspin when it all went down a couple months ago. That's probably the freshest memory of crazy deal.

Josh Cantwell: Crazy. That's great man. Well, awesome Tim look as we're kind of rounding third here and headed home. Just wanted to say thanks and I know you're busy. You just got back from Mexico and Cancun at your masterminds so thanks for carving out some time for us today. We really appreciate it.

Tim Bratz: Dude. Thank you so much for having me, Josh. Appreciate everything. Appreciate all the value you're putting out there. I appreciate our friendship and look forward to doing some more deals together to man.

Josh Cantwell: Absolutely. Absolutely. Guys, listen, so a couple of couple resources I want to and want to connect you guys with Tim. A couple of resources before we kind of wrap up so you know, this interview will be available on iTunes. It'll be available in YouTube. If you have any comments, questions for Tim or myself, just leave the comments right beneath the video, right beneath the podcasts. My team will be monitoring those platforms, grab the questions, feed them back to me, feed it back to Tim, we'll try to get answers for you. As Tim mentioned, you know, he's, he's doing all these deals. We're participating in a number of these deals with Tim as either a lender or an equity investor. If you got deal flow for apartments or deal flow for residential and you just need some ideas for funding, you can definitely hit us up at FreelandLending.com. Check out our website, send us that stuff. If it's an apartment, I'll, I'll probably introduce you to Tim.

Josh Cantwell: He's an expert at kind of structuring those things up, so check out FreelandLending.com. Also, Tim is going to be a speaker for us and at a number of our different live events. I have him on webinars. Facebook lives are Flip and Fund summits that we do. Tim is a regular recurring speaker at a lot of the different things that we do. I've been invited to speak at Tim's events so we just do a lot of stuff together. So, if you're interested in looking at our live events, check out FlipandFund.com. We've got an event coming up in a couple of weeks. Tim, will be there to talk and elaborate more on his apartment strategy. Also, Tim, if somebody wanted to reach out to you, get your contact information or just look you up or bring you a deal flow or you know, be a private investor for you. Is there a website or an email that you could give to our numbers so they can reach out to you?

Tim Bratz: Yeah, I appreciate it. So, I'm pretty active on social media. Hit me up on Facebook. Tim Bratz. So, you guys will see my, my name on there. And then yeah, obviously any money, any investors should go through you, Josh, and if anybody has deal flow and they're trying to move some deals. Don't we have a website put together for that too, like the AI Investments or AI. I think we have an apartment website for any deal flow that comes through some of your contacts to that we partner up on.

Josh Cantwell: Like two months ago and I forgot.

Tim Bratz: That's all right. Well we'll put it in the links below and yeah, if you've got deal flow, if you got money, like if there's anything that there's anyway that we can partner up and work together on some stuff. You know, I, I know, I know we're both big believers that rising tide floats all boats and being able to partner up with different people sometimes, you know, the sum of the parts of the sum of the whole is greater than the sum of the parts, right? One plus one equals three, you know? So yeah, if there's ways that we could partner up. But otherwise, yeah, hit me up on Facebook and if you guys have like, I don’t know, general inquiries or something, my emails Bratz@cleturnkey.com. So, I'm happy to respond. I respond to my own email so if there's any insight or value that I can try to provide, I'm happy to do so. Appreciate it again.

Josh Cantwell: Fantastic. Absolutely Tim. Yeah if anybody has any additional for me and my team, or your looking for any kind of hand holding to back your ship? You can always check that out at JoshCantwellCoaching.Com. Finally, if you enjoyed the interview make sure you leave us a rating and a review. Tell us how we did good, bad, or ugly. If you enjoyed it, give us a five-star rating if you didn't. Still give us a five-star rating and we still leave us a review and a put your questions right there in the chatbot. So, Tim, thanks again for carving out a few minutes for us. Absolutely, man. Thanks for having me. We'll talk to you soon bud. Take care of my brother.

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