TRANSCRIPT OF EPISODE 17 OF THE INVEST FOUR MORE PODCAST

BUILDING A TEN MILLION DOLLAR REAL ESTATE PORTFOLIO WITH DANIIL KLEYMAN

Mark Ferguson:

Hi everyone. It's Mark Ferguson with InvestFourMore. Welcome to another episode of the InvestFourMore Real Estate Podcast. I have another awesome guest today. Daniil Kleyman, who is a real estate investor as well as, he creates software for real estate investors. He became full time in 2009, has built up an incredible portfolio worth around $10 million in a very short period of time. We're going to talk about that, how he got started in real estate and also how his software can help new investors, experienced investors, really help their business. Thanks a lot for joining the show. I'm glad to have you, Daniil. How are you doing?

Daniil Kleyman:I'm doing great Mark, thanks. Thanks for inviting me.

Mark Ferguson:Yeah, no problem. Always love to have experienced investors and have some different perspectives. You first got started in 2009 but you'd invested a little bit before or I should say you became a full-time investor in 2009, but you've invested a little bit before that. How did you first start investing? What was the first property you bought?

Daniil Kleyman:I was living in New York. One of my best friends was living in Richmond, Virginia, which is my hometown. I was interested in real estate for awhile at that point. He started buying and rehabbing single family homes, duplexes. That was an easy opportunity for me to get involved because I was working a corporate job, I was making decent money and I had some money to stash away so I got involved with him and we bought... 1, 2, 3... we bought 3 duplexes in downtown area of Richmond primarily catering to students and young professionals. As it turns out, we end up buying them at the very peak of the market in 2006-2007. At that time, we didn't know any better and we paid... looking back I never would have made those purchases. We paid market value. There is a ton of deferred maintenance on these properties that we weren't really aware of. There was really no [sweat 00:02:16] equity that we created after we bought these properties. It was like the dummy way to invest. It was the way to invest in which now I look back on it and I'd never do those deals.

But, they were in a high demand rental area so even as the market crashed they end up holding their very and we've always had them 100% rented. That's the saving grace on those deals, is that they were at least in the right location and we didn't lose them when the market crashed. Odd good deals by any means.

Mark Ferguson:I would say, at least 50% of the people in interview, their first deal, they lost money or they admit they did it all wrong but they didn't give up. They didn't stop. They learned from it and they improved the next time. Not surprising.

What were you doing? What was your corporate job when you're investing at that time?

Daniil Kleyman:I was working at finance in New York. I started off in bond sales, then I went to... I did bond trading for awhile and then I end up working at Bears Sterns. I was doing deal structuring. I was putting together some pretty complex bond deals that basically no longer exist because the market is different and that whole landscape has changed.

I was doing a lot of financial analysis and number crunching, basically, for my day job and dealing with assets and deals that really only exists in spreadsheets and on the computer. That's also one of the reasons why I really switched gears. I love real estate so much more because it's something you can touch, you can feel, you can take something you can improve. You're not just shoving money around from one place tot he other. You actually have the ability to build something that's going to last.

Mark Ferguson:Very cool. How did that transition work from going to full time corporate to a full time real estate investor? Was it a slow process? Did you just decide one day you're going to jump into it?

Daniil Kleyman:The market crashed that the company I was working went out of business. We got acquired by another bank by JP Morgan. For some reason, they fired much of the people and kept me, which I still don't know why. At that point, I realized that I really just didn't want to be there anymore. I started secretly hoping to get laid off. It was like a scene out of an office space where the guy shows up to work late and start scaling a fish at his desk. That's kind of what I was doing. I was really trying to send signals to my managers that I just... my heart wasn't in it anymore. After [inaudible 00:05:11] months of misery and just total boredom, they actually laid me off.

Mark Ferguson:They didn't promote you like in office space?

Daniil Kleyman:That would have been pretty crazy. No. Luckily, they got the message. I didn't want to quit because I wanted the severance package. They laid me off. They gave me a good severance package. At that point, I decided that I just... that was a good kick in the ass. They knew that I didn't want to have a job anymore. I didn't send out a single resume out. I had some pretty decent connections. I was leaving a pretty reputable firm so I could have landed on my feet pretty easily in New York, I think. But I just decided that I just didn't want to be in that world anymore.

I moved back to Virginia. Actually, at that time, when I moved back to Virginia, I wasn't really 100% sure what I was going to do. I just knew I wanted to do something that has to do with real estate and I wanted to call my own shots. I was 28. I didn't have a family. I didn't have responsibilities. I didn't have a lot of debt. It was actually a very easy situation to take a chance on because I had that luxury of time. I had that luxury of not being under pressure to pay a lot of bills. I got rid of all my expenses. I got rid of my expensive apartment in New York and all my fancy habits. I made some moves that assured that I wasn't under pressure to make some bad decisions over a short term.

I moved back to my hometown. I started reading some courses online about wholesaling, about different strategies that people were using. It also helped that the market crashed and you could go out and you could buy a really, really, really, really, really, cheap deals. It was a pretty good time to start in real estate. Everybody else was running from the market and losing everything. But at the same time, it was a great opportunity to actually get in and buy especially if your timeline was long. If you could afford to buy deals and hold them through the... as the market cycles up and rebounds.

Mark Ferguson:That's very cool. Now, when you first started, did you start wholesaling in the beginning or were you doing rentals? Did you look into flipping? What were you first looking to do?

Daniil Kleyman:I did some wholesaling initially but I didn't do a lot of it. I, very quickly, wanted to jump into to buy and hold. I knew for awhile that my goal was really to build an income producing property, portfolio of properties. I wasn't really interested in chasing deals that pay me one time basically. That's what wholesaling is. That's what rehabbing and flipping is. I did some flips, I did some wholesales, but I really just wanted to... my goal was to replace my old corporate income with real estate monthly. Whatever that monthly number that I was making on my old job, I wanted to replace it with cash flow from my properties.

Mark Ferguson:Very cool. How long did it take you to do that?

Daniil Kleyman:About 2 years. It took me about 2 years to replace my old corporate income. Not super fast but pretty good. Within 2 years I got to the point where I could... and I did and I'd leave the country for a month at a time and I go travel to Europe, for Latin America and my portfolio was producing the same income I used to make working 70-80 hours a week on Wall Street. Since then I've just been focused on growing it.

Mark Ferguson:How did you get going so fast? That's pretty quick, two years to replace your income from rental properties. Were you financing with banks? How did you get so much income coming in?

Daniil Kleyman:What I started doing was, I had one private lender and I did have a little bit of cash on my own that had saved from my previous job. It primarily took one private lender. The strategy was very simple. We'd go in. We'd buy property with cash REO typically, renovate it, put a tenant to the property, get a lease in place, go to a local community bank, get the property re-appraised, refinance into a semi-permanent loan, pull out the entire original investment that it took buy and renovate the property and then take that money and roll it over into the next deal and then to the next deal, and to the next deal.

Again, it was easier to do then than it is now because the valuations have increased. But back them it was very easy. To buy something for 50, put 20 into it, get it re-appraised for a 100, get an 80% LTB loan, pull out 75 after closing costs, and then rotate that into the next deal and the next. I essentially took a $100,000 and I turned it into $3.5-$4 million portfolio, with that $100,000 being pulled out and still [inaudible 00:10:42] in the bank ready for the next deal.

Mark Ferguson:That's awesome. How long did you have to wait to get the home appraised with that bank? Would they do that right away or did you have to wait 6 months?

Daniil Kleyman:Because these local community banks, they don't have seasoning requirements. You can never pull it off with a conventional lender. [inaudible 00:11:02] they won't do it. You need 6 months seasoning, they have all sorts of stupid rules that will just make their head explode. I'd never deal with them.

Local portfolio lenders, they don't have seasoning requirements, they're much easier to deal with. I could buy or rehab a property, bring it to them within 60 days and they'd let me re-finance because all they care about is cash flow. They care about debt coverage. They care about loan versus current value of the property. Seasoning is just not important to them. That allowed me to rotate that money through deals pretty quickly.

Mark Ferguson:That's awesome. I work with a portfolio lender too business unfortunately, they do have a seasoning requirement, my lender. But yeah, they'll give me multiple loans, great to work with. Were you buying multi-family? Were you buying single family? What kind of houses or properties were you buying at that time?

Daniil Kleyman:Buying single families and duplexes, that's it. Again, it's a function of the market. That's the class that took the biggest hit, 2008-2009, it was single families. Single families, duplexes, that's where you had the most REO in the door, easiest deals to go after. Now, I'm more focused on multi-family and I'm doing mixed use commercial development among other projects. Back then, that was the bread and butter deals, single families, duplexes. Also it was just a smart asset class to go after because, as the market rebounds, your single families are typically going to rebound the fastest.

Mark Ferguson:Right. Are you selling any of your properties now or are you just holding everything still?

Daniil Kleyman:I'm still holding. I'm waiting probably another year or two until my portfolio get to a certain size where I then start pruning. I may regret that decision if interest rates start jumping and the market levels out here. I may look back and say, "Man, is hold have sold some of this stuff in 2015", but I'm okay. I'm okay with everything as cash flowing. I really just... I'm still focused on growing. At some point, I'm going to then re-balance my portfolio and take some properties that shouldn't be in that portfolio anymore.

It's the 80/20 rule. You look at your portfolio and you say, there's a couple of things, a couple of ways you can apply the 80/20 rule. You say, what 20% of my properties are generating 80% of my headaches and generating 80% of my maintenance calls, etc. Let's prune those out. But you also look and say, what are some properties that are generating that currently have the most equity in them? Because, you then start looking... you look at two things. You look at your cash flow but then you also, you can look at your return on your equity.

If you have two properties and one is... they're both cash flowing, let's say, $500 a month, but one has, let's say $60,000 in equity. That's $5000 times 12, that's $6,000 a year in cash flow, 10% return on your equity. But the other property that has the same cash flow and maybe has $200,000 in equity. Now you're cash flowing $6,000 a year but that return on your equity is, what's $6,000 divided by 200?

Mark Ferguson:Less than 5%.

Daniil Kleyman:Less than 5%. That tells you that you're better off pulling that equity out and putting into the market somewhere else. You look at your portfolio and you say, "Where do I have the greatest equity setting? I'm not generating a high enough return on equity, let's prune tho0se out and get rid of those and re-deploy that money somewhere else. There's a couple of different re-balancing things that you can be looking at.

Mark Ferguson:Very cool. I like the way you think of that, not just how much cash you invested in those properties originally, by really, how much cash you have tied up in them now if you were to sell them. Now, if you were to sell them, would you be exchanging those into other properties? Will you just be cashing out? Obviously, there's going to be some tax consequences if you just sell you properties and don't end up exchanging them into anything else.

Daniil Kleyman:Yeah. There's a couple of things that I may look at. I may at 10/31 exchanges. I may simply look at my loan resets. Because a lot of my local commercial loans have 5-year calls on them. I may be just taking that money and paying down some of my loans that are getting to reset soon. It just depends on where we are in terms of a couple of different market scenarios.

Mark Ferguson:Did those loans, do they have balloon payments or they just arms that the interest rates could change on?

Daniil Kleyman:Some of them are arms, some of them are balloons, it depends on the lender. I do business with a couple of different banks and they structure loans differently. The general understanding is, even is something is a balloon, if I have a good relationship with that lender and if I've been making my payments, we don't really expect them to call that loan. We're simply going to renegotiate the rate depending upon where the market is and reset it for another 5 years. A lot of these are calls but they end up being resets.

Mark Ferguson:For the listeners who don't understand, a balloon, the bank, if you have a 5-year balloon payment, after those 5 years the bank can call your loan due and make you pay it off, sell your property whatever you have to do. Many times, with an arm, they may not have a balloon but your interest rate can go up after those 5 years but they can't make you pay the loan off.
Daniil Kleyman: Correct.

Mark Ferguson:You had single families, you've built up... I'm curious. How many single homes or duplexes do you own now?

Daniil Kleyman:I should know an exact number. About 50 properties.

Mark Ferguson:Okay. It's funny. Most of the people in interviewed, they don't know exactly how many properties they own either. Don't feel too bad.

Daniil Kleyman:I used to know. Right now, what i have active is 60 units. Then I have another 70 units in development right now. I'm really renting thing up.

Mark Ferguson:Lately, you said, before you're buying mostly single family duplexes. Have you been buying more multi-unit, larger complexes the last couple of years?

Daniil Kleyman:I'm developing some bigger projects now. I've been very selective. I think a lot of people focus on unit size. I know guys that when in a year or two, three years and assembled hundreds and hundreds and hundreds of units. A lot of people focus on just how many units but what they end up getting is a lot of headache properties and high cash flow, high problem deals. I've been very selective about how to build my portfolio. Now, what I'm doing is a lot of new constructions. Actually, I'm getting ready to build a 4-unit building, an 8-unit building. I've got plans I'm starting to put together now for two different mixed used projects that are going to be about 25,000-30,000 square feet each with retail and commercial and office space and 20-25 apartments. That's what I'm looking at now.

I'm not really looking to buy existing properties because there is very few value-add opportunities left in my market and I really have no desire to buy something that's already cash flowing where I can't really build a lot of sweat equity. I'm primarily transitioning into ground up development.

Mark Ferguson:That's very cool. Are you planning to keep all these? Are you going to sell some of them? What's your plan with the-

Daniil Kleyman:Those I'm going to keep. I'm also building about 8 different speck houses right now that I'm selling. That's something I've transitioned my business into. I've just been buying land for the past two years. Some of those is good to build duplexes and 4-unit buildings on it but some of these lots aren't big enough and some buildings has single family homes on them and selling them off. I'm breaking ground with two next week. I've got 4 going on right now that I'm more passively involved with in that I just pulled up the land for.

I'm evolving my business in a couple of different ways. I'm doing some active projects but I'm also getting into some passive deals where I just buy the land and I turn it over to another builder. He's building houses on them and then we share the profits from the houses that are sold. There's a couple of different, interesting pivots in my business.

Mark Ferguson:That's very cool. In many parts of the country, or most parts of the country, the market's going crazy. It's really appreciating. I'm sure a lot of investors are thinking, is new construction a viable option? How can I get started? How hard was it for you to switch from rehabbing or buying existing properties to move into new construction? How much was involved in making that switch?

Daniil Kleyman:There's really a couple of learning curve issues that once you get over you realize that new construction is actually way better and easier than rehabbing. You need to learn zoning. Zoning is not something you typically need to understand when you're rehabbing because you've got an existing structure in place. When you're doing new construction, you need to very diligently study your local zoning laws and understand what you can and can build on a certain piece of land.

Then, new utilities and foundations. Once you figured that stuff out, once you're out of the ground with a foundation, new constructions is a breeze. I will do... Actually, I'm at the point now where I refuse to do single family rehabs. I just won't do them anymore because it's not worth the time or the effort. I'm only doing new construction. I jut got done. I've built 6 duplexes out of the ground, I added to my portfolio. I've got 4-5 more the works right now. It's quicker, it's cleaner, it's easier. Unless you're able to do rehab is where you can buy the existing structure for the cost of the land or far below replacement value. That's where it still makes sense to do rehabs. But if you]re market has appreciated to the point where you're not really getting good deals on rehabs anymore, just do a new construction.

There's a couple of other certain things at play. There's still a lot of people hunting for rehab projects whereas a lot less people in my market are doing new construction. In some markets, people still aren't paying attention to in-fill lots. For the last couple of years, I've been able to pick up in-fill lots really cheap because people still weren't paying attention to them. If you can get a land for cheap, it makes sense to build on it, obviously.

Again, it's market-dependent. But, for me, I won't rehab houses anymore. I just won't do it unless I steal something and then it makes sense but other than that, I just won't do it. It's just not worth the trouble.

Mark Ferguson:Right. That makes sense. I'm curious. I'm sure when you're doing your rehabs before and renovations, you had a contract or connections and certain contractors you use, were those same guys able to switch over into new construction? Do you look for new contractors? Did you go after specific builders when you're doing the new construction projects?

Daniil Kleyman:No. I ended up getting, for the most part, new subs. You've got guys that specialize in digging footers. You've got guys that... you've got brick layers that specialize in building foundations. I've got framers that all they do is new construction. We get lumber delivered to the site. I can have 2,500 square foot duplex up in 4-5 days, including roofs, roof trusses. Plumbers and electricians, yeah, you may be able to re-use them from your rehabs to your new construction projects. A lot of my rehab projects were [gut 00:23:46] renovations. The same electrician that was doing my gut renovations and the same plumber can do my new construction project. Siding guys, roofing guys, depending upon their skill level, you may be able to switch them over from your rehabs to new construction. It just depends.

Mark Ferguson:That makes sense. Are you the one who's managing those subs? Do you have a rehab manager? How are you handling that situation?

Daniil Kleyman:I'm the general contractor on all my projects now. I'm in the process of hiring a project manager to come work for me full time. But until I do that, I'm the general contractor. I'm finding, hiring, managing all the subs. It's time intensive but you're also saving 12%-15%-20% on your cost base versus hiring a GC. It makes sense on lower margin projects.

Mark Ferguson:Right. I did the same. I was managing all my rehabs and I couldn't keep up with the different things I was doing. I was having properties just sit there for months with no [inaudible 00:24:56] on them. This summer, I hired one of my contractors to be my full time project manager to manage all of that. So far it's been so enterprise ice not dealing with all those issues.

Daniil Kleyman:Yeah, it's great. Ultimately, if you want to be a scalable business that's what you got to do. You've got to hire somebody to go out in the field for you. Beginning of this year, I hired a full time property manager who works for me now. He does all my property management, leasing deals with maintenance. I was waiting till my portfolio gets big enough where I can afford to hire a full-time person. As soon as I did, my life became infinitely easier. Now, I'm doing the same thing in the project management side. Every time you do that, every time you make that higher, your business just grows big time because you have just freed yourself up to do the higher level functions of your business.

Mark Ferguson:Yeah. I found the exact same thing. It's scary to hire people but it makes your life so much easier. It gives you so much more time.

Daniil Kleyman:You invest a few months and it becomes a time [inaudible 00:26:00] in those few months where you have to train them and get them up to speed. But then, as long as you've hired the right person, after a few months, they should be able to do things on their own. It's just a huge weight that's been lifted off your shoulders.

Mark Ferguson:Yeah. Completely. You've got a lot of properties in the works. You've already got a huge portfolio. We talked a little bit about possibly selling off some in the next year. What are your long term plans? Do you want to keep doing new construction? Are you trying to get to a certain amount and then relax? What do you see your future being?

Daniil Kleyman:I always joke with my buddies that do the same thing as I, because we talk about that, like what's the end game and what's... I always joke and I say, "Well, when I get to like a $100,000 in cash flow, I'll take a break." That used to be joke but now, it's very realistic. Ultimately, it's not about the dollar numbers. It's about lifestyle, it's about freedom. I'm a pretty simple guy. I live in a two bedroom apartment in my 4-unit building that other three apartments cash flow and pay me to live here. I don't need a huge mansion. I don't really buy fancy cars. It's really not about the money. It's more about how much of cash flow can I build to just never worry about anything for the rest of my life and still maintain a simple, chilled out lifestyle.

When the business gets to the point where it becomes a pain in my ass, I'm going to quit. Or where the portfolio starts stressing out, I'm going to prune it. Long term, in terms of what I'm doing, in terms of deals, I want to do ground up mixed use development. I want to build communities. That's really I think where my long term passion's going to lie. I want to build... I'm doing my own small scale now. I just finished re-doing this one block here near where I live where we put in a restaurant, we put in a bunch of apartments. I'm building single family houses to sell there. Now, I'm gearing up for another, actually, two different mixed use projects. They're going to have office space, maybe a restaurant, apartments. Long term, I want to do that on a bigger scale. I want to do multi-acre ground up development.

To me, that's interesting. To me, that's something I can be really passionate about. It's creating entire communities where people are going to live, work, play for the rest of their lives. To me, that's really interesting. Then, in the meantime, I'll continue building income producing portfolios as long it makes sense and doesn't stress me out and doesn't cause me problems.

Mark Ferguson:That's awesome. I've a question that reminded me of, when you're doing the mixed use and you're doing these residential and commercial buildings, are you finding tenants for the mixed use before you commit to building it or you're just seeing a need for that in the area? How are you positioning yourself with the commercial tenants?

Daniil Kleyman:The one retail development I've done so far, I've decided I was going to put a restaurant to this building and I started renovating it. During the rehab process, I hired a broker to go out and look for a restaurant tenant. Now, this next mixed use development I'm doing, again, because I'm primarily going to put office space there, and really what I'm going to try to do is maybe mostly co-working space with some dedicated office space. I'm just going to go and have them build it. I'm not necessarily going to look for a tenant. I think if I was doing another restaurant project, I'd probably start looking for a potential restaurant tenant even before breaking ground.

I've always been a... despite the fact that I come from a very analytical background and I now produce an analytical software, when it comes to business, I've always actually end up being a fire-ready aim type of guy where I just decide I'm going to do something and I do it and I figure things out later. I think it just depends on what kind of project I'm doing.

Mark Ferguson:That's cool. I do things the same way. I like to plan and set things up for the future but I don't like to plan too much. I like to just get going and figure it out. Speaking of your software, you created a software for real estate investors for wholesalers, flippers, even retal property owners, how did you first think of this idea? Do you see a need in the market? Did it just fit well with your background?

Daniil Kleyman:It fit well with my background. A lot of what I used to do in my corporate job was create really complex financial models. When I started investing in real estate, I started building out a software for myself to use to determine what to pay for deals. One of the software I built when I was looking at buying whole deals was primarily to figure out, I'm looking at a 10-unit apartment building, what's it going to cash flow, what's it going to look like 2-3 years from now, can I put together some financial from my lender.

Originally it was just for me. I shared it with a couple of people, other investors and they found it helpful. I think at that time, I was really focused on, "hey, what can I do to create a second income stream for myself? What else am I good at?" I think that's a question you should always be asking. People start businesses off from almost the wrong angle. For me, I ask, "well, yeah I maybe want to start a second business but what is it that I can contribute into the world? What skill set, what special abilities do I posses that will allow me to do something that will really add value to people. That was something that end up resonating with some investors that I shared the software with. That's how the business was born.

Also, 2009, almost by accident, I saw a need for a different type of software for wholesaler and people doing short term deals in rehabbing and flipping. That was the second software I created Rehab Valuator. Since then, we've had over 100,000 download and use that software. We have a free version and the paid version. Something that I just did really think would go very far. I started almost as a side bet, maybe have a small second stream of income turn into a pretty big monster at this point. It's not really about how much we've sold or how much money we've made. It's really about how many investors we've helped at this point which is pretty incredible.

Mark Ferguson:It really is. I've written a review on Rehab Valuator. I use it and it really is easy to use and it's very in-depth software. I really enjoy it. I think it's a great system. You're actually improving it now. You're taking it a step further with an online-based system, correct?

Daniil Kleyman:Yeah. I'm really very, very heavily re-investing into the platform. I actually just got back from a meeting in New York with my developers. Just the next round of development is going to cost 6 figures. I'm putting out my own money into it. We're rolling out a web-based platform that will have the same capabilities as the software that we've been providing but will have a lot more analytical deal marketing, deal sharing capability as well. The whole idea is for somebody to able to plug in a deal really quickly, figure out what to pay for, figure out what the return on investment is going to be for them or for their end buyer and then very easily generate marketing materials for wholesale buyers or separates of the marketing materials to show to a private lender, a hard money lender, maybe even a bank. There is really nothing like it out there even though I'm pretty sure people have been trying to copy me for the last couple of years. Bigger pockets is one of them.

We're really building on that platform and creating a place where people can do that but can also then share their deals with other members, sell their deals on the site, etc. I can't even talk about some of the things that we're rolling out be we're still finalizing. It's going to be very exciting.

Mark Ferguson:It sound really awesome and I'm excited to see what it looks like when you're finished with it. It seems like so simple when you're using it as an I investor but you don't realize how much goes into it on the development side and what it takes to bring something like that into reality. I'm sure it's a bigger process than you thought it was in the beginning as well.

Daniil Kleyman:Absolutely. It's taking a huge amount of work.

Mark Ferguson:Very cool. You've got your Rehab Valuator. I'll have a link to that in the blog article about this podcast. You got your rental properties, your development, your future development, when you got started it's a blessing that you were laid off, fired, a planned laid off. For other people looking to get started in real estate, maybe they're in the corporate world like you were, what's your advice for them to get started? Do you take it slow? Do you just get your feet wet? Do you jump into it? How do you think the best way to get started investing is?

Daniil Kleyman:It's always a good idea to take an inventory. Take an inventory of your resources and what you have and don't have, what can you bring to table and then what do you need. Some people have money, they don't have time or knowledge. They need to maybe find somebody to partner with that has a need for funding but has knowledge and the time, but doesn't have the money. Maybe you're the opposite of that. Maybe you're sitting there and you hate your job or you really don't have any cash to invest, you really don't have a lot of resources, education is out there, that's easy. Nobody's got any excuse not to have the knowledge. Real estate is not a complicated business. You can gain the knowledge and maybe find somebody to partner with that can provide you with the financing, either the short term cash, long term cash or maybe they can be a credit partner so you can go out and get some of the long term financing from local lenders.

Wholesaling, if you want to build up some cash, wholesaling is always a great way to go. There's a massive demand from cash buyers like me, right now for deals. We're no loner going to MLS. We're no longer really going auctions for the most part. We're back to sourcing off market deals. We're either doing it ourselves or we were doing it... I'd much rather pay a wholesaler than have to send out my own yellow letters and put a bandit sign, it's 4:00 in the morning trying to [inaudible 00:37:53] the police. I'd much rather pay a wholesaler $5,000-$10,000 fee if he brings me a good deal ready to go. There's a massive demand in most markets I'm aware of from lots of cash buyers looking to get into deals.

If you learn how to wholesale, that's a great way that you can start with no money, very little resources but build up some cash. Then re-deploy that cash and build up a rental portfolio if that's what you want to do. Some people don't want to do that. That's another thing that you need to take an inventory of is, what you want your life to look like in 2-3-5 years. That vision may not include you owning a bunch of rental properties because they very well can be a huge pain in the ass. It takes a certain personality, it takes a certain resilience to deal with tenants, to deal with maintenance calls, to deal with turnover, to deal with leasing. None of that stuff is a walk in the park. Maybe your vision of your life doesn't include that.

You really need to take an inventory of your resources which is what your strength and weaknesses are but also what you want your life to look like in a couple of years and then go from there. Real estate is not a hard business. People tend to over-complicate it. People tend tot ry to learn too many strategies or implement too many strategies at one. If you figure out what you want your life to look like in a couple of years, you will be able to narrow it down to which strategies you should be able to go after which will then [inaudible 00:39:27] down what your education should be focused on right now. That should make things a lot easier.

Mark Ferguson:You bring up some awesome points. One of the main takeaways I see and have learned, I see new investors who they want to wholesale, they want to flip, they want to buy rental properties, they want to become a real estate agent, they want to do it all at once the first year they get into business and they don't do anything because they are so scatter brained in trying to do everything at once. You really need to, like you said, pick one area, focus on that and then maybe when you get become an expert, you really have that dialed in, you can move into the other areas. Maybe become a wholesaler, then you start flipping once you're bringing in $10,000 a month wholesaling and whatever it is or you've got enough cash to buy rental properties then you can start buying some rental properties. But yeah, don't jump into everything at once.

Daniil Kleyman:Yeah, I see the same thing. People get scatter brained. They just get scattered. Go department, don't go wide. Nobody has ever become successful going really deep, too many markets, too many strategies, too many deals. Become good at something, that's how you make money. Become good at one thing, when you become really good at that one thing then you can expand and become good at the second thing.

Mark Ferguson:Right. I tell people, if you're looking for an expert, if you're looking for someone to help you with any kind of service, do you want someone who's sort of good at that service and sort of good at 20 other things you don't need? Or do you want someone who's awesome at that one service you want and don't do anything else? Are you going to hire the person who's awesome, that expert at that thingy you need to do. You don't need someone who can do 20 things mediocre. Awesome points.

Daniil Kleyman:That's absolutely right.

Mark Ferguson:Very cool. I think that is all I had as far as questions. Great job. If people want to get a hold of you, what's the best way? Should they go to the Rehab Valuator site?

Daniil Kleyman:Yeah, that's really the best way if you... and throw your name and email there. There is a free software that we give you, no strings attached. That also puts you on my email list and you'll start getting a few email from me and you'll be able to just reply to those emails and reach me directly.

Mark Ferguson:Very cool, very cool. Daniil, I appreciate it. Great job. I really enjoyed learning how you've built up your portfolio and how you moved into new constructions which know is a scary thing for many people but you've made it sound not quite so scary. Thank you for being on the show. I'm sure we'll talk soon.

Daniil Kleyman:Sounds great, Mark. I really appreciate you having me on here, thank you.

Mark Ferguson:All right, thank you.