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How The Kitti Sisters Started Investing In Large Apartments

Hosted by: Joe McCall

Guests: Palmy and Nancy Kitti

Joe: Welcome. This is the Real Estate Investing Mastery podcast.

Joe: What's going on, guys? Joe McCall here, welcome to the Real Estate Investing Mastery podcast, I've got a cool show for you today. And on this episode, we're going to be talking about the Kitti sisters. And these are two ladies that I met at one of my masterminds in Boise, Idaho, and they're doing some really cool things with large multifamily apartment buildings. And so I wanted to get them on the show to talk about kind of how they get started in this business. You know, it seems like big apartment buildings that intimidates me, right? Like, I'm used to the little houses here and there. But when you find two sisters that are crushing it in multifamily business, like how did they get started? How did they do it? And they're going to be giving you some tips and advice on how you could do the same thing. So you're going to be inspired by their story. It's going to be a lot of fun. And I also want to give to you, this podcast is being brought to you by my book W L O Book. If you guys bought this thing, yep, it's absolutely, you know, you can't buy it. It's actually free and you just pay shipping and handling, and I'll send it out to you. So it does cost a little bit money to get it. Can't buy it on Amazon. I take that back. You can. I saw it on Amazon for fifty dollars, a used copy. I guess I'm pretty popular, but this is a book that I wrote because this is a strategy that I used to quit my job way back in 2009. So if you're interested in learning how to flip lease options, check this out. It's a real simple book. The feedback on it is amazing. You can read this in an hour or two, and I show you how to flip lease options. W L O stands for wholesaling lease options. Get it right now. WLOBook.com. It's completely free. Just pay a little bit of shipping, handling and we'll get it out to you. OK, enough of that. Let's bring Palmy and Nancy Kitti, how are you, ladies?

Palmy: Great. Thank you so much for having us on your show today. We're so pumped and excited and ready to go.

Joe: I'm looking forward to hearing your story. Palmy was telling me a little bit about it when I saw you in Boise at the mastermind there. And you guys are sisters, right? Yes.

Nancy: Yes. As much as we don't like each other.

Joe: Tell me. Tell us a little bit about your story. Yeah. You know, where's your family from? And how did you get started in real estate?

Palmy: Yeah. So we're Thai. So our we migrated to the United States. We were really little from Thailand. So our parents came here with basically nothing.

Nancy: And so they basically are actually our actual background actually has nothing to do with real estate. And my parents has nothing to do with real estate, let alone in multimillion dollar apartment investing, right? Growing up, we have witnessed the hardship of our parents working towards financial freedom as children. We watch our parents struggle with long hours and trading their time for money. So when we grew up, we worked really hard to justify their sacrifice and their hard work towards financial freedom. Our dedication paid off in 2010, when we land one of the biggest premiere of fashion brand at that time called BeBe and you rapidly became really successful manufacturer, which has nothing to do with real estate again. In fact, we were doing so great at that time that we thought, Oh, like, we only have one source of income, and that is it. That's how we...

Palmy: Were proud that we only need one source of income that we didn't have to do, like a side hustle in order to to make a really good living.

Nancy: So we thought that was our purpose, right? And then one evening when we were making dinner, you know, across the room and then we got the notification that Hey, BeBe is shutting down all their stores and just like that, like, we're like oh okay.

Palmy: Ninety five percent of our income is tied to this brand. And so without it, our income evaporated overnight, and so we had to scramble really fast and figure out what's next. How do we avoid this kind of situation happening again?

Nancy: Well, that's why we feel like in that moment, we feel like it was an illusion where we thought we achieved financial freedom. But technically we were really trading time for money. And without that business, our income became nothing right. So we have to act fast and we dove headfirst into house flipping business, which has to do with real estate a little bit, but has nothing to do with multifamily apartment.

Joe: Where were you living again at the time?

Palmy: Los Angeles, OK. Right. So at that time, we were making great income from flipping, but we were still trading our time for dollars and we're like, OK, like there must be a better way.

Nancy: We felt like, OK, it's a natural progression. Flip houses is great. It's active income. You make money three - six months. Similar to wholesaling. But what happens after that? How do we make sure that that income becomes a long term thing where we continue to make money? And that's when we started learning about multifamily apartments, passively at first.

Nancy: So that's why we start investing in apartment syndication, right? Like every since then.

Joe: OK, what about what year timeframe was this? You were flipping houses in L.A.?

Palmy: Yes. 2017 and in 2018 was when we found out about apartment syndication. So ever since then, we invest ourselves into the whole new world to free ourselves from the daily grind of the ninety five and to give us stability, reliability and scalability in our next venture. This allow us to have unlimited. Freedom to travel, to explore our dreams, to truly make impact on causes that are near our heart, and we believe that everyone deserved this, and that's why is our mission to help entrepreneurs secure their financial freedom through apartment investing while paying zero dollars in taxes?

Joe: I like that you're speaking my love language there. Zero spending, zero dollars in taxes. So how many houses did you flip like? What kind of experience do have?

Nancy: Annually at that time you were sitting around, like in Los Angeles, around four to six houses a year that we were making really great income because we're the one who set up all the comps.

Palmy: So basically, like, it's a great business. It's great because like when you go into a market, if you do it right...

Nancy: You get multiple six figures.

Palmy: You can set up your own comp like what we were by one house flipping it and we're setting the comp. And then it was then it was rising from there. So it's great. But like imagine L.A. traffic driving to multiple job sites, even though they're pretty close.

Nancy: And even dealing with contractors and all the delays. So yeah, that's why we thought, OK, there must be a better way of making income, and that's what we found out. There's a better way. Yeah.

Joe: OK, so who? Who taught you about apartment buildings?

Palmy: S o basically, we attended a live event and we signed up to do like flipping business and then we attended another program. So we, our mentors are all real estate guru up there.

Nancy: More than them too.

Nancy: Yeah, that's just some of them. Yeah, yeah, sure.

Joe: And so they kind of introduce you to multifamily, large multifamily.

Palmy: Yes, they told us like, hey, make active income. But when you want to make it so that it's long lasting, you put your money so that it starts spitting out money without any effort. Yeah.

Joe: All right. So then what do you guys do? This was around about twenty eighteen?

Nancy: Yeah. So we started off as passive investors in apartment syndication and we just love it. We love how ACH come through, like every quarter or every month. And we're like, OK,

like how do how can you get more? How can we do more of this right?

Palmy: And you know, the thing is like, like many people, we were living in an L.A. bubble. We had no idea that the rest of the country was doing really well in real estate. Honestly, I didn't know...

Joe: Everybody, by the way, I was born in L.A. and was raised in San Diego. I'm very familiar with California, and it is so true. People in California live in this little bubble and they think that this is what else is like them.

Palmy: Yeah. So we didn't know...

Joe: Or wants to be like them. Go ahead.

Palmy: What we like basically for us, we thought, like, OK, L.A. is what first is like, we need to do stuff in L.A. That's like the flipping thing was a major one because we're like, we had to be close. We to know our neighborhood. Right? You know, the market. We know everything about it. But then like when we when we that was like one big aha. The transition between single family versus multi is like, you definitely have to go out of state. And the big AHA is like you can leverage really strong operators who understands that market way more than you. And let them be the person who trailblazes and figured out all that stuff. And you just go in and just piggyback off of their knowledge and do really well. That was a big first thing that we had to, like a lot of people, think it's like control and like, I have to know the market. I have to know, like, like in San Diego, like all this is that neighborhood like Mission Beach, like this is the area. This is the pocket like that's not necessary to be successful. And that's what the big thing we had to figure out.

Joe: All right. So then you started investing in somebody else's syndication. How did you find that syndication?

Palmy: Well, just through networking. And then just, you know, before you invest in someone's syndication, I highly recommend anybody to know, like and trust the investor, right? And just vet them out and stuff like that. And you know, for us, I think that's the key to our success, even as passive investors, because we invested in a couple of deals before we become a full operator. And we're starting to see the benefit now because basically it's going full cycle, meaning the property is being sold even though it is projected for five years. But it's been three years and it was turned.

Palmy: Now you're seeing like the full cycle, we've gotten cash flow the entire time. But now the big, huge tax benefit, right? But the Big Pot is coming. So basically we started connecting with people at like meetups, REA group, talking to whoever have interest in multifamily and starting to get exchange of ideas and say, Hey, what are you guys doing? Where are you looking? Who are you? Who are you investing with? And that's how we got started.

Joe: And so was this a big the first set of questions about investing in syndications? Yeah, because obviously your returns aren't going to be as high when you're investing in a pool of money. The syndication, but you also have a lot less that you have to do. Right. So

somebody else is doing all the work. You're just collecting the return. But what are some of the returns that you guys got in some of those early syndications that you did?

Nancy: Well, can we share you? What our syndication? The one that we operate was able to give our passive investors because I think that will...

Joe: Before we get to that though, because I do want to ask you about how did you start your own syndication and how do you finding your own deals? If somebody is looking to invest some money, what are some? What are some of the mistakes to avoid because there's a lot of people out there trying to raise money. What are some of the big things that people need to watch out for?

Palmy: The first one is really, can I have trust of the operator? Because you can have two identical properties and one person is all about them, "I want to get in the deal and run off and not really care about managing it properly". You're not going to make money, but if you go with a strong operator has a good track record, who actually cares about the investors money that's going to be that's like the deal breaker. You hear horror stories of people who invest in properties and the operators don't care. They don't manage it. There's problems, they don't go and solve it. They don't go there and deal with it. That's number one. Two is market.

Nancy: So basically that we kind of have like, I think we encourage people to have their internal investment criteria like checklist and that'swhat we use like, Palmy and I, Number one know that I can trust. Like, check off each checklist.

Palmy: Second would be market. So we know that doing the pandemic what this the pandemic was a really good litmus test for what markets are really strong during economic downturns and doing a health on a global health crisis. So you can easily track what markets perform and was stabilized during the pandemic, which are typically in the Sunbelt. When you look at like gateway cities like New York City, San Francisco, Los Angeles, Chicago, Seattle, they all dropped their occupancy and their rent collections dropped like 40 50 percent during the pandemic, the heart of the pandemic. And then you compare that to the Sunbelt, where that didn't happen. People were raising rents. Rents were increasing in markets because it was hot.

Joe: Why do you think that is?

Palmy: Because affordability is an issue. And so therefore, if people see that, Hey I'm working from home now, and you see that a lot in California or Seattle or like New York, you can see the migration. I'm working from home. Why am I not paid for like a shoebox in San Francisco? I can move to Utah when I can move to Salt Lake City or I can move to Pheonix. Or like, if you're in New York, you can move to Florida or you can move the Carolinas, move to Atlanta and pay maybe like a quarter and actually get a house.

Palmy: And on top of that, as you can see, like big company are moving to these areas business friendly. So. So that's why you see the migration of people moving to like Austin, Texas, because, you know, like Tesla Plan and so like Gasol and Amazon.

Joe: So you're going through this checklist, keep on going through the first, you know, like and trust then market.

Palmy: So you have to have population growth so you can have a you can have employers. But like if there's not net migration into your area, it's all about simple supply and demand apartments. You need a lot of demand and you need a restraint on the supply side. That's it. That's super simple. So that's the next checklist. Again, right now, you can see the pattern that cities that have the, for example, Dallas Fort Worth, literally from twenty ten to two thousand twenty two million people move to that area. So you can imagine it's almost like bringing Nashville, Tennessee, the entire population national and dropped it into Dallas Fort Worth. So people don't talk about here. Is it still affordable? If you have a basically entire major city drop into your city, that's not going to be an issue because you have the strong economy, you're going to have the. So the next list population, economic drivers need to be diverse.

Nancy: It should be like medical, it should be financial.

Palmy: It should be manufacturing. It should be tech education. You don't want a one trick pony town. You don't want one that's tied to, for example. It just like it's like Vegas leisure, its rents going up. But I'm just like, we are concerned about having that be Typekit basing the casino business, The entertainment business.

Nancy: So we want to have diverse economic base and the next one is rent growth. So rent growth is important, obviously. I mean, they're all tied together. But for example, Denver, Colorado for a time, their rent growth was hitting a ceiling. So you can only increase rent so much because you need to be able to have people can afford to live there. So there that's a really critical play because you need to make sure that our play typically has to raise rents are going to decrease expense. So can we raise rent in this sub market where the people can actually afford to live there? Mm-Hmm. Yeah. So these are some of our stuff on our simple checklist that we make.

Joe: OK, so what are some of the good markets you guys like to look at?

Nancy: Yeah, yeah. So the market that we like you look at said is like Dallas Fort Worth, Houston, Austin, Atlanta, Georgia, Phenix, Arizona,

Palmy: Tampa, Orlando, Jacksonville. And you can see the correlation with single family. I'm sure you also see that kind of pattern as well in single family where those are booming. They kind of go together. Mm hmm. So like as home prices, single family home prices rise to the point where it's almost unaffordable. Yes, who benefits apartment owners? Sure. Because they can't afford rent, they can't afford to buy homes. They're going to look to rent apartments.

Palmy: Even like loan like getting more strict to get. And that's why people can't get a loan to go, buy and qualify for single family homes. And home prices are increasing, so millennials can't afford to buy single family home for themselves.

Joe: OK, so you guys were putting your own money into different syndications, getting great returns, getting good tax write offs, right? Yeah. Very, very good. Talk about that for a minute, because I want to ask you how then you transitioned into like, Hey, let's raise our own money. Let's get our own apartments right? But talk about the tax benefits for a passive investor because it isn't always the case, right? Like you is the operator or the syndicator. You don't have to pass on the tax write offs to your private investors. Do you? You could keep all of that yourself.

Nancy: No, we have to pass it off and basically on every single day. So the only thing you can do is you can elect not to take the bonus depreciation year one as a whole as a whole, but it's not like we can't. We can't just like, let me take all that and give it to us. So basically, it's proportionate to the share that you own in the in the apartment in 2017 President Trump has the Jobs Act and tax cut, whatever the name is, but basically that's the 2017 allowed us to benefit from bonus depreciation. That's all the personal property of the five, seven, 15 year instead of doing it in five seven, 15 year increments. Now it's all pushed to your one point yet thirty nine point five. Yeah. So basically what what that means is like, for example, you invest one hundred thousand dollars. Like our first deal, we invested $100,000. That one had a depreciation of eighty three percent of that amount.

Nancy: So we got back $83,000 as a K-1 paper loss on year one.

Palmy: On year one. That's that's amazing. So as full time as a professional, you can offset your order income. So people who flip people who wholesale, if they qualify, you're making like, check with your CPA, we're not CPAs but you ordinary income comes in, you're offsetting. And so now you're making one hundred k you invest it. You made you wonder, can you invest one hundred now instead of paying that tax? Now you, it's become zero gains, but.

Joe: You only get that in the first year. That right?

Palmy: And you get you, you get the first year, the maximum because it's the largest portion. But every year, as we replace things, as we do turnovers, that still comes. It'll be less maybe like four or five thousand.

Nancy: So I think like people who start passively invest, they're going to like you you're going to make more money, not just one hundred thousand. You're going to making like one hundred, two hundred, five hundred, a million dollar and you can you want to continue investing in real estate. So getting this tax benefit every year is really what a lot of people are doing. And I want to touch on like Yes, passively investing. You don't make as much money in return, but you're making approximately, like I say, 70 to 80 percent, actually 80 to 100 percent return. But you know what you only spend like literally like half an hour for the entire time to make that, let's say you invest $100000 and you get about $80000, but you only invest 30 minutes of your life to do that. That's 30 minute. You're making $80000. That's a lot of money, right? Like you in terms of like your trading time for money. So that's why like when you think about the return, you have to also think of the time you're trading for it as well, right?

Joe: So how many deals? If you don't mind me asking how many deals did you guys invest in syndications?

Nancy: Before we start, or right now?

Joe: Well, before you started actually getting your getting your own apartments?

Nancy: Yeah. So we invest in many deals like three deals and then right now we're passive in 15 deals. So even as even though we're active investors, we still want to get that tax benefit. We want to leverage other people's time and experience because honestly, like we're not going to be able to get all the deals and we don't want to do like 20 deals in a year. You want to have a nice life. So we still want our money to exercise and work hard.

Palmy: And you know, and when we want to go into a new market, we go back to that same mindset that we got when we first started. Let's go learn about that market. We don't have to do a whole bunch of work this like we invested in Houston and we never invested as a syndicator in Houston. But we want to look into it like, let's, let's have someone bring us all the data, all the knowledge and tell us what pockets are the best. And so we invested in Houston. And that's what we do.

Joe: OK, so you were investing passively and what made you decide, you know what? Let's go find our own apartments. Let's let's hire a lawyer and help get the rights. Yeah. What do you call it? Like this? You have a private placement memorandum or whatever. To do it yourselves?

Nancy: Yeah. So basically, we just loving got passive investments so much and that we're like, OK, we're doing flip in Los Angeles, and that's taking a lot of time. And, you know, to deal with like the grind minutia, the minutiae of like the contractor to. Kermit, the city kind of where it was, and that's when we're like, wait a minute, like the people who win best, but they seem to have a really nice life. So like it's...

Nancy: Scalability instead of instead of us dealing with the contract, the property management team does deals with that. If there is a tenant complaint before I own a single-family rental, they'll call me to fix the plumbing or even the contractor who was doing the flip will call us for every single thing. How about this light switch light position like that tile? So we're like got tired of it.

Nancy: No, it's like the property management team. You leverage them. That's their job. All we have to do is tape. Was it done? And that's what literally just happened yesterday. We have a lender required repair. I emailed the project manager and I said, Hey, Josh, did you fix it? Is it done OK? Yes, he said. Here's the paperwork that says it's done. Here's a photo I had to do which just communicate that with the lender and say, Hey, you're required repairs have been completed. I didn't. Then I don't know who the contract. I mean, I know the name, but I don't know who the contractors were. I wasn't there when they were doing it.

Nancy: So basically, what led us to being active is basically we see that this could be. We want

that as our future. Instead of grinding, you know, like day to day, we want to work on the business scale, the real estate investment opportunity, whereas it's like doing like, you know, like what property managers are doing for us multifamily syndication. Yeah.

Joe: So then what did you guys do? What was the first step?

Nancy: So the first step is to form a team like basically since we just because multifamily is a team sport it can be just Palmy and I, right?

Palmy: So we look, we network, we we basically in multifamily, there's kind of three buckets of talents or five, five buckets of talent. So the first one is find the deal, find the money, be a good asset manager, have relationship with the broker and bring that one bring net worth or liquidity. So there's five buckets at the beginning. You need to decide what you like and what you can actually achieve. Can you fundraise or you're like on a deal? You find some people come in who are already commercial workers, and I see phenomenal success for them because they already have those relationships. Now they're just going to sit on the other side of the table, so decide what role you want to do and what you're good at and go fill this, fill the void. There's tons of people out there who can do that. One of the other parts. Once that happens, then you execute.

Nancy: You just go and find team and deals and just keep doing.

Palmy: And that's how we got started. Our first property, we came in, we didn't find the deal, but we were able to help with the investor relations. We have connection with people who have money. We can raise money and we can do like communication and an then..

Nancy: Asset, manage the property, stuff like that.

Joe: When you say asset manager property, what does that mean?

Palmy: So basically we manage the property manager.

Nancy: So once we take over the property, that's when you have to do the operation, which is...

Palmy: Executing the business plan, making sure that, hey, we have a plan on what rent growth needs to look like, that the property management team is executing or we have a major capex project happening. What's the timeline? Which which one do we do first? Do we redo the painting or do we do something that improves the income, for example, like if we were to rehab these interior of the units, we can raise rents. We should focus on that first. Yeah. So things like that. So it's more managing the managers. Not really day to day, not signing leases or something like that.

Joe: One of the questions have always had is when you're doing big multifamily is in multiple markets, do you find one property manager that is in each market that manages all your properties? Is that how it typically works?

Palmy: We try to as best as possible because you get a continuity with the team, so you know

the rhythm and property. I would say one of the biggest challenge people face is finding the good property management team. They mean well, but they're operating thirty thousand units. Sometimes it's clunky, sometimes. For example, like financials are reported on a crucial basis versus cash, where sometimes I just accounting stuff, we have to match up. Other times, it's just like, you need people who actually are genuinely they have enough bandwidth. Sometimes it's like when you're too large and the regional manager has way too many properties, they're not going to be to have the oversight that you need. And so you need find...

Nancy: I Think all the success the team member property managers are like the most one, even the actual property manager who's on site, they're the face of your business. They're the one who's interacting, interfacing with your residents and bringing new people in. If that person does a poor job or doesn't care, your business is in a lot of trouble. And that's why that asset manager's job to monitor and track that on a weekly basis.

Joe: Have you ever thought about just hiring your own property, starting your own property management company and putting your own employees at each different apartment?

Palmy: It's about scalability as well. It's like at some point it may make sense for some people, but it's also about what what you're interested in doing. Our passion? Yeah, we're not interested in having more employees and trading more time for money that way.

Nancy: We'd rather find the right property management company to partner with and deal with. That's their genius on let them handle that and we do we do what we were best at.

Joe: I can imagine finding a good property management company is going to be can be challenging, right?

Nancy: Definitely. And it's a trial and error thing. They can be great and something can happen in management. And then all of a sudden there's a drop off and you have to be sure that you were like aware if you were reacting six months after the fact. That's way too late. You need to be basically on top of that part.

Joe: Wow. Have you guys seen any impact on? It seems like in the economy right now, it's hard to get. It's hard to find employees. It's hard for companies to hire. Yeah, right now, are you seeing that in the property managers space are hard to find the people to clean up an apartment, get it ready for the next tenant and paint and fix things.

Nancy: We're lucky because the team that we have are like our solid and we take care of them really well as we make sure that they know that they're respected and they're appreciated and they're compensated well in general. Yes, there's a supply chain issue with everything like materials. Sometimes it's hard to get and also like sometimes when we use, like outside contractors, sometimes the timing isn't right because they may be short. But in general, if you think about it, even 200 unit apartment, it takes like four to five people, four or five. It's not like 10 or 20 people or 30 people. So if you work with a strong property management company, even if you're down one, you'll have floaters. They'll have people whose job is to fill in when someone's out or there's a need, they'll

come in. So we have a major project we may say like, Hey, I need an extra guy for the next two weeks to do this renovation or something. There's a huge turnover that's happening. And that's key. So when you have a property management company, make sure they're not too small. And make sure they're not too large. There's like a Goldilocks zone where it's the right size, where they have enough people who they can afford to have floaters versus, like, Wow, now I need an extra person.

Palmy: Okay, yeah. So we haven't had that experience even throughout the time being, the properties.

Nancy: And we just emphasize like, hey, be like health wise, like, make sure you're you're we have like sanitizing stations and all that stuff, and just make sure we control the interaction with the residents at the beginning so that no issues on the COVID front.

Joe: OK, so you guys created a PPM, you started raising money, you started building your team. How did you find the deals?

Palmy: It's pretty simple. It's like it's like you find single family homes.

Nancy: You connect with brokers like the off market deals in a hot market and seller market. It's not really going to be there. There's not a lot of distressed properties that are people are going to be willing to just offload. So you need to be able to build relationship with brokers like single family. It's all about relationships. We've done deals where we weren't the highest bidder, but they believed in our execution and then they awarded us a deal. And so it starts with you building a relationship. It's not going to be you don't come out the gate and buy three hundred units. You may start out with sixty five. Our first one was seventy six. So you start, you start small. You prove to them that you can do this if you go in and all of a sudden start writing offer on one hundred million our apartment from day one, they're not going to take you seriously. You can flash all the money you want. They don't care. Everyone has money. That's what they'll tell you. So I would say like that was where you have basically...

Palmy: Like building relationship with strategically key players...

Nancy: Or like, let me say, there's a five bucket go connect with someone who's really awesome and deal flows, but not very good at asset managing or doesn't like it or need someone to help raise money or need some boots on the ground, stuff like that.

Joe: Interesting. Okay. And so talk about some of the deals you guys have done.

Nancy: Yeah, so. So actually, we just made our...

Palmy: So first deal with seventy six units and we close that August 2019. So that was two years ago, and on November 8th, we just sold It was just three days ago, three days ago we sold it. It was cash flowing into our time or

Nancy: Overall our turnovers, over one hundred and forty four for two years in two years. So

that's like seventy two percent in annualized.

Joe: Really good. That's awesome.

Nancy: Yeah. And so our investors then that includes that's inclusive of the cash flow. But the entire time from the start, within three months, we were we were distributing cash flow on a quarterly basis and we never stopped doing it the pandemic. I think it was like eight percent annualized last year during 2020, and we continued the entire time. And so like, that's kind. And in that also the tax benefit. So if you if you add that plus, I think it was like, what was it like? Seventy something.

Palmy: So like, let's say you invest easily like a hundred thousand, you're getting back 100000 plus one hundred forty four thousand dollars, plus the tax benefit of eighty thousand. So you're getting two or two hundred twenty thousand dollars like two hundred twenty x two point two x. Yeah. So your investment money and this is like again it and you only spend 30 minutes doing this transaction, right? Because you're just like signing the PPM and wiring the money. That's it.

Nancy: Listen to the webinar.

Palmy: If you want to listen to a webinar, that's an hour, Max, so it's like one and a half hour and you're getting back

Nancy: It's not a guarantee and two point two half performance is not a guarantee of future outcome, but in markets that we're investing in, we're seeing similar returns even with the other passive investing, and we're going to get a 2x return on that two point, oh, two or something. So it's possible and it's happening today.

Joe: So talk about some of the other deals you've done then.

Nancy: Yeah. So we have another deal that we're actually under...

Palmy: Contract for selling another property. And you just bought this April 20 20. Wow.

Nancy: So one, that's one under contract.

Palmy: So we're going to be closing in December, December. Yeah. And then we just closed another deal on a buy site in Atlanta, Georgia, that we're projected to give our investor or 100 percent in five years or less.

Nancy: So that's two hundred forty four units

Joe: When you're raising money you can only raise from accredited investors. Is that correct?

Nancy: So we do 506B, which means that we have to already have a preexisting relationship. With that said, we can raise unlimited amount of accredited but up to thirty five sophisticated investors.

Joe: OK, explain the difference for everybody. The difference between an accredited and a sophisticated investor?

Palmy: Accredited investor has to have an annual income of...

Nancy: For individual $300000 as a joint married couple. Actually, I'm sorry, 200 for single and joint $300000 or net worth, including your primary home of over a million dollar. That's considered a credit investor. And for sophisticated investors...

Nancy: Sophisticated is a little bit more nebulous. Is someone who has a business or has a business acumen who understands risk and reward of real estate. This is basically the SEC, the security change excommissions way of protecting investors. They don't want us to. We don't want like a Robin Hood scenario with like game GameStop, where people don't know what they're doing and just throw money at stuff that's not who they want to trust to attract. So people, just basically, if you've already been in real estate or you've invested, you're a business owner, you've studied this topic generally, you can be considered citizens. Get it. Yeah.

Palmy: So normally there's like two main type of offering five or six B and five or six, and I promise we do five or six B where we take both accredited and sophisticated investors. Nice.

Joe: All right. And so what are some of the how many apartments doors do you guys manage or own right now?

Nancy: Yeah. So we went from zero and now we have over 100 million dollars under management. Yeah. So and that was just three years ago. So it wasn't like 10 years ago or anything like that.

Palmy: They're big dollars. It's a it grows, it compounds quickly. And so it's physically like for us and I think for a single family home, people also get that you have to come over. That mindset is like they're just comma's right? It doesn't matter if the number makes sense. If you're capable of managing that size on property and you're able to raise the money, then it doesn't matter. If the deal makes sense, then you buy it.

Joe: So I'm looking at your website. Yeah, your website is thekittisisters.com, right? Yeah, yeah. And you spell that Kitti. Hmm. K i t t i. So thekittisisters.com, great looking website. If you could tell me who built your website, let me know.... You did. Really? It's really nice, and you probably don't build websites for other people. I know that. But it looks really nice. You have a great looking website, and so you guys have a podcast as well. Is that right?

Nancy: Yeah we're launching next month our podcast. Yes.

Joe: And you have a blog here as well. And so you guys are, you know, you're always looking for investors. Talk about do you have any deals that you're looking for investors on right now or what are you looking for?

Nancy: So basically with the with the 506B, we can we can do general solicitation. We can just toggle on the public like a podcast like, Hey, this is our deal specifically. But of course, we're always welcoming new investors into our pipeline. So on our website, there's a button called invest now, invest with us. Basically, people who are interested can click on that, and then we start that communication ahead of time. Once we have a property under contract.

Palmy: We always have deals, so we will solicit what you have to get through that pipeline. Then we'll meet, then we talk and be on the waiting list to be investing with us.

Joe: All right, so nice. You have to have you got to get to know them and they need to get to know you. Yes. How do you do that?

Nancy: And so we always encourage people to before you invest is like, get to know, does your sponsor get to know us, see you like us and, you know, want to like, work with us before you like, hey. So in our case, they click that button.

Palmy: It goes to, I think, a short questionnaire and then you just get schedule with us.

Joe: Nice. Okay. Yeah, I'm looking at your form. It's really nice and you're just asking for emails and names and all of that.

Palmy: Don't forget to write yours.

Joe: I'm looking at right now. So then cool. So let me see what is the Kitti club? What is that?

Nancy: Basically, that's our investor club. Yes. So people who join it, so right now, like we're taking waiting lists right now because it's just overwhelming, like doing like hundreds of millions of dollars. So we have a lot of investor who wants to join the club, the Kitti club, so that you can invest alongside us.

Joe: Nice. So you also have a page on your website here for your portfolio. Yes, and it's quite impressive. My goodness. Twenty six hundred plus units, doors, maybe you've sold some of these, you know? Yes, fast, right? But over 14 large apartment buildings. I'm looking at these things, man. So you're in Houston for some of these are older deals, I'm sure. Phoenix, Fort Worth, Austin, Atlanta. Nice.

Nancy: Yes. Yeah, awesome. Other markets that we recommend people to go, we would do that like we would go invest in those market as well.

Joe: Good for you.

Nancy: All right. Well, we're living in L.A. Yeah.

Joe: Do you guys travel much at all? Well, I think you do, because I've been looking at your website, you're you guys traveling all the time.

Nancy: We do. We travel for pleasure and also for work. And then we obviously make sure that we're on site from time to time. Surprise visits are always great because you get to see what they do when when they don't know we're going to be there, how the property actually looks. But you always want to make sure you have boots on the ground that can do more like theProperty Tour or something like that on a weekly or bi monthly basis.

Joe: What do you guys do for fun? One of you has got to be a photographer.

Palmy: None of us are photographers. We just like to. We just like you to cover the world what we like to capture the moment like through camera. And it's just our hobbies, basically. And, you know, just seeing the world and then sharing our life with, you know, our people, our tribe, you know, and just want to empower people to like hey in this lifetime is not just about working, is about, you know, living your life to the fullest, and you can do that by choosing certain direction that you want to go.

Joe: Nice. What are some of your goals for the future?

Palmy: Hmm. This is so good. So basically, we want to actually make more impact because currently we're able to help like a certain amount and we want to be able to help like over a million people to actually secure the financial future while paying zero taxes, because we think that's our mission to help. And on top of that, we love to help with animals and you know, we want we...

Nancy: Want to be more impactful with the animal sanctuaries, and elder people. So we're passionate with our passion is our animals and helping the elderly. So part of the mission is to grow this business where we can start a trust, that a perpetual trust that will live on beyond us because these apartments will continue to make cash flow and and be able to fund these so.

Palmy: So that would be our ultimate goal. And I think in twenty twenty two and beyond, we hope that we can achieve that properly.

Joe: Awesome. So again, your website is did i spell that right. You did. In the Kitti sisters dot com, the K I T T I sisters dot com. I got a great website. You can you can follow you guys on Instagram and Facebook as well. DM us Yeah, nice. Why thank you guys for being on the show and look forward to maybe seeing you again in Boise at the next mastermind. Cancun? I don't know if I'm going to Cancun. That sounds like a lot of fun, though, but I have to bring my whole family and if I did, that would be fun. They would love it, but I don't know if I want to take my family to a business trip. But anyways, we'll see. Hey thank you so much for being on the show, Palmy and Nancy. I appreciate you guys and anything else you say. Final words.

Palmy: I think like the last thing is like, whatever you guys want to do. Just know that it takes that first step and take that action. Sometimes people are afraid to make that leap of faith, but what you need to do is realize that you're fully equipped to do whatever you need. You already have the knowledge and the inner ability to do it. Don't be afraid to take that action because inaction is just as risky, if not more.

Nancy: Yes, and if anybody wants us as your accountability partner, then just contact us, DM us or whatever. We'll be there to support you throughout the whole journey.

Joe: All right. Palmy and Nancy, theKittiSisters.com. We'll see you guys later. Thanks again.

Nancy: Bye. Thank you.