Unlock the unlimited potential of real estate investing by finding the right partnerships to fuel your success!

Real estate investing can be complicated—you need time, money, experience, and connections to start and scale your business effectively. Rather than struggling to do the heavy lifting on your own, finding a real estate partner can fast-track you to the portfolio of your dreams. No matter what resources you need for your investments, the right partnership can fill the gaps and bring your investing to the next level.

Ashley Kehr and Tony Robinson, cohosts of the BiggerPockets *Real Estate Rookie* podcast and longtime business partners, will show you everything you need to find, vet, and structure your perfect partnership. Discover the truth about tactical business partnerships in real estate investing, and make more deals happen!

After reading, you will be able to:

- Determine if an investing partner is right for you and your situation
- Overcome "imposter syndrome" by identifying how you're uniquely qualified
- Find and vet the perfect partner for your investing needs
- Avoid common partnership pitfalls and mishaps
- Present your investing strategy, align on goals, and communicate effectively
- Structure your partnership so it's a win-win for everyone

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ROBINSON & KEHR

REAL ESTATE PARTNERSHIPS

TONY J. ROBINSON & ASHLEY KEHR

Cohosts of the BiggerPockets *Real Estate Rookie* Podcast

REAL ESTATE PARTNERSHIPS

How to Access More Cash, Acquire Bigger Deals, and Achieve Higher Profits

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Real Estate Partnerships

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Tony J. Robinson and Ashley Kehr

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Chapter 1

THE MISSING PIECE

— Ashley —

Partnership, no matter the type, brings possibilities. Whether you're choosing a life partner, a business partner, an accountability partner, or a dance partner, partnership is possible in almost all aspects of life. This book focuses on business partnerships and, more specifically, real estate investing partnerships, but you'll find that many of the takeaways apply to all kinds of partnerships or relationships in life.

Before we dive into learning how to create a strong and successful partnership, how to find a partner, and how to structure the partnership, you should first consider if you actually *need* a partner. Taking on a business partner is a huge responsibility. There are many ways to get started in real estate or to continue to grow your real estate business without a partner, so let's explore some reasons you may want or need a partner.

Why Do You Want a Partner?

There are four main reasons you'll want to partner on a deal: time, money, knowledge/experience, and confidence. These four factors are the crucial puzzle pieces to getting your next deal. Let's break each one down:

TIME

How busy are you now? Do you binge Netflix shows? Is your phone alerting you that you spent ten hours scrolling social media this past week? Is your current job taking up all of your time? Do your kids participate in every after-school activity? Do you get to take a nap each afternoon?

We each get the same twenty-four hours in a day; it all just depends on what you do with it. Everyone's circumstances and situations are different, but you need to decide if you have the time to invest in real estate on your own or if you require a partner who has the time.

Before you even start to think about whether you have the time, you need to complete a time study. There may be a few of you who are already diligent and know exactly where your time is going, but most of us don't track our hours. For those of you who think you have the time but have already checked social media twice while reading this chapter, you may want to do this little assignment.

You are going to track your time for one week (or better yet, two weeks). Start with jotting down each activity, task, or obligation you complete each day, along with the time it takes you to complete it.

A sample day might look like this:

- Twenty minutes hitting the snooze button and reading news headlines
- Thirty minutes getting ready for work
- Forty minutes driving to work (including a stop for coffee)
- Eight hours working (you could even break down your workday to see how productive it is—if you care to know)
- Forty-five minutes running errands
- Ten minutes scrolling social media in the driveway
- Twenty minutes making dinner
- Fifteen minutes eating dinner
- Fifteen minutes putting laundry away and talking on the phone
- Thirty minutes searching YouTube videos for the best movie quotes of all time

- Ninety minutes watching Netflix
- Ten minutes taking out the garbage and checking mailbox
- Fifteen minutes getting ready for bed
- Sixty minutes watching TV and scrolling social media

If you cut out the ninety minutes of Netflix and sixty minutes of TV and social media, you just gained an additional two and a half hours to research or invest in real estate. If you really want it, you'll make time for it. Sometimes just seeing a visual of how much time you spend on other activities that aren't producing income or adding value for your family can give you that extra push to change your habits.

Tracking is big in the personal finance community too. You may think you know where your money is going, but once you sit down and write out how much is going where, seeing it all on paper can be a huge eye-opener. In turn, it might make you want to cut down on expenses in order to save or pay down debt. Throughout this book, we will mention how imperative visuals can be to get a point across or to make a statement or impact on what you are trying to convey.

How you spend your time will also depend on your strategy and the type of investing you are looking to do or may be currently doing. If you have the time but don't want to spend it investing in real estate, that is perfectly fine too. Isn't that why most of us want to invest—so we can achieve that freedom of time? Isn't that the real win, not how many units you own or houses you flipped? Taking on a partner strictly to help you achieve more free time in your life is a great reason to do it. Even if you have the time, it doesn't necessarily mean you have to or want to spend it investing.

With a partnership, there will be some give and take. Obviously, you will have to give up something to entice a partner to utilize their own time; usually, that is equity, which subsequently gives up your return on the investment or profit. You just need to decide if you are the person bringing time to the puzzle or if that's where you need someone.

Remember, as the puzzle fills, you will want to add value and bring on a partner who complements what you may not be contributing to the partnership. There are no right or wrong pieces to bring to the table.

MONEY

After evaluating your time commitment, it's time to look at your money. Lift up the mattress and count those dollar bills you've been shoving under there. How much money can you comfortably put toward your next deal while still having reserves and being able to pay all your bills? Is there a sizable stash, but you are still after OPM (Other People's Money)?

If you don't have money (or you do but don't want to spend it), then finding a partner who does can be an asset to you, especially if you are bringing another piece (or pieces) to the puzzle. Maybe you're able to contribute a certain amount, but you want to invest in a more costly property. Pieces of the puzzle can be shared between partners. Keep in mind, you can also have multiple partners to complete the puzzle.

We all know that money is needed to buy real estate. However, a common misconception is that it must be *your* money. The truth is, you don't need to solely use your own money. Are there different ways you could "find" money? A couple of ways you can tap into money include the following:

- **Refinance or get a line of credit on an existing property you own that has equity in it**

  Example: A primary residence has a current mortgage of $220,000. The property appraises for $320,000. The bank states they will give you a line of credit up to 85 percent of the appraised value excluding the current mortgage balance.

  $320,000 × 85% = $272,000

  $272,000 – $220,000 = $52,000

  The bank would give you a line of credit for $52,000. (Of course, this also depends on your credit score and debt-to-income ratio.)

- **Get a portfolio line of credit**

  If you have a brokerage account, at certain times you can get a line of credit and use the brokerage account as collateral. There are requirements, however, including having a certain amount in your brokerage account in order to apply, maintaining a balance, and using an account that isn't a retirement account. This is often called a "portfolio line of credit." It's typical for banks to lend 30 percent of the account balance, but there are banks that will lend more than that, sometimes up to 60 percent.

Example: You have an investment brokerage account with Vanguard. This is a non-retirement account. The current balance at today's market prices is $126,459.

The bank offers you 30 percent of the current balance.

$126,459 × 30% = $37,937.70

Your line of credit is $37,937.70.

- **Borrow from your 401k**

  This is money that will be pulled out of the stock market that you can use for whatever you'd like. The loan will be paid back through a deduction from your paycheck. You do have to pay interest on the loan, but since you are borrowing from your own 401k, you are technically paying yourself interest. There are, of course, limitations on how much you can borrow. As of 2022, the limit is $50,000 or 50 percent of your vested account balance.

  Example: Clinch Landscaping offers a 401k retirement account where you have a balance of $64,451. When speaking with HR, you are told that you are 100 percent vested in the 401k balance. This means you have worked there long enough that the money Clinch Landscaping has contributed on your behalf as an employee benefit is 100 percent entitled to you.

  You are eligible for a loan of 50 percent of the current balance.

  $64,451 × 50% = $32,225.50

  The loan amount you are eligible for is $32,225.50. The loan is amortized over five years and repaid with principal and interest out of your paycheck each week.

- **Find a private money lender**

  Is there someone you know with money who may want to be a private money lender? Could you seek out a money lender at a meetup? A private money lender won't have equity in the deal and won't be your business partner. This is a business relationship, but they aren't tied to you like a business partner would be. You would pay them a set return on their money or even offer them a profit share (which can be structured in many ways depending on what you negotiate), but they wouldn't be an owner of the company or property.

Example: Remington has a friend who has just retired and sold his company. Remington approaches his friend and asks him if he knows anyone who is looking to invest their money in real estate instead of having it sit in a bank. Remington's friend says, "Well, actually, *I* am looking to do that." Remington borrows $100,000 from his friend to purchase a duplex and will pay his friend (now acting as a private money lender) 6 percent interest over ten years. Remington's attorney files a mortgage stating that the friend is the mortgage holder and has a lien on the property until repayment is made in full. Remington is the full owner of the property and makes monthly mortgage payments to his friend.

Those are just a few ways you can find the money for your deal. If you're not interested in having a business partner and are simply doing it because you think you need money to fund your deal, make sure you explore all other possible options first. By forcing yourself to enter into a partnership when your heart isn't in it, you're building that partnership on a shaky foundation and setting it up for failure.

KNOWLEDGE/EXPERIENCE

Knowledge and experience are similar concepts, but it's worthwhile to explain the differences between the two.

Knowledge comes from *learning*. You gain knowledge from spending hours interacting on the BiggerPockets forums, reading BiggerPockets books, and listening to the *Real Estate Rookie* podcast.

Experience comes from *doing*. You gain experience by analyzing deals, project-managing your rehabs, catering to the guests at your short-term rental, and working with tenants at your long-term rental.

But here's the truth about the world of real estate investing: It's massive, and there are so many disciplines. There are some investors who have massive amounts of experience in one discipline (like house flipping), but they might be completely clueless in another discipline (like small, multifamily).

This means that in a partnership, experience is obviously incredibly helpful, but simply having the right knowledge can have a big impact as well.

For example, let's say you want to transition from house flipping to short-term rentals. Even though you're exceptionally good at finding off-market deals, managing rehabs, and sticking to budgets, you know nothing about designing a property, managing guests, or using pricing tools.

Aside from quickly gaining all of that short-term rental knowledge yourself, you have two options: You can either partner with someone else who has the knowledge and experience to manage short-term rentals, or you can outsource it to someone who works for you as an employee or contractor who already has the knowledge.

There are pros and cons to each option. When you create a real estate partnership, often you're giving up equity in the deal. Then when you outsource it, you must be able to absorb the cost of that person.

As you build and scale your real estate business, there will always be gaps in your knowledge and experience. Deciding between partnering and outsourcing comes down to which strategy aligns most with what you want. Again, since the world of real estate investing is so expansive, it's unrealistic to think that any one person can master *all* disciplines; this is why partnerships are so useful and powerful. They allow you to shortcut the amount of time it takes to acquire knowledge and build your experience.

If you're reading this and feel you already have enough knowledge and experience to get started, but for some reason haven't been able to pull the trigger on a deal, then it's possible something else is holding you back—perhaps the fear that you don't actually know what to do. That leads us to our fourth puzzle piece: confidence.

CONFIDENCE

As hosts of the *Real Estate Rookie* podcast, we've been fortunate to talk with hundreds of aspiring real estate investors. One of the most common statements we hear from guests is that they've read all the books, listened to all of the podcasts, and watched all of the YouTube videos, yet they just can't shake the fear that there's still something they don't know or that there's still more they need to learn. They might feel uneasy that their investment won't be successful or afraid that something will go wrong.

If this sounds like you, let's explore some ways you can get rid of that fear for good.

One way is by bringing on a partner who has solutions to the problems you might encounter. Even the most experienced investors struggle with fear, especially when venturing into bigger deals. Partnerships offer a way to minimize risk. This ties into the previous puzzle piece: If you partner with someone who has the right experience, the partnership then increases your confidence and reduces the perceived risk.

Have you ever been in a situation where partnering up with someone made things just a *little* less scary and gave you the confidence to move forward? Maybe it's going to a meetup and walking in with a friend instead of walking in by yourself and not knowing anyone. Or maybe it's jumping off a two-story rock with someone rather than alone. Simply having someone by your side can increase your confidence.

There are a couple of different aspects of this confidence piece, which we'll explain later in the chapter, but let's go over an example first.

My first partner played a critical role in this puzzle piece. I was terrified of something terrible happening. What was that terrible thing? I truly didn't know, but it was something along the lines of a tenant falling down the stairs and suing me, or the wind blowing the roof off the top of my house. These are all reasonable scenarios to lie awake at night and ponder, right?

To help ease those fears (and sleep better at night), I took on my first partner. Throughout this book, we'll refer to my first partner as Evan, because that's his real name and he deserves a little recognition. Evan had resources that I didn't (like money). By partnering with him, I was able to mitigate that particular risk.

The first way Evan boosted my confidence and helped me get over my fear was by trusting me to invest his life's savings into my first real estate investment. That was a major boost to my confidence because, at that point, it wasn't just me who had vetted the deal and believed in it. Evan also vetted it and believed in it enough to put in all the money he had to buy the deal. That made me think, *Okay, I must be on to something.*

Secondly, between the two of us we had enough brainpower, adequate resources, and a network of people (mostly Evan's at this time) to solve any of those worst-case scenarios that were keeping me up at night. His network and net worth made this deal possible.

Assembling the Four Pieces of the Puzzle

To ensure that you both *want* and *need* a partner and to start creating a strong foundation for a partnership, go over the four pieces of the puzzle—time, money, knowledge/experience, and confidence—and decide which ones you think you are missing or need fulfilling. Fill in the table below and for each puzzle piece state whether you already possess that piece. Be sure to explain the *why* behind each answer.

PUZZLE PIECE	EXAMPLE	YOUR RESPONSE
Time	I work a nine to five job and focus on real estate from 7:00 p.m. to 9:00 p.m. on most weekdays and from 4:00 p.m. to 8:00 p.m. on Sunday evenings.	
Money	All of my money is invested into a property I am currently flipping. I don't have the funds to purchase another deal.	

Knowledge/ Experience	I have flipped three houses and have the experience and knowledge to complete another one. I have a reliable contractor on my team and have a deal picked out. I don't know how to create the best system and processes to make flipping more efficient to grow and scale.
Confidence	I am confident I can flip another house. My only fear is that I am taking on too much risk by flipping multiple homes at once without enough in reserves.

Taking on a partner is more than just figuring out who needs what from the other; it's a relationship. You have to work together, and that's not always easy. Even if it's going to be completely passive for one investor, there will still be decisions that need to be made together and responsibilities you'll share with one another. Are you willing to make that commitment?

Even if you are just bringing the money and need someone else to provide the other pieces, you still have a responsibility. It's easy to think, *Well, they are obligated to me because they had better do whatever it takes to not lose my money*, but you have the responsibility of getting the money to them, and, depending on how the deal is structured, that could mean possibly putting more money into the deal and avoiding trouble that could impact your business for the partnership.

There's a joke that goes around that it's often more difficult to separate from a business partnership than a marriage. At least marriage laws are in place within your state, so you have an idea of what will happen! Meanwhile, if you don't have proper documentation for your partnership, everything could be up in the air if a split between you and your partner happens. We'll discuss documentation in Chapter 6.

The Final Perk

There is another aspect to deciding if you want a partner that really isn't a puzzle piece, since it's not necessary to get your deal done. It's more of a perk.

It's about not being in it alone.

There are people (including me) who thrive from working with others. I love brainstorming ideas, the thrill of celebrating wins, working out solutions together, sharing the risk, and being able to rely on each other. There is great benefit in surrounding yourself with like-minded individuals, especially if you each own the same type of business; you have the same goals and mutually benefit from doing the best you can. A person could attend a mastermind event or have an accountability partner, but no one will be as dedicated to the success of that business as someone who has equity in it. Mastermind events and accountability partners are awesome and have their own impact on your business, but they're different from what a partner can bring to the table.

To highlight the differences, let's break down what an accountability partner is and how it compares to having a business partner. An accountability partner—a good one, at least—calls you out on all your crap and is your biggest hype person (that's the informal definition). This person will keep you on track, check in with you, and make you want to do what you say you'll do so you don't disappoint them. The most important part about having an accountability partner is that you reciprocate all of those things: You check in with them, you hype them up, you call them out when they aren't doing what they promised to do to improve their business or themselves. This person really doesn't need to know the ins and outs of your business and has no benefit from your business thriving or dying.

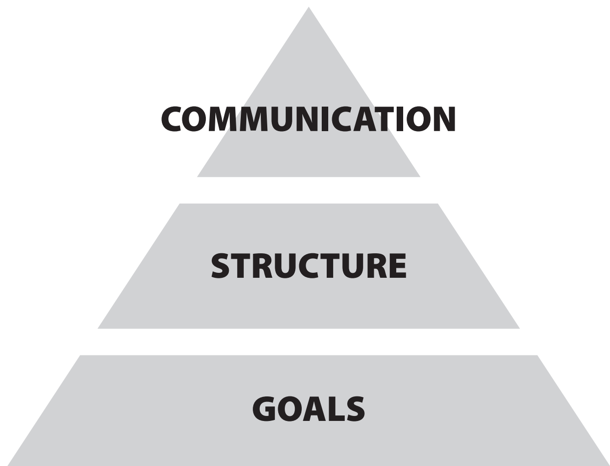
A business partner, on the other hand, does. They are also at risk if you don't perform or do the things you say you'll do. Your actions affect the outcome of the deal, which in turn affects all of the owners of the deal.

The Partnership Pyramid

One of the most common questions asked by those seeking a partner is how to structure the partnership. It's a great question, and I promise we will answer it in detail in Chapter 6. There are many other factors to consider besides the structure, however, all of which we will cover throughout the book.

To help you better understand all of the elements you should consider when partnering, we've created a framework called the Partnership Pyramid. The Partnership Pyramid is a visual representation of the layers that make up a successful real estate partnership. Each layer builds upon the layer below it, and as you master each layer you increase the chances of making your partnership successful.

The three layers of the Partnership Pyramid are Goals, Structure, and Communication. There are tactical pieces and key action items that need to take place for each layer.



GOALS

The first layer of the Partnership Pyramid is Goals. When we talk about goals in a real estate partnership, we're trying to understand how aligned the two partners are: Are they on the same page and moving toward the same goals? Do they share the same long-term vision for the partnership?

In Chapter 5, we'll explain how you and your partner can establish shared goals and create alignment. But before you can work on goal setting within your partnership, you have to truly understand yourself and identify your unique skills and abilities. Ultimately, you should understand the value that you bring to a partnership and the ways you can help that partnership achieve its goals. In Chapter 2, we'll walk you through the exact steps you need to truly understand all of the ways you can provide value to a partnership.

STRUCTURE

Structure is the next layer of the Partnership Pyramid. It refers to the agreement between the two partners as to each partner's specific roles and responsibilities within the partnership, along with the ownership terms. All of Chapter 6 is dedicated to showing you how to structure your real estate partnership. There is no "right" or "wrong" way to structure your partnership, so our goal in Chapter 6 is to give you a solid understanding of all the elements that make up a partnership and allow you to choose the pieces that make the most sense for your situation.

COMMUNICATION

Communication is the final component of the pyramid. No relationship can thrive without clear and concise communication. How many circumstances can you think of where things didn't go well because of miscommunication?

It's important to note that communication isn't always just talking and sharing what's on your mind. Often, solid communication in a partnership comes down to how well each of you listen to the other. Listening without being worried or focused on what you are going to say next is an important skill to develop. Have you caught yourself planning what you'll say next before the other person even finishes their sentence? How can you actually pay attention to what someone else is saying if your mind is distracted by what you plan to say next?

Chapter 9 is all about establishing effective communication within your partnership.

BUILDING THE PYRAMID

As you create your partnership, keep these three layers of the Partnership Pyramid in mind. This book will help you successfully build each layer so that all the fundamentals are in place for a solid working relationship with your partner. There are many aspects of a partnership that will make it succeed, but, like anything else, you need a strong foundation to hold it all together.

Are You Ready for a Partner?

Let's close out this chapter with one more anecdote.

I hired a home inspector for my first investment property: a duplex. The home inspector, Lloyd, asked me about myself and the property. He was thrilled to hear it was going to be my first investment and told me he'd built a portfolio of investment properties several years ago with a partner; unfortunately, he had had to sell them all. Lloyd went on to explain that his partner was getting a divorce. In New York state, marital assets are divided 50/50. The partner could not afford to pay his wife 50 percent and keep his equity in the properties, so they sold the properties and he split the sale proceeds with his wife for his percentage.

Lloyd hadn't reinvested his proceeds from the sale and told me how much he wished he still owned the properties. At the time, I didn't know to ask more questions: Did you have an operating agreement that stated what would happen in the event one of the partners wanted to sell and the other didn't? Would you have been able to refinance some of the properties instead of selling them? Questions now swirl in my head so I can protect myself should that exact scenario happen to me.

The easy answer would be for neither partner to ever get married. However, I have learned a lot over the years, and I know there are better ways to protect yourself than demanding your partner never marry! This is just one scenario in which a partnership can go wrong, and you have no control over the situation (like someone else's divorce affecting you).

Are you ready for those curveballs? Do you still want a partner? Hopefully you will keep reading and implementing the information in this book, so you'll already have solutions to these worst-case scenario issues before they arise.

Now that you have decided you want a partner, how can *you* add value to that partnership? We'll spend the next chapter discussing this very question, which is critical to your goal-setting foundation. It's something you want to ponder and evaluate before you even start to inquire about what exactly a partner will do for you.

REAL-LIFE PARTNERSHIPS

Joseph Breamer
INVESTS IN: Tennessee

Network, time, and money: these are the three ingredients necessary for a deal and profitable partnership. This three-way partnership consists of:

- PARTNER 1: Has access to off-market deals and local network expertise in the markets he operates in.
- ME AND MY WIFE: Run a successful short-term rental cohosting company and have the time and passion to self-manage short-term rentals.
- PARTNER 2: Brings capital and the urge to grow his portfolio.

The off-market short-term rentals come from Partner 1, the capital comes from Partner 2, and the management comes from my wife and me. Put all the ingredients together, and we make a beautiful dish powered by partnerships!
