

LILIAN:

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CORWYN:

Good morning, good morning guys and great morning. Welcome to another fabulous episode of [Exit Strategies Radio Show](#). Hey, I'm your host, Corwyn J Melette, broker and owner of [Exit Realty Low Country Group](#) in beautiful North Charleston, South Carolina. Hey, if this is your first time, I mean your very first time listening to this show, you sir or ma'am are in for a treat because our mission is very simple. That is to empower our community through financial literacy and real estate education. Guys, with legacy building, that is what we do. Always got to give a quick shout out to those who listen to us faithfully here locally in the Charleston region. Hey, elder and pastor. I start with pastor, Vanderbilt, I haven't seen you, that dude will jack me up and I'll put that senior on that guy's name. My mama out there in Monkeys Corner and everyone back towards Hollywood with no good, we appreciate you. And those who listen to us up in the PD region, up in Marin and Mullins, look at y'all my hometown, y'all my homeboys, my homegirls, and we love you and we thank y'all for tuning in. So I'm super excited about this conversation and this show today. We always like to talk about growth and all that stuff and our show is really about mindset. We talk and focus on legacy and I want to encourage you all to make sure that you don't allow this conversation or these conversations to go too far above you. And what I mean by that, you want them to go a little bit above you because you want to have something to aspire to, all right? But we don't want to let them go too far where you feel they're unattainable or unreachable. We want to make sure we focus on giving you micro bites, if you will, and giving you the connection so you can essentially climb the ladder until you get there. So guys, today is one of those conversations that we're having. I'm super stoked about this guest that we have on the show with us today. Now I'm going to start by giving you this to kind of lead you in guys. So scaling from residential to commercial real estate isn't just about participating or taking on bigger deals. It's about making smarter decisions backed by solid numbers with hands-on experience managing financial models for an 80 million, that's a big number, \$80 million development pipeline building tools that simplify complex analysis for everyday investors. Our guest today, Lillian Chen, reveals how data systems and confidence driven models can help real estate professionals. And we talk real estate professionals, guys, we're talking about you that aspire to. Now she's the founder of [Proptimal](#). I'm excited to get into that today, building the 10X real estate analyst platform that makes institutional knowledge, tools, and resources accessible, guys, to us here that are everyday investors, if you will. So she has advised on more than 10 billion in commercial real estate transacts across 200 plus firms from first-time investors to institutions with billions under management and has taught hundreds of how net worth individuals, that's where we're going, the fundamentals of real estate investing. Outside of work, she travels to over 40 countries and writes on how real estate technology, guys, and culture shape the way we live. So if y'all would, y'all give a slow clap, but let's do it fast for Ms. Lillian Chen. Lillian, how are you doing today?

LILIAN:

I'm doing so well. Thank you for having me on. I'm excited to share all the knowledge I have.

CORWYN:

Well, I appreciate that. So one, thank you for taking time out of your business schedule to be on with us. So look, I've told them people what you do. I want you to give it to them in your own words. What is it you do? How do you make an impact? How do you make that big splash is what I'm going to ask you.

LILIAN:

Absolutely. So my name is Lillian Chen and I'm the founder of Proctimal. Our mission here is to bring all the tools, knowledge, and resources that large real estate companies have to everyday developers like most of yourself by lowering the barriers so that you can also run complicated financial analysis and actually understand the numbers that are driving your deal, even if you don't have any financial modeling experience or a fancy finance degree.

CORWYN:

So what I just heard you say is that you take the complicated and make it more simple. So Proctimal is a fairly new company. Obviously, what you've been doing has been going on forever, but short version is it's a relatively new company. Am I right? Am I wrong?

LILIAN:

Yeah, absolutely. So a little bit history about ourselves. I started my career as a financial analyst working for a institutional company. And then what happened was when I first went off on my own and started consulting people, I realized that a lot of these small commercial real estate developers don't really have a strong background in finance. And while they're really good at making deals, they don't have the time, nor is it worth their time to sit there and understand how every single cell of the Excel works, how to structure their formulas, and just sit there and do financial modeling. So I tried to scale my agency, and I realized it's actually really hard to train somebody who is really good at financial modeling. So if I'm having trouble doing this, and I do this full time, how is the real estate firm going to hire, manage, and train their own financial analysts? So that being a roadblock, the obvious solution for it now is to build a software that allows anyone to build customized financial models, even without writing a single Excel formula.

CORWYN:

So you're touching on something. I literally just had this conversation fairly recently about understanding how to put a deal together as a developer. One of the things that I was having this conversation with a fellow developer, and the conversation was how to train people to recognize an opportunity. People bring stuff, but sometimes they just don't know the other components and how to put this together. What I'm hearing is that your platform, Proptimal, what you guys do is you guys help people to basically pull that together, the information, aggregate the data, analyze it, and come up with, okay, this is what this is for this particular project. This is what this is, and does this work? Does that sound about right?

LILIAN:

Yeah. So that hits on about the first part that we do. For the past five years, we've been working as a fractional real estate service agency. You can come, you can contract us, and we're going to help you walk through your acquisition from beginning to end. We're going to flag all the potential issues that's associated with the market, with their business plan, or with that specific building. Now, with that, it still doesn't allow us to scale and serve as many people as we wanted while keeping the cost affordable to the majority of people. Now, over the past year or so, we've developed this software so that people can both use it as an internal tool where they track all the numbers of their deal, but also as an educational tool as they continue to play with the software and understand, oh, when I change this lever, then this is going to impact my deal this way, or if I reduce my load, it's going to impact my deal that way. And by playing with the financial model themselves without breaking it, people can have a better understanding on the financial literacy of the deal. Like you, Corwin, I know you care a lot about making sure people are educated.

CORWYN:

So, for lack of a better way to put it, you guys allow people to manipulate the spreadsheet but not lose it. So, for example, where I'm going with that, in theory, as I envision it, because you put a deal together basically on a spreadsheet, you know, boom, boom, got a spreadsheet, boom, I plug this in. If this spits out and says this works, then that's something that we should be doing or something we can do, let's go. But what you guys offer is the ability to, okay, well, look, well, let's play around with this, let's move this, let's move this, but not lose essentially the underlying formula to make sure that they can get back to where they were without having messed up. Because I'm literally thinking about, like you said, the lever, that's real cool to me.

LILIAN:

Yeah, absolutely. The thing is that everyone thinks they can just go online, get a template, and they can just use that template over and over and over. But the reality is, with commercial real estate especially, there's always nuances that's associated with every deal. So, whenever there's a nuance, you need to build an additional component into the financial model. And unless you know what you're doing, you're probably at risk of breaking the model. And breaking the model implies that you could be making the wrong decision that ends up costing you tens of hundreds of thousands of dollars, simply because you didn't know which part of the financial model went wrong.

CORWYN:

That's awesome. So, let's talk about common mistakes. So, I'm going to hit you with probably a couple of things because modeling is important, it's very important. So, let's talk about and kind of bring that back to the common mistakes that people make, both in their modeling, but also when we get past that. Let's say we built the model and, okay, look, this thing says that this is the business that we should be doing, then we should make this investment. Now, we got to take the next step and walk this to a lender. So, let's talk about that as you guys know it, as you guys experience, and from modeling, but also walking it over to the lender as far as their underwriting process. Let's take a short break.

AD:

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LILIAN:

Yeah, absolutely. I think the biggest mistake that people make is that they don't understand that financial modeling itself is both of an art and a science. To take it even one step further, I would go as far as to say, **the better the deal, the more of an art it is, and the worse the deal, the more of a science it is.** Let me explain. If you have a fantastic deal, a lot of times it's because you're able to buy a property at way below market price. No matter what you do, the deal has already been made. You have already been set up for success that this is going to go well because even if you just buy it at below market and sell it the next day, you're probably going to make money. In that case, what you want to do with the financial modeling is that you don't want to underwrite it to what exact predictions you think are going to happen. In fact, you're going to under-promise and over-deliver by making your deal look worse on paper because in reality, your deal is so good. But on the opposite, if your deal isn't that great and it's barely pencil-y, then what you really want to do is you want to push as far as possible to try to predict the most accurate outcome that you're going to have so you can afford to bid more without losing the deal.

CORWYN:

If it's too pretty, we're going to throw some dirt on it.

LILIAN:

Exactly.

CORWYN:

We're going to scuff it up. We don't want to send it in there too shiny. And if it's a little dusty, we're going to try to wipe it down a little bit, wash it off a little bit before we send it in. That's what I heard. I love that.

LILIAN:

That's a fantastic analogy.

CORWYN:

Yeah. So feel free to use it. This is your arena. Lillian, I say to people, things that I do, I say, that's my jam. That's what I do when the music play. That's what I'm doing. Some people got a two-step, some people might walk, some people might do an electric slide or whatever other

dance it is that you may do when the music comes on. That's your jam. For you, this is your jam. When all things are said and done, this is what you do. So what major lessons have you learned as you've been in this field and in this arena and helping and serving people? Like, what is the, like, okay, look, I realize this now that I didn't realize maybe day one. And I know that's a very large and maybe somewhat daunting question.

LILIAN:

That is a very large and very broad question. I can talk about this in a couple of ways. So we can talk about this more in terms of what I learned from advising a lot of people with their deals, or we can talk about bigger lessons as well on the soft skills and the life lessons I've learned. Which one do you think we should start with?

CORWYN:

Well, let's start with the former.

LILIAN:

Okay. So I think one of the things that I've realized is that residential and commercial real estate are very different. And a lot of people who are new to commercial real estate have the wrong mindset and they need to unlearn everything that they have learned in order to be successful in commercial real estate. So to give you an example, in commercial real estate, there's two ways to make money. Either you make money through the passive income that you're getting every single month from your tenants, or you're buying low and you're selling high, right? So one is from the operating cashflow and one is from the capital cashflow. So what a lot of people don't understand is that they come from a business background. So let's say you're an entrepreneur, you're a lawyer, you're a doctor, right? You're used to looking at something and thinking this doesn't exist yet, but I'm going to create so much value that I'm going to make this widely successful based on how much value I can create, right? So most entrepreneurs think that way. They are very used to seeing the upside as unlimited, but in real estate, that's not the case. Okay. So if you think about it, the cashflow is pretty much going to be dictated by market. You can only charge so much rent. You can only reduce your operating expenses by so much, right? So on the cashflow side, there is not that much that we can do. Although you can argue if you're a better operator, you can operate the building a little bit more efficiently, but that's not where you make most of your money. Now on the capital gain side, you have the sales price and you have the buy side. The sales price is also going to be determined by the market. So you can't really control what the next person's going to pay for it or what the competitive properties in your area have sold for. So that gives us only one key lever to make the real estate a fantastic deal or a terrible deal. And that's the price that you pay. So many entrepreneurs come into real estate and they don't understand that by the time that you paid for the property, you've already set it up for success or failure. And it's not like what we've seen on HGTV, where they just buy for an arbitrary price and they just try to make as much value out of it. That doesn't work in commercial real estate.

CORWYN:

That's very true. So systems, [Proptimal](#) is like, hey, you need to plug this. When you set your office up, your company up, whatever, [Proptimal](#) to take this on to look at commercial real estate, investing, et cetera, development, that's probably the first thing or one of the first things you should plug in. I guess you can turn the lights on first, but that's probably one of the first things that you should plug in to have a system to analyze. So let's talk about it. You guys have built a platform and a system and still developing it to essentially take on all these tasks. So let's talk about it. First of all, what does it do? And then in turn, let's talk about the key features, like what's most important to commercial investors and how [Proptimal](#) meets that need for them.

LILIAN:

Yeah, absolutely. So essentially where we're trying to get to is we want you to be able to work on it for the beginning of the deal all the way to the end of the deal and have everything in one place. Now I've developed a software to manage a \$80 million construction pipeline before. And through this process, it actually taught me a few things, which is most commercial real estate companies don't need a super fancy software that charges you five, \$10,000 a year, and then they don't talk to each other, right? So that's what a lot of the existing solutions are. They're very expensive. They only do one thing. And that one thing, they go way into detail, and you don't need all that. So most real estate companies, from what I've seen, is they just need 10% of every software, but they need the softwares to actually talk to each other, which is the part that has not really been solved in existing landscape because all the software mostly just do one thing. So [Proptimal](#) is trying to change that and saying, okay, well, instead of you paying for five different softwares that don't talk to each other, why don't we just provide you with one software and give you 20% of every feature so you don't have to hop on and off software throughout your entire development process. And you can keep all your data, all your files, all your financial analysis, and all your tasks in one place.

CORWYN:

That is huge. That's amazing, because you sometimes forget where you put stuff. Like I got this over here, and I was doing this. Okay, well, did I finish this, or is this? Oh, God, look here. Yeah. So that's huge. You've been in this arena and space, Lily, again, for quite some time. And obviously, what I'm understanding is you took the pinch and pain points that you saw throughout your career and said, okay, look, we're going to create a solution for that to make sure that it's all seamless, intertwines, weaves in well, and essentially establishes the fabric of an amazing commercial venture. It becomes, again, the initial stitching, if you will, by going through this. That's huge. What's your expectation for investors who are utilizing this system? What do you expect to happen with them, their business? How do you expect for this to help them reach their goals?

LILIAN:

Well, that's a good question. I've learned one thing that if I don't want to be in a permanent state of depression, I lower my expectations. Because unhappiness comes from the gap between your expectation and reality. So what I do is I just kind of, I go with the reality, and then I meet people where they are. Now, there is the vision, vision is different, because vision is, here's what I want to bring to the world. And I hope that solves problems for people. And as people tell me

what they want, as customers tell me new features that they want me to build new problems that they need to solve, I am here to serve them. So it's not about what I want. It's about what my customers want. Now, the vision of what I've seen what my customers want is, they're not exactly able to verbalize it yet. But I think what they really want is they want control. When you're managing a real estate development process, and I'm sure you know this very well, there's dozens of people, dozens of vendors, hundreds of invoices and receipts that you need to manage. So when you hire subcontractors, like financial analysts, like a bookkeeper, you're outsourcing a key part of your business, which is the numbers to that external resource. Now, if your bookkeeper disappears, the next day, you're left in the middle of I don't know what I'm going to do now. I mean, they have all the knowledge of how your deal works financially, how much you've spent, how much you're going to make, what are the dependencies and whatnot. So what I'm really trying to provide people is to give them tools so they can have control over their deal from the beginning to the end.

CORWYN:

That's huge. We're getting towards the end of the show. So I want to take this as an opportunity. One, I've already jumped on the website, but I want you to tell people how to find you, how to find [Proptimal](#), how to connect with you all. So if you don't mind, let's get that information out.

LILIAN:

Yeah, absolutely. So the best way to find me is currently on [LinkedIn](#). I post regularly. And if you send me a message, I usually try to respond to all messages. So it's Lillian spelled with one L and then C-H-E-N is my last name. Alternatively, you can also visit our website at [Proptimal](#), so [proptimal.com](#). And you can also send me an email at lillian@proptimal.com.

CORWYN:

Awesome. Awesome. Thank you. So you manage a large portfolio and I'll reference it or refer to it as a large portfolio. Some people in certain spaces say that's not, may say different. I always say that about my company. People say to me within the industry that you have a large company. I'm like, I don't think so. I feel like I have a smaller one, but that's what they say. And I get it. I understand where this has come from. The short version is you manage a very, very nice size portfolio and development pipeline. What in that process of assisting and analyzing, like what has been like, I'm going to ask two questions here and it's kind of from both ends of the spectrum. One is what is the key thing that you have delivered in that process that has been instrumental in success? And then what is the key thing that maybe your client overlooked that may have given them an issue?

LILIAN:

That's a very interesting question. I think it's always different for me to say I manage this portfolio and this is my company versus I manage this portfolio on behalf of someone else for a period of time. So I think immediately that sets me to be somebody else who can be unbiased and look at it from a non-emotional state because then I'm just here to solve a problem. My life is not on the line. So I think sometimes the emotion gets in the way of people trying to solve problems because they panic and they try to solve the most urgent questions. They're not

asking the fundamental important questions. So that's where I have an I think a big part of what contributed to my success in helping these companies is that I come up with systems and I try to solve the root of the problem instead of the symptom of the problem. So to give you an example, the symptom of the problem could be we have way too many email communications. Nobody is streamlining these emails and we have too many documents that we're just not saving. That would be a symptom of the problem. The root of the problem could just be, well, everyone who wants anything saved, just set up this new email account and just forward it to this email account. So when somebody could just go to that email account and then save everything, there's no more things getting lost. So that's the way that I like to think is every problem that I tackle, I try to peel it back one layer at a time until I get to the absolute root cause to make sure that there's nothing left. And I try to solve it at the root. All the symptom goes away.

CORWYN:

So let me pose this and we kind of talk, don't hit, touch this. I want to say hit on, we touched on it throughout because you've worked with a tremendous amount of people. One, you've serviced, you've consulted, you've learned from people, you consulted, and you work with other commercial real estate people entities. Now, my imagination says that you have gleaned and learned a lot that has really reshaped, if you will, your perspective. Give us some of that, like what have you been exposed to or otherwise have learned in working with other professionals that's really kind of redefine or reshape your perspective from when you first started?

LILIAN:

That's a really good question as well. I would say if you want me to identify the ultimate trend of what makes somebody successful in real estate versus somebody who is not going to make it, is that the most successful real estate operators are patient and they're playing this for the long run. They're doing this for the rest of their careers. They're committed to the path, to the craft, their business strategy. They're not changing trends. They're not taking excessive risk. They're making sure that they're properly leveraged and they're not taking on deals that are extremely risky just because they want or need to do more deal. So those people who treat real estate like a marathon tend to get good because guess what? They stay in the game for long enough to get good. The people who have not tend to be less experienced. So there could be a short period of time where the economy is doing really well and they've had a little bit of success and they think that this is going to last forever. They take on excessive risk. They love winning. They become arrogant at times and they get killed by their own hubris and they get taken out of the game. So treat it as a sprint and chase trends or treat it as a marathon and develop your unique advantage over a period of time. That is what is going to separate people from being average to being exceptional.

CORWYN:

Wow. Look here, that's mic drop worthy right there. Figure out how you're going to run this race. Either you're going to run it short or you're going to run it long. But if you run it short, you probably going to have more problems than you do if you focus on running it long. That right there, marathon versus 100 meter. That's what I just heard. So mic drop for real right there,

Lillian, for real. So I want to thank you for being on the show with us today. You've been amazing and you dropped some jewels and nuggets. So again, Lillian, thank you so much for taking time out of your schedule to be on with us today.

LILIAN:

Thank you so much for having me. It's been such a pleasure and I hope that your audience finds this helpful.

CORWYN:

Well, look, our audience look here as y'all listening. Yeah, I'm talking about you, but I'm talking to you. Y'all need to take this information and more importantly, you need to plug it in. So I'm going to give you a couple of takeaways. First of all, I'm going to give you what I would say is our action item, guys. Remember that scaling into commercial real estate does not require a massive team, just requires clarity, smart modeling, which you have access to that now, and the confidence to evaluate bigger opportunities. And Lillian, from what you've talked about, we always, again, kind of bring this around and integrate this, interweave this, if you will, with legacy, because what we're looking at and talking about today is trying to get to our tomorrows for those who are behind us. So legacy is not built by accident, it's built through informed decisions, solid systems, and the courage to take the next step into bigger deals. So again, Lillian, one more time, I want to thank you for being part of the [Exit Strategy Radio Show Family](#), and I appreciate you being on with us today.

LILIAN:

Thank you so much again. It's been such a pleasure and wishing all the best to everyone who's listening to this and wishing you all massive success.

CORWYN:

Awesome, awesome. So for our listeners, look, y'all know, y'all know, but y'all gonna get it anyhow. Y'all know how I feel, you know what I say, you've always been a tool, those things together. And I give it to you this one, which is to tell you that I love you, I love you, and we want to see you guys out there in those streets.