

Success Spotlight
Meet Gabriel & Rosa Gonzalez
by Todd Viani

Humble Beginnings

Gabriel and Rosa Gonzalez married and began a family when they were still in their teens. During this time, Gabriel was working in construction and suffered a major back injury requiring surgery and four years of rehabilitation. "I was on so many different medications and took so many shots that I lost count and nothing seemed to work. I was like a human guinea pig." The Gonzalezes describe the ordeal saying that the insurance company wasn't convinced that there was anything wrong with Gabriel. In the end, a doctor at Cedar Sinai was able to prove the need for the surgery. He and Rosa were forced to move home.

His employer sent him to computer training as he was no longer able to perform physical labor. Unfortunately for Gabriel, his schooling was inadequate as technology was advancing more rapidly than his training and by the time he finished the program his skills were obsolete. Rosa says, "It was a hard time for us. We only had one car so I would leave the kids with Gabriel's mom and drive Gabriel to all of his interviews. No one would hire him, because he was skilled on the old operating systems. He even offered an employer his services for free and was denied. It got so bad for us that Gabriel would go out and collect bottles and cans for recycling money. Our daughter still remembers an old lady yelling at us for rummaging through her blue trashcan." Eventually, Gabriel found a job selling computer parts. He was 24 years old.

AOA: Was this your first big break?

Gabriel: Yes. I was working for a company and barely making it. I heard from a former manager that there was a computer parts sales job opening with his company. He knew I was a hard worker who was hungry. He said they'd pay me a base salary plus ten percent commission. It sounded good to me, so I gave it a try.

I started the first month real well and did better and better. Eventually, I was making \$15,000 to \$18,000 profit for the company each month. Almost all of my customers were from Mexico. I would call them and sell them parts from our warehouse. In the end, I was making around \$5,000 per month and this was big money for us, but I realized that the company was the one who was really getting paid.

I decided that there was no reason why I couldn't start my own business and take 100 percent of the commission. I taught Rosa the business and soon we started our own company. Not long after we began our business, the former company I was with went under. I contacted my old customers and said I'd give them better pricing if they'd help me get started and the rest is history. I remember making one phone call and making \$800 dollars ... and that was with just one phone call!

We literally worked and lived in one room of my mom's house. Rosa was working part time at night. She would go to work at four in the afternoon and come home around two in the morning, get a little sleep and then wake up to get the kids ready for school. After the kids were gone, she would start working on our computer business. It was crazy, but we had no money and few choices. When you have nothing and a family to feed, you will do whatever it takes to survive. Slowly, we began to get ahead and our bank account began to grow. It was an exciting time for our family. We had been through so much pain and finally it seemed like there was some relief coming our way. The year was 1998 and we had been living with my mom for 10 years.

AOA: Tell us about your first real estate purchase.

Gabriel: About a year and a half into our business our clients began to extend us credit. This was a big deal for us as we had been working exclusively with cash. Credit afforded us greater buying power and our monthly volume increased dramatically. By 2001 we saved \$75,000 and bought a four unit apartment building for \$348,000 in Hawthorne.

A long time ago I figured that if I bought a house, there's a mortgage that I have to pay on my own, but if I bought an apartment, I could get help from the other tenants and live for nothing. So in 2001, after living with my mom for 13 long years, we moved into the four-plex. Because of my construction background, I was able to hire out a crew and supervise the rehabilitation of the building. Currently, we are paying \$1,700 per month on the mortgage and our rents are \$4,000 per month. We have never had to pay a dime of our own money towards the mortgage. Today, the apartment is worth over \$700,000.

AOA: How did you build upon this first purchase?

Gabriel: As our equity grew, we began to realize that we could make an even greater fortune with real estate. We had amassed a half million dollar net worth on appreciation alone. We decided to take out an equity loan of \$100,000 to buy more properties. There was a four unit building in Culver City that was for sale that needed a little work. Also, the owners lived on the premises and wanted their already low rents to stay constant for a year or no deal. I figured it was cash flow and in a year I could raise the rents so we went ahead and bought the building. We make about \$700 per month on that building.

Soon after the Culver City property, we found a triplex around the corner from our Hawthorne apartment. It has spacious rooms and bathrooms, so we are currently in the process of rehabbing the place and we'll move into one of the units. The other two units are also big and will rent for over \$2,000 each. We purchased the property with the savings from our business and the rents from our first building.

AOA: Do you do anything special when rehabbing?

Gabriel: I am a long term buyer so I like to fix the place once and be done with it. People like nice things and when I say people, I mean renters, too. When we put crown molding our granite counters in our units, our prospective tenants notice and they don't mind paying a premium to live there. This is Los Angeles, after all, and there are a lot of people out there. When we finish a unit and it goes on the market, it rents quick. Also, in ten to twenty years I will not have to fix the counters or cupboards. We are still young and we realize our level of energy will wane as we age. We do it right and then sit back and collect the rents.

AOA: How has real estate has changed your lives?

Gabriel: It has totally changed our lifestyle. We came from the bottom, so we realize how bad things can get. We even helped some of our family get into real estate. My brothers didn't know much, so we encouraged them to buy their own properties. They both own buildings now. They were afraid at first, but now they see how simple it can be. There is always risk, but the reward far outweighs the risk.

My 23 year-old brother still lives at home, but he has a four unit apartment building. His mom helped him with the down payment through an equity line of credit on her home. The payment on the equity line is \$500 and even with the added mortgage payment, there is still some money left over each month.

AOA: What are some important lessons you've learned?

Gabriel & Rosa: In America, you can get ahead if you figure out how to use the system. In real estate through the power of leverage and bank financing you can get way ahead. Income from a full time job can't compete with the money you will make from appreciation and leverage. We learned that saving and not spending was our way to financial independence. We were fortunate that our timing was perfect as the market has gone crazy, but even slow growth would have paid off in the end. We just never gave up and with the added burden of a family, had no choice but to get up each day and keep trying.

Also, we were grateful to our mother for giving us a place to stay. This is a gift we will never forget and will offer to our children as well. We will teach them to work hard so they can survive

on their own. We have seen people who spoil their kids and the result is disastrous. The thinking that I had to work hard so I want to give my kids everything so they don't have to work as hard is no good. It is the hard work that has paid off for our family. In the end, you work far less by doing it right in the beginning.

AOA: Thank you Gabriel and Rosa for telling us your story.

Gabriel & Rosa: It has been our pleasure. We look forward to seeing the article in the magazine and thank AOA for the opportunity to share our story with other apartment owners.