

EPISODE 295

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.4] WS: This is your Daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest, you've probably heard of him before. If not, you should have. His name is Mark Kenney.

Thanks for being on the show, Mark.

[0:00:34.7] MK: Whitney, a pleasure to be on the show for sure.

[0:00:37.6] WS: Yeah. Always an honor to get to connect with you, Mark. I've enjoyed getting to know you a little bit over different events and seeing you in lots of different places and just the work you all are doing and helping so many people to get started in this industry. It's difficult, right? It's difficult to get started and we just appreciate what you're doing for so many.

A little about Mark, if you've probably heard him before, if you haven't, you should go back and listen to show WS 22 way back when. Bu he was a guest then and you'll learn more about him there as well. He's a seasoned real estate investor, entrepreneur. He's a founder of Think Multifamily, which you should definitely look up. Started his real estate career over 20 years ago and has extensive experience in property evaluation, acquisition and operations.

He's invested in over 3,500 units, has a top-notch reputation among the multifamily investment community, leveraging his vast IT experience to bring new creative technologies that will help others in the multifamily space. Mark, welcome again to the show. We're happy to have you back, just with your experience that you've accumulated over so many years. And happy to have you here. Tell the listeners a little more about your focus now, since it's been a little while since we've had you on the show. And then we're going to dive in to this topic of getting started in the syndication business, because you're obviously an expert in that field.

[0:01:49.3] MK: Yeah, I don't remember the date of show 22 necessarily. I know you're over 300 now. Our focus has been similar; still acquiring assets ourselves. The coaching piece is something we started about 18 months ago, so it probably would have been in its infancy when we first chatted the first time in your podcast. That's been a major focus for us, is really trying to help other people do what we've done, if they want to and not necessarily start small. They can if they want to. There's nothing wrong with that. A lot of people start there.

But most people who start small would say, "man, I wish I would've started bigger." We did 20 deals our first year. There's a 180 million and small steel. Anyone did was got any doors, so a good first deal for sure. And we've been blowing and going this year as well. It's a mindset, but it's also realizing that it's extremely difficult to go buy a 100 unit on your own if you don't have a track record.

[0:02:44.0] WS: Awesome. Yeah, that track record it's hard to come by, right? It takes a lot of time. I know you're going to elaborate on that and help us to understand how to get there. But to back up just a little bit, now you said you don't have to start small and that's really hard to get over that and that's a big hurdle. I know when I got started, I'd never imagined being able to buy a 100-unit apartment. It wasn't even a thought. It didn't even cross my mind that that was even an option. If it did, it would have been well, maybe 20 years from now.

And so, when I started learning about the syndication model, it's like, "wait a minute. I think I can do this." It was. It was a big mindset change. Let's back up to, you said that most will say they wish they had started bigger and changing that mindset. What's the biggest hurdle there and how do you help people get around that?

[0:03:27.7] MK: So, we started small and I didn't know what syndication was. I bought my first deal about 26 years ago and didn't know what syndication was at all. And reality is when people start saying, "oh, my gosh. A 100 units," they need to realize that they're not doing that on their own. I mean, you can, but most people can't starting out. If someone looks at it and says, "It's 100 doors. How do I possibly do that?" Reality is well, you partner with somebody that's done it before, but you have to add value.

We talked to people on a regular basis and people say, "hey, I listen to podcast. Great. I read books and go to events." But there's nothing like doing a deal. People, they think they know more than they know and I'm not trying to be mean about it, but I use the example of boxing, UFC, things like that. If someone reads a book on a fight for two years of reading books and someone else is in the ring fighting for two years, I'm pretty confident I know what's going to happen if they both get in the ring together. Reality is totally different. They're taking to the extreme.

So, getting in and doing a deal, everyone met – in our group has done deals like, "man, there was more to that than I thought." Even though they're educated upfront and things like that, but things come up. But other people will say, "well, I've read a lot. I've done all stuff and I have a lot of time." Again, time in my mind is useless, because if you don't have something of value – most people don't want to spend time just because you have time with – you have to give something back to somebody and you need to go through the effort and skill set. It's something that you have to develop. But reality is you don't have to go through every single step on your own. You need to find maybe that one thing that you're naturally born with, or if you have capital, that's a pretty easy way to get involved in a deal, but a lot of people don't. But there are a lot of other ways to get involved in deals for people that don't have capital.

[0:05:12.9] WS: Let's discuss a few of those things. I know it's a big topic and most people, if they're trying to get into this business, I would say a large portion of them and you can correct me if I'm wrong, don't have the capital, don't have a \$100,000 that they can invest in one of these deals, to contribute in that way. Let's lay out a few ways that somebody can really take some actionable steps, or figure out some way that they can seriously add value to somebody that will take them under their wing.

[0:05:37.6] MK: Yeah. I mean, there are multiple ways to get involved. If you look at it and say “well, if someone has money, it's easy. They can put earnest money down for somebody, or they can sign the loan for a net worth or liquidity. If someone has no money to really get started, then they can still do other things, like they could raise capital. And some people that freaks them out, I was petrified of doing it originally. I really was. Didn't want to do it. Didn't really ask my dad for money. I think twice my entire life, like I'd be asking them for money. Didn't want to ask other people for money.

You have to mind shift a little bit and say, “well, you're not really trying to get money from somebody.” You really are providing an opportunity. In most cases, people don't even know they can do it. Now some people won't invest no matter what, other people – you might talk to them for two years before they invest and some people might invest pretty much right away. It's going to vary, but you can't take it personally because at the end of the day, you're providing an opportunity better than almost any other opportunity out there that they're investing in today and they can make a decision to do that or not. So, one, get really good at raising capital from other people.

The other one is analyzing deals. If someone comes to us and they'll say, “well, yeah, I'm an engineer, I'm accountant, or whatever maybe.” Generally speaking, people that are like that, IT professionals, they're going to be good at analyzing deals. It's a balance. Sometimes they're too conservative, frankly. In reality, you don't know to buy anything, right? You need someone actually to hone in on that and say, “okay, well here are some things you need to look at.” You can get really good at analyzing deals. You're not going to get really good at analyzing deals by doing five or 10 deals, analyzing them. You're going to have to analyze a lot of deals to be good at it. And it's not just the mechanical piece of it. You need to know what to look for.

That's where the trick comes and what looks out of whack. Even as a passive investor, you should understand those things; what makes a deal on paper look good or not? So, you could raise capital, you can analyze deals and you can find deals. Finding deals is trickier. Now people say, “oh, I get e-mails for deals and stuff like that.” I mean, yeah, you can get anyone's e-mail list, all the big brokerage firms and get deals every single day sent to me. But I'm not going to waste my time on those. So, I'd much rather build those relationships.

If you're new, brokers typically, they're not going to promote you to a seller and the seller is not going to want to sell to you if you have no experience. We've sold properties, right? There's no way I would ever sell a property to a first-time buyer. I just wouldn't do it. I would actually accept a lower offer on a deal to get somebody that's credible. So building those relationships. Now if you don't have those relationships, you need to lever somebody else's track record. People in our group, we call our – it's a family syndication group, which you can provide value in all these different ways; half a dozen ways you can get involved in a deal. You don't have to do it all on your own.

Or they can leverage our track record, they get our broker contacts, they can call them, tell them they're working with us. And if it's an area that we're not familiar with, we have brokers locally that will make introductions to brokers in other states. So, we're in five states now, or multiple locations, sub-markets. People say, "well, I'm a hustler. I just go call brokers and stuff like that. Or I'm going to go to the seller directly." Yeah, you can do all those things, but I'll be talking to those same people a year later and they don't want to have a deal. It's just reality.

[0:08:48.0] WS: Yeah. You've seen it time and time again now, catching all these people that you understand that better than most for sure. But gaining that track – like you're talking about, as a seller, you're not going to spend that time with somebody that's never had a deal before. And so, I think understanding that has somebody that's getting started, you have no track record. How are ways that you get past that? We're figuring out ways that we can add value to somebody and how does that come into gaining that track record so we can get started?

[0:09:13.7] MK: Yeah. I mean, the easiest is to partner up with somebody that has a track record and you can use this statement. You have partners and I, which is true. Partners and I own X number of doors. We're in multiple states, etc. We did like 20 deals last year and we're going to probably do about the same this year. So that gets the broker's attention. If you say, "well, I'm just going to do it on my own. I'm not going to part with anybody." Then I got to say, "good luck." I'm not saying it's impossible. It is possible. You're going to want to target brokers in a firm that are new. My opinion, don't go to the guys that have been around. Don't go to the biggest guy in the firm. He might be nice to you. There's no way he's going to give you a deal.

You need to go to the 25-year-old that's eager, just starting out. And they're going to drum up business and you build that relationship with them. The guy's been around the brokerage firm, he's staying with us. We go to Atlanta. There's a couple firms there that reach out to us, or on one of the few people that reach out to know about market deals. And those big guys, they can do that. They have the deals. They can trade there, sell, are never listed. They go to three or four people that they know can close deals, "what do you think?" That's how a deal get closed.

I'd say, work with the eager young guy in the firm and you might have an easier time getting a deal that way. Some of the bigger guys won't even respond to you, as far as e-mail or phone calls or things like that.

[0:10:29.7] WS: Wow. Great information, and starting with that eager broker that's new as well and maybe he doesn't have all the connections to all these experienced buyers yet.

[0:10:39.4] MK: Look at the pictures too and some of the things and not to be whoever, but look for the young guy and that's going to be your best bet if you don't have a track record.

[0:10:47.0] WS: Okay. Maybe we're not ready to have that conversation yet or call that broker, or – but maybe we're looking for somebody that we can still add this value to that already has that track record like we were talking about. How would you advise going about that, Mark? Finding that person and really showing that you can add value, because even a lot of experienced syndicators, obviously are very busy, right? Calendar is very full. It's hard to take that hour or 30-minute call maybe with somebody to figure out okay, is this somebody that has some skills or what's their desires? Is it going to be a good fit? All those things. How do they find that person? What's your take on that?

[0:11:22.0] MK: Yeah. It's hard to do it remotely. It's possible, but I mean, I think social media and some of the other say bigger pockets, something like that are great. But end of the day, you're going to probably have to get off your butt and go somewhere, because it's just that connection face to face. I mean, you know Dan Hanford. I love the guy. His remote conference is phenomenal. But end of the day, it still doesn't give you that face to face directly, but it's an awesome conference. I highly recommend it. I really do.

So, you might have to go to a meet-up, you might have to go on a plane and go to a two-day event, spend your entire weekend at events and really – it's like when you're hiring for a job, right? You see a resume and things like that. Well, if you meet somebody in person and you connect with them, in some cases it's not just connecting on the business side. Maybe you have some other connection. We've adopted. You adopted, right?

When we had breakfast that time, that was a connection that we had in my mind, because it was something unique that we both had done. I have people that will call me and literally say, “well, I'm a twin too. I called you, because you're a – I have an identical twin brother. You went to Michigan State University.” Literally, people like, “I never would have called you if you didn't go there.” So, getting those connection points, not all business.

People are like, “well, you know, this is someone I might actually give more of a chance to.” When somebody you just call and someone e-mail and it happens all the time, “hey, I listen to all these podcasts, I read books. I can be good at analyzing deals and I want to partner with you and things like that.” Like you said, we just don't have time for that. I mean, wish we did, but we don't.

We have a coaching program. That's different. Some people, they look at it as an investment and they get their investment back. Other people look at it like, “I don't want to pay for that,” and that's fine. I mean, it's really a choice people have to make. But the end of the day, if you look at most people that have been successful, we hire coaches. We just hired a coach today, frankly, a new business coach. So, and we've hired coaches in the past and you pay a lot of money for that. I look at it and go, it's an investment and I think that investment is going to pay off 10 times when I'm paying, but it's still a big investment.”

[0:13:20.2] WS: No doubt about it. I think most, if not the majority of successful entrepreneurs are going to have many coaches, whether it's specifically in business, specifically real estate, whatever that may be. I can't speak highly enough about having a coach. But so, how would somebody stand out to you, or maybe is there an example of how somebody stood out that maybe even early on, or before you all were doing coaching, or partnering as much as you all

help people now, but how are some ways that somebody stood out to you to get their foot in the door?

[0:13:50.4] MK: Yeah. Even before we were doing coaching originally, we would look at partnering with other people and now we really just partner people inside our coaching program. You know Patrick Duffy or no?

[0:14:00.2] WS: Mm-hmm.

[0:14:00.6] MK: Yeah. Patrick was someone we worked with originally. I still do work with him. He stood out to me, because one, he was calling brokers, he was getting deals, analyzing deals, which he was really good at. But he also showed initiative and said, he'd fly in his own dime to a location and meet with brokers and meet with property management companies and things like that. So, he was like making an investment, a financial investment, as well as a time investment upfront.

We have a guy in our group that he lives in Israel, like literally he lives in Israel. He comes over a couple times a year. And he went to Atlanta and just closed a deal, we could go today actually. A deal there and he's been in several other deals. He went to Atlanta and their brokers there, we gained the contacts that we have for brokers and they're like, "you came here from Israel?" They're like, "man, you are serious." He came over to our event. I think it was eight days in Atlanta and he said, "Mark, I'm not leaving Atlanta till I have a deal."

Now, he might not have gotten a deal, but he did get one and all seriousness there. He met broker after broker and toured property after property. So, someone that is, I would say one, they need to recognize what they don't know. Some of the things they know it all is not something that's attractive to me. I mean, I've talked to a guy the other day frankly, that was interested in my coaching program and he's just not a good fit. Thinks he knows everything already. He might. Maybe he knows way more than I do. I don't know. Reality is you need to recognize, "these are the things I'm good at, these are things I'm not good at."

Then you might say, “well, hey you know what? Hey, Whitney. I think I'm really good. I have a finance background. I think I'll be good at analyzing deals. Do you mind if I analyze some deals for you for free?” Some people are attracted with that. We don't do that anymore, but that might attract somebody, because people don't want to underwrite deals that don't make sense, but they're okay having someone do them for free, but initiative. Someone that actually gets up and says – or they say, “hey, I'm going to this event and that event.” It shows that they're willing to make a financial investment and a time commitment and that they're serious about it.

[0:16:01.0] WS: Big difference from showing that investment to just calling, or e-mailing and saying, “hey, what can I do for you? Or can I add value to you?”

[0:16:07.3] MK: I mean, literally every day. What can help you with? They might be able help me with something legitimately, but I don't have the time to figure out every way and every single person reaches out. Now if they're like, if someone say, “I'm interested in partnering with you, but I don't want to be coached, stuff like that, because I already know everything,” it's just not interesting.

[0:16:24.6] WS: Yeah. What about the best ways to educate our self about this business? I know we talked about we're going to try to start by raising capital and we're talking to investors and maybe we're scared to start having those conversations, or even analyzing deals. It's hard to get started at that. There's so many templates, or there's so many different terms that we need to know about and how these things are calculated. Where do we start to really dig in to educate or so?

[0:16:48.0] MK: Yeah. I mean, there's so much free stuff out there, there really is, but you're probably going to have to pay to go to some events. Some are expensive, some are not expensive. But I think you have to do it. I talked to someone yesterday and they're interested in our deal analysis class. I told her – she's more of a passive investor. I said, “there was a major difference between you looking in a deal that's already put together and trying to sight for what is what. Versus you going through and you analyzing the deal completely from scratch yourself. That's how you learn.”

Looking at me like something else that's already happened, like looking in the house. I look at a house and say, "well, this is the way I would build it. I can build it anyways, but can't do that." If I see them step-by-step and I help them with the process of building it, now I have an image in my mind and reality of how the house is put together. Same with the deal. People in our group right now, we have – it's another piece to it. Even if they're brand new, we had people on our last deal, or extra people come along that really the time probably couldn't add a lot of value and that was okay, but they got to see during due diligence, they got to see what's happened in the lender, in title. They went through the full process end-to-end for real.

So, it's hard, because you have to find that person, or those people that maybe will allow you to come into a deal with them, but education is just education. You can get 90% when we teach off Googling. Might take a long time to do it, but you could do that. It's really getting involved in a deal, if you have something of value. That you only need one thing of value to be involved in a deal. You don't have to be all things to the deal, but that one thing might get your foot in the door. You need to go through a deal. All of these other resources are awesome, but there's nothing like doing a deal. In order to get in the deal, in my mind, at least for us, you have to have something of value you're bringing.

[0:18:35.2] WS: Yeah. I really like the analogy you used earlier. Was it boxing that you talked – somebody that's been in the ring or somebody that's read about it, that's great, that's really good. We're going to have to pivot a little bit. I've enjoyed you just laying out some really good ways that people can get started in this industry and how they can add value to somebody just like yourself or somebody that they're looking to mentor under, or coach. Maybe if they're not even a paid coach, there are still ways you can add value like this for them to become your coach. Crucial, crucial element to getting going in this business.

What's been the hardest part of this syndication journey for you? You've been doing this for many years now and coaching people, but maybe it was analyzing initially, or things like that. Or raising capital, but what's something that was a real big hurdle maybe getting started for you and then how's that changed?

[0:19:17.8] MK: Yeah, so we didn't invent multifamily investing, of course. We have 14 steps we go through the process. I see that people struggle with two main things out of the 14, and it's

analyzing deals and it's raising capital. People that aren't good with numbers are fearful of analyzing deals. They think they just can't get good at it. They can. They might not be as good as somebody else; they get good at it. That became really easy to me. CPA background and finance, things like that. That part came very easy.

But raising capital, I was just terrified of doing. I still get nervous raising money. We've raised money on whatever, with 30 deals. That for me was the biggest hurdle and it was more of a mindset issue. I'm not a big mindset guy like a lot of the guys. Frankly, I'm not. I'm like just go out and do it. I don't need somebody to tell me, or promote me, or to motivate me to do something. I'm going to do on my own. Some people need that motivation. For me, it was more of a mindset of how to talk to investors and to do those things that are uncomfortable. It was uncomfortable talking people about money and about investment and things like that. It's actually harder to talk people you already know; people I had worked with and things like that. So, without a question for me, it was raising capital.

[0:20:31.4] WS: You probably developed that by getting in the ring, right?

[0:20:33.7] MK: That's right. Yeah, you're going to get knocked down, you're going to get questions and you're like, "man, I don't know." Then after you do it more and more or more, you start knowing, "okay, here are the questions that people are going to ask." When we're doing webinars, I usually know all the questions people are going to ask. And you know how to respond to those questions.

But I think when you first start out, you're always concerned about, "hey, I don't have the money for this deal, so I just need to get it." Then you start doing it you're like, "well, no. I need to focus really hard focus on what's best for the investor." And in some cases, that could be this isn't the right deal for you.

[0:21:08.2] WS: Well, what's a way that you all have recently improved your business that we can apply to ours?

[0:21:12.2] MK: Well, for us it is the coaching piece. We have people that come in there and they want to partner with us on deals. That's been the best improvement for us, as far as deal

flow and things like that. It's a big thing though, so the whole education piece, or why doesn't everyone have a podcast, right? A lot of people have them, but why doesn't everybody? Well, it's a lot of work. You do a daily one. I don't want to do a daily podcast. You do a weekly one, but not daily. It's a big effort. You need to look at it and say, "okay, what am I willing to do? What's the biggest bang for the buck and things like that?"

For us, it's really been the coaching piece. And it hasn't been just – the other piece behind that has been, we've developed so many friendships because of that. We just got back from a cruise a few weeks ago. We got people from our group there, the five-day cruise. It was a lot of fun. Very little education. The rest of it was really just hanging out and have fun together. That's been the biggest, I want to say improvement for us, the coaching part business-wise, but also from a personal perspective.

[0:22:07.4] WS: What's your best advice for caring for investors, maybe just one or two things?

[0:22:11.8] MK: Two things I would say, one is always put yourself in the investor's shoes. You can ask people. We've talked people how to invest in deals. We've talked people into investing less amount in a deal. Always have that perspective. The second one is when things get tough, which they might get tough on a deal that you're doing, just be transparent. Don't try to hide anything. Don't try to sugarcoat things, things like that. Just be transparent with them.

[0:22:35.9] WS: Awesome. Then how do you all to give back?

[0:22:38.8] MK: For us, I mean, the coaching is giving back. Of course, people do pay us for that. But we don't have to coach. We can make a very good living just by buying deals. We don't have to do. That's a big, big time commitment in the coaching and events. Then outside of that, we support orphanages and the sex traffic industry, are the two main areas that we support. We have multiple ministries and that we have friends in our ministries that just start an orphanage and we were able to help them get that started and we have people local, in Dallas, to have a sex traffic organization and things like that. In my mind, those are the two big areas that we are always attracted to.

[0:23:15.1] WS: Thanks for sharing that. I'd love to know more about the orphanage stuff as well personally. Thank you very much, Mark, for sharing this. I know you're an expert at helping people get started in this business. Tell people how they can get in touch with you, learn more about you. I know you have some events coming up that they need to know about as well.

[0:23:29.6] MK: We do. You just get a hold of me is my e-mail, mark@thinkmultifamily.com. We do have events. We have the Fire Summit. We talk you through about how to get started and you get to network with a bunch of people and that's in Dallas. It's on our website, which is just thinkmultifamily.com under events. We also have a deal analysis class, where you bring your computer, we work through deals together. There's no fluff. There's nothing. There's no rah-rah-rah motivation. It's a grind. It really is. Be prepared if you sign up for that one to work through deals and it's a little intense, but we do that one as well.

[0:24:06.6] WS: Nice. Awesome. Thank you again, Mark. I appreciate your time and sharing your experience and expertise and look forward to having you back on the show.

[0:24:14.8] MK: Thanks, Whitney. Always a pleasure.

[END OF INTERVIEW]

[0:24:17.1] ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Lifebridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success

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