

**EPISODE 327**

[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 is Darin Batchelder. Thanks for being on the show, Darin.

**[0:00:32.7] DB:** Thanks, Whitney. I appreciate you having me on.

**[0:00:34.9] WS:** It's awesome to have you here. I know you and I've had a few conversations in where Darin is at in his syndication career and journey. He has a lot of value that he can provide to many listeners today and we're going to get into that.

A little about him, from trading loan portfolios to syndicating multifamily deals, he has a diverse background as a CPA, software sales executive, capital markets, loan trading, business owner, to multifamily syndication. He's gone from a duplex to syndicating 76 units, to getting that first deal. I know he has lots of value that we're going to discuss today, if you are in those shoes and you're trying to get to that first deal, or maybe you've done a deal and trying to figure out where to go and how to make your time most valuable.

Darin, thank you again for your time today. Tell listeners a little bit about who you are, a little about your path maybe, not too much. We're going to get into that. Just who are you, where you located, so they can get a feel for who you are.

**[0:01:28.3] DB:** Absolutely. Thanks, Whitney. You covered a lot of the high points, but live in the North Dallas area. I'm in a small town called Prosper, just north of Frisco. Spent the last 15 years or so trading loan portfolios between banks, larger loan portfolios, residential, multifamily and commercial real estate. I knew the multifamily asset class very well from the other side, but had not delved into actually purchasing any real estate other than my single-family residence, until I got into multifamily about a year and a half ago.

**[0:02:01.2] WS:** Why real estate? Why syndication?

**[0:02:04.2] DB:** Right. First, real estate, I'm sure there's people out there that have looked at their 401ks and it just did not grow to the point that I wanted it to. I fell into the bucket of make a lot of money, squirrel away some, put it in a 401k and hope that your nest egg grows huge for retirement. As I started to look at it over the last 10, 15, 20 years, it just didn't grow to the point that I was looking for. I was looking for another way to grow my wealth and decided that real estate was really one of the best means to do that.

**[0:02:45.8] WS:** Why not continue doing the day job, or the other career and just invest as a limited partner, or passive investor?

**[0:02:53.8] DB:** Yeah. I had a unique opportunity, because my business transformed over the last number of years where it was very time intensive, the first number of years that I worked on it, to actually transitioning the product where it was more of a recurring revenue stream. Once that network was built up and the recurring revenue stream occurred, it opened up a lot of my free time.

I was like, "What should I use that free time for?" That gave me the opportunity to go after something new. Very excited about the multifamily space. The people are great. The vendors are great. The partners are great. I'm extremely excited about the future.

**[0:03:35.5] WS:** Okay. You've had success really quickly, right? I mean, in the syndication business you got this deal done. I'd love to hear about that. I'd like to back up to where you started to educate yourself, where you gained that confidence and some of the key things that really project you to this, to quick success.

**[0:03:54.9] DB:** Absolutely. I joined a mentorship group in December of 2017; Brad Sumrok Group here in the Dallas market. Prior to that, I would say the few months prior to that, I just read book after book related to multifamily. Again, I decided I didn't want to purchase single-family residences. I wanted to go bigger. I read a lot of books and then I started to go out and say, "Well, there's got to be a way to do this. I just don't know how to do it." I started to go to some real estate meetups.

A few of them in the beginning were more residential based and I was like, it's not really a good fit. Then I ended up going to a multifamily real estate meetup and I met a fantastic couple right off the bat. They were part of this Sumrok group. They spent probably a half hour, 45 minutes with me telling me about their journey. That's all I needed was to hear a story of somebody similar. They were business owners. They didn't know how to do multifamily. They didn't have the background in multifamily and they said once they joined, they just networked with like-minded individuals and they were taught how to do it. I just took the mindset of if they can do it, I can do it. I joined and started to network from that, so in that point forward.

**[0:05:18.0] WS:** Nice. Okay, so you had a mentor. I highly recommend some type of coaching program, but you got to navigate those waters delicately, who you partner with, or what coach you – because it's a big expense. I actually had a call earlier today. I have numerous times a week people are calling me, asking me about coaching programs, or what did I do. I highly recommend a coach, but there's a lot of due diligence that needs to be done before you actually write that check.

Awesome that you did that. Now you gained some experience. As much as anything, you gained a network and network is extremely crucial, which you've found out and even from that other couple. You moved from this duplex to this other deal. Tell us about this first deal and what really led up to making that happen.

**[0:06:05.0] DB:** Sure. I joined December 2017. I first started to invest in other people's deals as a passive. I invested in seven other deals, where I was not the lead sponsor.

**[0:06:18.7] WS:** That's good to know right there, right? Tell me how valuable was that being able to partner with all these people, all these other deal sponsors. Or I guess before you tell me that, I may need deal sponsors, different deal sponsors was that and how valuable was that experience?

**[0:06:34.1] DB:** Yeah. Actually, seven deals with seven different deal sponsors.

**[0:06:38.5] WS:** Wow.

**[0:06:40.5] DB:** I wanted to see the difference between different deal sponsors. Also, I was looking for something different from each one. Some of them it worked out and some of them it didn't necessarily come to fruition like I would have wanted, but I still got the experience. Part of it was just I didn't want my money in the stock market anymore. Just from a return standpoint, I wanted to put my money into multifamily asset class. That was one piece of it.

The other piece of it was okay, if I'm going to start syndicating deals, I want to understand all the agreements that I have to sign. I read through all the agreements. I want to understand the communication that the sponsors bring back. I want to understand how they put together the investor PowerPoint presentations before you invest, how they develop the returns, forecast the returns. All of that knowledge I'm going to accumulate and I'm going to take the good from one and maybe – some things I mean, not like, I'm just going to let that go and then I'm going to accumulate my own format and my own style going forward. It was helpful in that regard.

**[0:07:57.0] WS:** You recommend others do that if they're able before they actually become a deal sponsor?

**[0:08:01.0] DB:** Absolutely. Again from both avenues; one I think investing in multifamily as an asset class is a safer investment than just putting it in the stock market mutual fund. Just from an investment standpoint, I think that it has the opportunity to have better returns and also, I think it's a lower risk profile. Secondly, if you want to raise capital from other people to do deals on your own and to be a lead sponsor, then it'd be nice to get that experience of okay, well, what does it feel like being on the other side? What questions did you have before you invested in somebody's deal? When you were presented with three different deals at the same time, what

motivated you to put your money in one deal and not the other two? All those questions that you answer for yourself are questions that you're going to have to answer to other passive investors that are looking at your deal.

**[0:09:04.7] WS:** Nice. Okay, so you invested as a limited partner, passive investor and you learned a lot. I haven't heard of too many people who have become a deal sponsor that invested in seven different sponsors deals. That's some great experience there. That you're able to then take from all those different deals specifically, but then even the deal sponsors. That's very valuable. Okay, so you did that. Now we're pushing forward to becoming your own sponsor. What happened after that?

**[0:09:30.8] DB:** The last deal I invested in, I invested in as a key principal. I was signing on the loan. That gave me experience. It was a Fannie Mae loan. Gave me the key principle experience. Get me experience with the agencies. Then all along the way, so I was doing those deals maybe a deal a month, or all on the way, I was starting to look into syndicating myself. I started underwriting deals. I started going on property tours. I started to go out and visit the properties and go and talk to the surrounding properties to shop the comps.

Each step along the way, you have – and I don't know if this is for everybody, but the new people that I talk to, I tell them, “I think you're probably going to go through something similar to me, in the sense that each step is a little scary and each step you don't necessarily know what you're doing at first, but you just have to push yourself through it.” Then you end up looking back on it and now you do that step and it's like a no brainer. In the beginning, it was you had to push through that fear and push through that unknown.

To give you an example, the first offer I put in, first letter of intent I put out was on a 64-unit property. I mean, it was probably two, three months after I started to really underwrite deals and look at deals. I came back and I told my wife, I put the letter of intent in. She's like, “Are you excited?” I was like, “I'm scared. You know what.” She was like, “What do you mean?” I'm like, “What if they accept it, right? I don't know if I'm ready.” I've done all the things, the numbers all checked out, but you just don't know until you know, right?

I actually had two parties that were outside of the Brad Suumrok Group that outbid me by \$400,000. I lost that deal, but there was almost a little sense of relief on that first time I put the

offer in. That gave me the confidence that okay, the underwriting that we're using, we're not creating, we're not way overpaying. It's working. That gave me confidence of where things were trading. It almost is a good thing to see a few deals trade away from you, because it gives you the confidence on where the market really is.

**[0:12:02.8] WS:** Nice. Okay. Yeah, you talked about how – you were scared. I like before that how you talked about – I mean, it's such a mind game. I mean, your mind just has to be ready in the right place. Like you said, you're not going to know, or understand everything that's going to happen, but you got to be willing to put yourself out there, got to be willing to get started. I mean, obviously you got to take some calculated risk and you did. You underwrote numerous properties over a few months. Before you did that, you didn't offer on the first property that you came across. You did. You took calculated risk, but you took that step. Then you're much more prepared for that next to LOI, just because of that one, even though it got turned down.

**[0:12:43.0] DB:** Exactly.

**[0:12:44.1] WS:** You submitted that one. What happened after that? How did you get to the actual deal that closed?

**[0:12:49.8] DB:** There's some people that are telling me that they're putting in a letter of intent a week. I didn't take that approach. I took the approach that I was only – the numbers had to be pretty close before I was going to go out and meet with the broker and do a property tour. I wasn't going to go out and just visit every property if the numbers didn't work for me first. I only offered on – I think the deal that we ended up getting, Hampton Town Homes was my fifth letter of intent, but I underwrote a lot of deals to get there.

The unique thing and how I got the deal with Hampton was I actually went on a property tour on another deal the month prior, which was in South Dallas. It was the same unit count. It was a 76-unit deal. I put an offer in on that deal. It was the first time I had met the broker. It was a Marcus Millichap broker. We got along well. I felt like he wanted to help me get my first deal. I ended up being the high bid within the Sumrok Group. Again, somebody from outside the group outbid me by 300 grand.

Well, he ended up telling me, “Hey, I've got this other deal in this other sub-market. You should go check it out.” I did. I did a drive-by. I just didn't know the sub-market very well. It was south of Fort Worth. It was about an hour and 15 minutes from me in Crowley and I didn't know that sub-market that well and I just – I said, “Hey, I'm going to pass.” Well, he called me three days later and said, “Darin, you have to meet me on the property.” I was like, “You know, you had to give me some compelling reason why.” He did. He said, “Do you know what the median household income is?” I said, “No, I didn't.” It was 60K.

I had been chasing a bunch of deals where they were in South Dallas and West Fort Worth and they were more like 30, 35 median household income. That makes a big difference in affordability. In addition, he's like, “Look, these are townhomes. They have higher ceilings. You really need to walk inside one of the units.” He convinced me to go back out. When I was in the unit, I was sold. I was like, “If I was renting, I would much rather have these high ceilings.” Now the units were dated.

Part of our business plan was to upgrade the interiors. You had to see past that that it was dated in the interior, but I'd much rather be in a high ceiling with nobody, not another renter living above me, having my own two-story townhouse then having somebody above me with 8-foot ceilings. That got me to invest.

Then at that point, I started to say, “Okay, I need to understand this sub-market better. I need to go out to visit the comps.” Each step I took after that, the deal just kept getting better. I tell other people that are getting started in our group, look, if I didn't develop the relationship with that broker on the prior deal, he never would have called me. He never would have known who Darin Batchelder is. If he didn't convince me to go out, I never would have looked me – even as a first-time person, you really got to get yourself out there and develop relationships with the broker community.

**[0:16:23.4] WS:** Wow. No doubt about it. I appreciate you elaborating on that. Just got to put yourself out there. You got to develop those relationships. I can't say it enough. It's a relationship business, right?

**[0:16:34.5] DB:** Absolutely.

**[0:16:35.8] WS:** Get us to that closing table. What were some key things to getting this deal closed as your first deal? Did you have other partners who came in? Did you have some key people that maybe have more experience? Or what were some things that said okay, that helped you get it done?

**[0:16:51.9] DB:** Yes. All along the way, being part of a group gives you access to a lot of networking opportunities, to meet other people that may want to invest in your deal. All through the year, I'm building my investor database.

In addition to that, I'm meeting other experienced syndicators that have done three, four, or five deals. I start putting together my list of people who hey, if I get my first deal, I want to partner with somebody who's experienced, so that – for a few different reasons; one, I want to learn from them. Two, most importantly, I want to maximize the returns from my passive investors. I want an experienced guy to make sure that I'm leading the ship in the right direction and I'm not making any rookie mistakes that are going to cost us valuable returns for our investors.

When it came time, I did all the legwork. I'm about to put in the letter of intent. I go to one of my coaches and I tell them, “Hey, this is who I'm thinking of bringing on as a partner, Rajesh Gupta out of Chicago.” Raj is somebody that I had met through the Brad Sumrok Group during our networking meetings. It happened once a month. He lives in Chicago. I live in Dallas. We never would have met had we not been part of this group together. He was an experienced guy. He purchased, rehabbed and sold a 100-plus unit properties. That's somebody I wanted on my team. We got along really well.

When I told my coach, “Hey, I'm thinking about asking Raj to be my partner on this deal,” he brought to my attention something that I wasn't even aware of. He said, “Raj would be perfect for this deal. He actually has a 100-plus unit development deal in the town next door, which is was in Burlinson. It's less than five minutes from the property that we purchased together in Hampton.” I wasn't even aware of that.

When I brought the opportunity to him, he knew the area very well, he knew that sub-market. When we presented the letter of intent, the broker said that the seller actually really liked that

my partner had sub-market experience and already had properties in the sub-market. I don't know if that helped tip the scales for us, but it was definitely something that – it was something that helped us.

**[0:19:21.5] WS:** No doubt about it. In so many avenues, or so many ways there that, I mean, Raj is great guy. I know him personally.

**[0:19:27.3] DB:** Yeah. Super smart guy.

**[0:19:29.2] WS:** Yeah. Very smart guy. Great background in real estate and just in this industry and very experienced. Not only did you bring somebody with many years of experience, that's very intelligent in real estate, all those things, but he also had deals that are close by. Like you said, the seller liked that, it showed you as a stronger buyer, showed you had some team experience that probably bolstered your ability to close and things like that. No doubt about it. I think that was a very smart move too, because just getting that deal done is so important, so important. Not partnering with somebody could have meant not getting it done, or not getting the LOI accepted, or –

**[0:20:08.8] DB:** If I tried to do it myself, I probably wouldn't have gotten the deal for sure.

**[0:20:12.5] WS:** Yeah. You may have. I'm not saying you wouldn't have. I'm just saying it really increased your level of ability to get it done, especially the first time. Now people can see you as a closer in that market, because you've actually closed a deal there.

**[0:20:25.8] DB:** Right. I would also add, for other people that are listening, not only was the value of him helping me get the deal, right? But his track record helped raise capital, like my board of directors. He steered the ship in a number of different ways where I bring out an idea, “Hey, I think we like to do this.” He says, “Well, have you thought about this?” Or, “Maybe we should we should talk to this other vendor also and just get their take.” Just those little tweaks, the little insight have changed the course in a positive direction for the property. He's been invaluable and I appreciate him as a partner in a big way.

**[0:21:14.6] WS:** Sure. Sure. With that deal, now you all got that deal closed, what's the game plan for that specific deal, or the exit plan and some of that?

**[0:21:24.4] DB:** It fits the typical forecast that we focus on in a three to five-year hold. We forecast a three to five-year hold, started implementing our business plan. On this property, actually the rehab was for interior and exterior. It was 1980s construction, but the current ownership prior to us they were out of state owner, from California. They self-managed it. Didn't have a third-party property management company. They just hired somebody locally to lease up the units and they just weren't reinvesting money back into the property. The interiors were dated, the exterior needs – picked me up. The business plan is to upgrade the interiors and the exterior and then attract another clientele that's willing to pay up for that remodeled unit.

**[0:22:19.9] WS:** What type of debt?

**[0:22:21.3] DB:** Long-term, non-recourse, agency financing. We put 10-year fixed rate loan on it. It was a 10-year fixed-rate Freddie small balance loan.

**[0:22:31.0] WS:** Nice, nice. Okay. That big recession is come in though, Darin. I'm sure you've heard that. It's coming. It's soon. How did you all – whether we know it is or not. I'm sure you've heard that. How did you all brace yourself for that, or how are you prepared for when that happens?

**[0:22:50.8] DB:** Right. It's funny, because the raise, the equity raise came from two different avenues. One, it came from relationships that we've built within a multifamily group. Then also, came from our personal networks. When I was talking to my personal network, a lot of those people had never had an opportunity to invest in a multifamily transaction. They were like, “Darin, I trust you. I know you have a lot of knowledge in the industry from your own portfolio trading. Help me understand what you think the biggest risk is on a deal like this.”

I had not been a multifamily syndicator through a downturn, so I can't speak from experience as a syndicator, but I can speak to it from the loan trading side. I was in the loan trading business from 2002 up to currently. During those years of 2008 through 2012, I saw where people got hurt with multifamily and with commercial real estate loans. My feedback back to these investors that were interested was that I see the biggest risk on being on the loan reset, okay?

If you have a short-term loan, okay, and then market tanks, and then you end up – the economy tanks, financing dries up and all of a sudden, your loan comes due, the lender is at that point going to say, “I don't care that your property was valued at X when you purchased it. Right now, the cash flow has dropped and financing has changed and we want lower LTV.” You're going to have to come to the table with another million or 2 million dollars of equity. That's not a position that a syndicator wants to be in.

That's where I saw the lender actually take back properties in the downturn and when the loan came due and they couldn't come up with additional equity. For us, to mitigate that risk was to put on 10-year fixed rate financing. Yeah, we might hit a slow patch, hit recession, maybe it's mild, maybe it's more than mild. We don't know. If our loan term is fixed and it's constant and we know what we need, then maybe our risk is that we have to reduce the distributions, so we're forecasting 8% plus distributions to our investors. Maybe we have to cut it back to 4%. Or maybe we have to stop distributions altogether for a period of time just to ride out the slow time.

The main focus is just don't lose the asset. I'm in seven other deals where I'm a passive and I don't have the say in those deals. I want the same on those deals as for the deal that I'm a sponsor on is you can cut my distributions, but keep the asset because I know that it'll come back. It'll come back with time.

**[0:26:10.6] WS:** It's great that you have that experience on both sides now. To pivot a little bit before we run out of time, what's been the hardest part of this process for you, becoming the deal sponsor now, or getting to that point, what's been the hardest part?

**[0:26:24.1] DB:** It's funny. I don't know that there's a hardest part. It's just the next part is hard. Each part that you haven't done is hard. Then once you do it, the next time, it's not as hard. There's a lot of hard steps in the process, but I think that the advice I would give anybody that's new is just – not that I don't want you to judge all the other people that have done it, but it's helpful to look at the other people that have done it and think to yourself, “Hey, they've done it. Can you do it?” If you can get your mind around, “Yep, they've done it. I can do it,” then it's just a matter of okay, what's the next step, okay? Just get the next step and then you'll learn that piece and you'll move forward.

I've heard that once you get your first deal, getting your second deal is that much easier. I'm out there on the hunt right now and it's very competitive. It's very competitive. I'm investing final on a deal right now, but there's a lot of people investing final and there's a lot of qualified people that are investing final. It's a fun business.

**[0:27:35.5] WS:** I like how you mentioned every part is hard, if you haven't done it. You just have to do it. I like that. You do. It just goes back to what we're talking about earlier. You just got to keep moving forward. What is a way that you've improved your business recently that we can all apply to our own business?

**[0:27:53.1] DB:** I think that we're all trying to learn and get better, right? In the beginning, my focus was all about just trying to get my first deal. How do I get my first deal? I want to meet enough potential investors that I can fund my first deal. Now that I have done the first deal, my focus has moved towards okay, how do I become a better operator? How can I become more efficient in operating the transaction once we close? How do we maximize returns?

Then secondly, how do I start to build a brand and leverage social marketing, such that it's not all about me having to go out to meet people, but how do I build some platform that will attract other people to me, so that I can leverage my time in a better way? I spend time going to a lot of real estate conferences, but I also have carved out time to go to a more entrepreneurial conferences that talk about how to build a brand and how to leverage social marketing.

**[0:29:07.7] WS:** Nice. Okay. Yeah, that's something all of us need to be doing more of. What's your best advice for caring for investors? Maybe just one thing, or something maybe you do differently? I mean, you've invested passively with numerous people now and experienced that on that side. What's something, maybe the best thing that you've taken from all those experiences that you're going to do going forward?

**[0:29:28.1] DB:** I would say some of the compliments I get back. Sponsors typically on a monthly basis will send out an e-mail to all the investors in the deal, giving them an update on what's going on with the property and also provide financials. A number of investors have come back and complimented me that I provide a lot of detail and a lot of transparency. I've heard that

from some other sponsors too that investors that are involved in deals where the sponsor is detailed and transparent, that investors really appreciate that. I found that my investors have come back to say the same.

Everybody has a different process. At the end of the day, I think that if you're not completely detailed in your communication monthly and you're not completely transparent, but you return a massive return to your investor, the investor is probably still going to be pretty darn happy, right? Along the way, it gives the investor some additional comfort and maybe more of a connection to the sponsor.

**[0:30:43.3] WS:** Sure. Sure. No, it's awesome. You got to be detailed. You got to be transparent, or they're not going to invest more than once probably.

**[0:30:49.3] DB:** Right. Unless, the return is fantastic, then they may come back anyway.

**[0:30:56.8] WS:** They might. What's a way you like to give back?

**[0:30:59.9] DB:** I'm part of a local church. Love giving back to the church. I'm part of a men's weekly bible study. Just that giving back to each other and helping each other grow. I love this business. I love talking to people that one, either want to get in as an investor, or two, "Hey, Darin. How did you get your first deal? Help me understand where I should be focused in my time." I love to help other people on the way that a lot of people invested time with me and I want to give that back.

**[0:31:34.6] WS:** Awesome. Darin, you've been a great guest. I appreciate you elaborating on your path to getting this first deal done and your journey going forward, what you're doing. I know it's been useful to me and many of the listeners as well. Thank you again. Tell them how they can get in touch with you and learn more about you and your business.

**[0:31:51.0] DB:** Sure. There's a number of different ways you can contact me. I'm on Instagram @BatchelderDarin, that's @B-A-T-C-H-E-L-D-E-R-D-A-R-I-N. I'm also on Facebook and you can e-mail me @DBatchelder@TZKproperties.com. I'll even throw out my cellphone number, it's 954-304-3236.

**[0:32:22.9] WS:** Awesome. Thank you very much.

**[0:32:24.7] DB:** Whitney, I appreciate it. That was a lot of fun.

[END OF INTERVIEW]

**[0:32:27.1] WS:** Don't go yet. Thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook, so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show. Subscribe too, so you can get the latest episodes.

Lastly, I want to keep you updated, so head over to [lifebridgecapital.com](http://lifebridgecapital.com) and sign up for the newsletter. If you're interested in partnering with me, sign up on the contact us page so you can talk to me directly. Have a blessed day and I will talk to you tomorrow.

[OUTRO]

**[0:33:07.6] 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](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

[END]