

EPISODE 412

[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]

[0:00:24.1] WS: This is your daily Real Estate Syndication show. I'm your host Whitney Sewell. Today, our guest is Dan Brisse, thanks for being on the show Dan.

[0:00:33.2] DB: Yeah, thank you so much for having me.

[0:00:35.5] WS: No, I'm honored to have you on the show. I was honored to meet you and your partner in Dallas just a few weeks back and get to hear your story and see your all's success in this business as well. But a little about Dan, he's been a professional snowboarder for the last 12 years and started buying multifamily property after working with a CPA firm out of Arizona called Provision.

Provision advised him to focus on buying multifamily property to increase his tax savings which led to owning 35 units on his own before partnering up with Mike Roeder, whose also been a guest on the show by the way and moving into the syndication business with their investors. He's invested in 900 doors, has taken three properties full cycle and has led three syndications with a fourth scheduled to close before the end of the year. Congratulations on that one, Dan.

Dan, thank you again for your time and again, it's been great to get to meet you and Mike and see your all's success and your growth and I'd love to hear more about that and maybe even

back up a little bit to – you’re a professional athlete and your CPA is advising you, “Wait a minute, you need some real estate.” What was your initial response there?

[0:01:45.2] DB: Yeah, you know? It was a little bit surprising. I was all through the rich dad poor dad stuff so I had a pretty good understanding of, you know, just this style of investing and creating passive income and when I came across tax free wealth, I went down and met up with Provision and they said, “Yeah, start buying some multifamily property, we can allocate some very nice depreciation to offset some income,” and I was all for it.

[0:02:09.3] WS: Okay, tell me now, a little bit about your transition into this syndication business or maybe you back up to your – okay, you found 35 units on your own. Was that all at one property, was that numerous properties? What did you buy?

[0:02:23.0] DB: Yeah, no. I started buying out here, I live out in Washington state and I bought a property in Longview, a duplex and then I bought a nine unit property up in Chehalis, Washington, and then I bought a 24 unit back in Minnesota where I grew up so it was a slower process of accumulating some units.

[0:02:42.1] WS: Okay, you bought those units and then why syndication, why not just keep growing that way?

[0:02:46.1] DB: Yeah, well after investing capital and getting some nice write-offs and seeing what the business we’re able to do, that’s kind of around the time when Mike and I started to chat and we just said, “Hey, let’s do this together,” and you know, as you start putting funds into deals, you’re going to eventually run out of cash.

And then the other thing that I really love about real estate investing and just this business is, it’s another way to help people really get great returns with their money whereas my experience with IRA’s and life insurance and just some mutual funds just never really did well.

My IRA never went up unless I put money in and I didn’t ever have an answer when I would ask them, “What kind of returns did you guys get me this year?” and it was this ten minute answer

and I was just like, “I’m looking for one number. One, just tell me how much it made this year, percentage wise,” and there was never that answer.

This is another way to help more people who are actually sophisticated, credited investors turn their capital in a healthy – in a way that’s impactful.

[0:03:47.5] WS: Nice, now, you met your partner and said, “Okay, we can do this at a bigger scale, we can help other people, you know, as well, grow their wealth and real estate,” and actually – they can see how their capital’s growing through these types of investments and not get the 10-minute answer like you’re talking about and so tell now about just your all’s business, what you all are working on and how you’re moving forward?

[0:04:11.4] DB: Yeah, since then, we’ve done a few syndications, we are working on our next deal right now in New Mexico. You know, our strategy is all B and C class apartments only, it’s value add so if we’re buying a property, we’re finding a way to increase rents based on what the market allows and reduce expenses and maybe new management, you know, something along those lines.

Every single deal we do, it’s very similar, we’re not trying to be professional and you know, commercial high rise or storage or variety of assets. We’re focused on one and one only. I think about my snowboarding career as I’m transitioning into being a real estate investor and a big part of my snowboarding career, I think that helped me become successful in snowboarding was really having that one thing, you know, that one focus.

I’ve always been that kind of guy, I’m never good with multiple – a lot going on, it’s one thing, try to get as obsessed as possible, create a burning desire, just go that path.

[0:05:09.4] WS: Yeah, I don’t know how anybody can be really good at many things. A lot of people are good at lots of things but to be an expert and really excel at one thing, no doubt, you know, focus is the best way and for me as well.

Okay, you all are pursuing multifamily properties, why don't we talk about maybe a recent acquisition. Is there one that you could elaborate and one that's already closed obviously and that we could talk about maybe how you found it and go through the deal a little bit?

[0:05:35.5] DB: Yeah, we recently closed on a deal down in Cleburne Texas. Mike actually talked about it, he's in an episode a little bit earlier. It was an 86-unit deal. Did it through a syndication model. We kept some shares, we offered some shares for our investors. Value ad strategy as well, you know, we came in and we're upgrading units, were installed some back yards. We just completed a water conservation upgrade and , you know, have good management in place that are able to hit our pro forma numbers. I think of big part of buying property and buying right is your team.

You know, without a great team, this stuff doesn't happen and it doesn't happen successfully. When we dialed in with our management company that's local in the market and were working with them daily to build a budget and help us get our projections month after month, it gives us a more consistent guarantee that we can hit our numbers or exceed our numbers. That deal's been going fantastic and we're just looking forward to seeing what it can continue to provide for us and our investors.

[0:06:38.0] WS: Nice, how did you find that deal?

[0:06:39.9] DB: That deal was broker as well. Broker relationships are super key. Those relationships are going to dictate you getting deals, winning deals, you know, I think that you still have to be conservative with your underwriting and stick to your numbers no matter what but as you look at enough deals and you start to submit enough LOIs, those relationships start to develop stronger and stronger and I think the brokers start to feel bad actually, keep losing out on every single deals so they start to move you up a little bit in their ranks.

Broker's really good control of these deals to a larger degree and that relationship is clutch.

[0:07:12.7] WS: Did you lose out on a number of deals before getting this one?

[0:07:16.7] DB: Yeah, we lost out on tons of deals, you know. We're always looking at property, we're always underwriting, we're always coming up with a number that works for us based on what we can do with the property, basing it on returns for investors. Yeah, I mean, this year alone, we probably submitted good 10 to 15 LOIs, somewhere in there, a lot, and this was the first real good one we closed on in Cleburne.

[0:07:41.1] WS: Nice, yeah. It felt like a lot of people get discouraged when that first or second LOI is not accepted or they don't land that deal so I'm just glad to hear you say, "No, we had to submit many LOIs and even through that process, you're building that relationship with that broker, right?"

Just like you were talking about, they see you, you're active and you're communicating with that broker, you know, over many LOIs and then finally, you're going to land one but you got to be consistent.

[0:08:07.4] DB: Yeah, they need to know you're serious, I think that's the biggest thing, and they got to have some rapport of who you are and your background and you know, if you can start to build a bio or you can partner with others who have closed deals and you can all come together to make a stronger case of why you're the best buyer for that deal in that market, you know, maybe you bring a cosponsor on that's local which you know we did with Cleburne as we got a local lady on to help us get part of a deal and she is our boots on the ground and you know, when you bring the right team together and you're insistently making offers on property, you're going to get better and the broker's going to realize that you guys are –

You're the real deal and you're not leaving. That's the biggest thing is you're here to stay.

[0:08:46.4] WS: Good. You had mentioned, you all did back yard and water conservation survey. Can you elaborate like the water conservation survey? Haven't had many people say that or talk about that before. What is that and why would you do it?

[0:08:58.0] DB: Yeah, basically, there's companies. We hired a company called SAS and they come in and they'll do a study on the property and figure out the gallon per flushes of the toilets currently installed and then what their product – I think they use Niagara if I remember correctly.

What their product will flush per gallon and it shows you what you can save as far as, you know, utility. It's good, it's a win for everybody and all good for the environment, helps bring our cost down and you know, good for the investors.

[0:09:28.8] WS: Wow, you found that to be very worthwhile?

[0:09:33.2] DB: Yeah, so far. We finished the install only a month and a half, two months ago but as far as working with SAS and then completing the process and getting everything installed, it's been great. We're still going to see how the utilities have been affected and how much.

But you know, a lot of people that were a part of the Sumrok group. Obviously in the Sumrok group there's a lot of people that uses conservation method and based off of the reports we're getting from SAS and other syndicators, it's been a tremendous water savings and utility savings.

[0:10:05.9] WS: Nice. You know, I'll elaborate again, i think Mike and I may have briefly discussed it but I'll say again because it's so relevant here is that, you live in Washington. I think he's in what, Minnesota?

[0:10:17.5] DB: Correct.

[0:10:18.7] WS: This deal is in Texas. You're talking – people say, "Well, I live so far from Texas or I live so far from North Carolina. It's so hard to build those broker relations," but you all have been successful at it and now in a couple different states that are not close to you, that you're going to be flying to. Could you speak to that a little bit and just the effort that you all have to put in to make that happen.

[0:10:39.6] DB: Yeah, we rely so heavily on our team and this business is a team game, you know? Property management, real estate attorney, CPA, mentorship, other syndicators, partners. This stuff – when you hear Mike and I buy a deal, there's so much more going on than just us buying a deal that are involved in making that deal successful.

I think you know, over the last two, three years, we've been flying down to Dallas at least once a month, sometimes more. We're headed down there, you know, in November. I was just down there two weeks ago so it's about building a good team and it's about getting connected with the right people and making sure that you have the right people moving forward to make that whatever property you're buying a massive success.

[0:11:25.1] WS: Yeah, I like for the listeners to hear that level of commitment, you know? You're flying to that market once a month and sometimes more. I don't think a lot of people realize that you know, we got to step it up, we got to have that level of commitment and it may take that to make it happen.

Tell me about finding this mentor and you know, we've talked about in the show a few times about – I can't stress it enough even personally just how important it is to find a mentor. But maybe you can elaborate on how you found a mentor and chose the one that you did.

[0:11:54.0] DB: Yeah, definitely. I mean, the biggest things I'm relating my real estate investment career to is I look back at what made my snowboarding career really successful and it was finding people and riders and professional guys in the industry who are riding how I wanted to ride and you could buy their videos, you could get the newest video part of these athletes and you can watch them on repeat over and over again until your brain literally started to pick up tricks that these guys would do and you start to ride similar ways to them.

And I think if you can find somebody who has what you want and is already doing it and has the results, I mean who has done it. "This is what we've done. It is not hearsay, "This is an idea." The results are in and you can work under somebody who's got a magnificent, awesome historically consistent results that is going to improve your chances immensely. So, you know, Mike and I, when we are really looking at really doing this full time, we did some research and I went to a bunch of different seminars and I went through a bunch of different programs.

Finally after hearing about his name over and over again and meeting up with one of our coaches, Tom Lafferty, we went down and we saw what Brad Sumrok was doing and based off of the results of his students, we both felt he specializes in B and C class multifamily value ad

investing only and if I was a great fit and it just feels good being in the group. We love it, I love being a part of it.

[0:13:15.3] WS: Yeah and the network too is so important isn't it?

[0:13:17.6] DB: Yeah, you meet so many people. The network is so deep. If you have a problem with what is going on or if you have challenges, there is just somebody that has probably dealt with it or is dealing with it and yeah, there is just unlimited knowledge and resources in the group.

[0:13:34.4] WS: So back to the 86 unit, what was the business plan for that deal?

[0:13:39.4] DB: Yeah, the business plan was to, we basically are going to improve 55 units through some flooring, lighting, the water conservation. We are going to do the backyard as I said and we did the management company. We ended up putting new management in there and the management company that we feel is so important when you have this management company take over is are they familiar with the market and can they hit their projected numbers.

So you know when we are dealing with a new management company and a new market, we want to make sure that they've got some local units before ours and are familiar with that market so we can really rely on making sure we are able to hit our numbers.

[0:14:18.1] WS: Nice. So how are you all able to raise the capital or how did you do that?

[0:14:22.2] DB: We raised a large portion of the capital in Sumrok group and then Mike and I have investors outside of the group that we have been developing relationships over the last five years or so and we raised a good portion outside as well.

[0:14:34.7] WS: Okay, nice and so you all have been working on your network and being able to raise capital for a while now, right? Tell me though, maybe back when you were starting to raise capital because I know a lot of people listening are like, "Well, we haven't done any deals yet but we are trying to get this ball rolling and getting our brand started and meeting people and

trying to so we can raise capital for our first deal” and how did you do that? How did you get the capital for the first deal? How did you start to raise capital for yourself?

[0:15:02.4] DB: Yeah, I think the biggest thing is really getting involved with a group. Try to get educated, try to get some education, and as you are going that path, you will meet people and you will find other folks who are on a similar path as you and looking to do similar things. So if you can align yourself with some of those groups and go out there and spend some time and some money meeting these different people and these different – in training and programs you will find some people.

And as you are doing it I think this comes back to how obsessed are you and how bad you want to do it? How much are you willing to do in order to make it happen? And if you are willing to do and you have a strong enough desire, I think that doesn't get maybe discussed enough with this business because you got to have a strong desire to do what we do. You got to really want it and without that you are not maybe going to take steps that are required to be taken in order to get to that next level.

So I think a lot of times maybe even go back to your desire and focus on, and try to find an endgame of, “Hey, this is where I'd like to be in five years,” and focus on that end mental picture and if you can focus on the end mental picture, your desire for your goal will increase and if you get that increased desire then you have a 10 times, a 100 times better chance at doing what needs to be done. I mean saying, “This is where you are going to meet your investors, it is not that easy.”

You just go and you go and as you go, people will come and they will sense your energy and sophistication and you will start to bring people in.

[0:16:30.8] WS: That is good stuff Dan. Tell me what has been the hardest part of the syndication journey for you?

[0:16:35.6] DB: The hardest part of the syndication for me I'd say would be balancing my snowboarding career with the real estate. You know I have such a passion for snowboarding and have for so many years and then as I get older, I've got two little boys now and you know

snowboarding is not what it was. I used to take these massive risks. So you can look it up online. Just Google Dan Brisse or YouTube and you can see some of the stuff that we have done over the years with the X Games and the risks are high.

So I knew I was ready to start to try to transition into a little more of a gentle roll, which is where I am at now riding a little bit less and not taking such big risks, which allows me to have much more time to you know, focus on this because this is my passion too now. I love doing this stuff. I think about it all the time. It's got my attention constantly, so as I am thinking about this, the juggling of the two was a little bit of a challenge.

[0:17:30.0] WS: Yeah, I can relate to that. I mean anybody with some kind of day J.O.B or just other career and they are trying to get to starting another business and plus family so it is hard to make it all happen. It goes back to that passion, right?

[0:17:45.8] DB: Yeah, yeah definitely.

[0:17:47.6] WS: You know how are you prepared for this next potential downturn that everybody is talking about?

[0:17:52.7] DB: Yes, similar stuff kind of what Mike was saying if you listened to his podcast. We are using conservative underwriting of historic. So we are using some vacancy rates that are much higher than what they are today. You know you got some markets that are three, four, 5% and we're basically 10 plus on every deal and if it doesn't work with 10 plus, we're passing. We are using exit cap rates, reversion cap rates that are higher than what we are buying at right now by about a full percentage point.

We are using conservative rent growth, you know, we are not using rent growth like may be like it is now five, six, eight 10% annually. You know we are using two, one and a half, one sometimes in some markets. It all depends on the market. So with those pieces that we throw into our spreadsheet and based off of the projections of our property management company and our confidence in them hitting their numbers that those few pieces really can change your projections on deals and change your end numbers drastically.

So I think if you – and the other big piece we are looking for always is cash flow. You know we are buying in markets that there's cash flow right out of the gate, not buying on the east coast. We are not buying on the west coast and that is why I haven't been able to buy around Portland and Seattle is the numbers just don't work for what we are looking for. So those are some things we really stick to no matter what.

[0:19:11.9] WS: So what is a way that you have improved your business recently that we can apply to ours?

[0:19:16.8] DB: I'd say recently what have we done that's really been an improvement, I would say just building out our team, you know continually building out our team is you know, you don't need to do it all. You don't need to know everything. Hire the best team member you possibly could find from your CPA, which is clutch crucial and is so important to your legal team to your property management company, you know it is just our team. We are always building out our team.

And just real recently on our most recent deal, we decided to bring our general contractor in as our investor into the deal and when we have skin in the game from our GC who is there and doing all the value out of rehab, I want him to show up and look at this building like, "This is mine. This is my property, how is it doing?" So the more people we can get closer and give them a piece of the pie that seems like you can spend a real nice way to feel more confident in these markets that where Mike and I aren't always at.

[0:20:14.4] WS: Wow and so what is your best advice for caring for investors so they want to come back to the next deal?

[0:20:20.0] DB: I would say number one is hit your pro forma numbers and number two, communicate. You know, if you don't hit on the numbers I am not coming back if I am an investor. I am in some deals that we are not hitting numbers and I appreciate their effort and all of that but I want my money to move, to multiply and then communication. You know if you are not communicating, even if things don't go well, just be honest.

You know I think that is huge too. I'm in some deals that aren't doing the best and some of them are communicating well and one or two aren't and I mean those people there is no chance of ever investing again. So I'd say do what you say you are going to do no matter what and communicate very open, very clearly.

[0:20:59.5] WS: I meant to ask you a minute ago, you were talking about how you all are building your teams. What is a recent important team member that you've added?

[0:21:06.0] DB: Yeah, I'd say the most important recent team member would be our general contractor on this deal. You know with having some track record of him working on our North Ridge Court deal and doing some of our cap ex stuff, we feel like we got a reliable guy that knows what he is doing that is very well trained, high knowledge and has an understanding of taking on some big projects and seeing them through successfully.

You know he's got some raving reviews from the management company and you know just getting him in-house is I think the biggest.

[0:21:32.5] WS: Awesome. Well Dan, it's been a pleasure to get to know you a little better and you and Mike and see all your success and get to meet you all in Dallas awhile back as well. Tell the listeners how you'd like to give back.

[0:21:42.4] DB: Yeah, we have a little piece that Mike and I do. We have a portion of Granite Towers Equity Group, gives to Sheridan Story. It is a local non-profit group in Minneapolis St. Paul that helps feed children that are hungry and you know Mike and I both have children and we both think about the idea of not being able to give our kids food at night. It hurts. So this is our way of trying to step it up and we'll do more and more as we continue to grow in all of that.

[0:22:10.5] WS: And tell the listeners how they can get in touch with you.

[0:22:13.0] DB: Yeah, it is granitetowersequitygroup.com. That is just www.granitetowersequitygroup.com and there is a little contact on our website or you can shoot me an email. It's just dan@granitetowersequitygroup.com.

[OUTRO]

[0:22:28.5] 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.

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[END OF INTERVIEW]

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