

EPISODE 413

[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]

[00:00:24] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Stuart Dukeman. Thanks for being on the show, Stuart.

[00:00:32] SD: Thanks, Whitney. I appreciate you having me.

[00:00:34] WS: I'm honored to have you on the show. I've known for a while now. We've talked numerous times. It's been great to get to know you and what you've done in this business and you've done some cool stuff. I'm looking forward to our discussion today about that.

A little about Stuart, he's been in business for over 30 years and has been a real estate investor for over 12 years. He's invested in over 1,000 doors in just under one year as a GP and an LP. Today, he continues to run a successful, non-real estate related business, employing over 6,000 people annually in his staffing business, while still providing others the opportunity to access exclusive private market opportunities from the comfort of their home or office while generating wealth-building passive income for years to come.

Stuart, thank you again. I'm honored to have you on the show. It's been great to get to know you, like I said. But tell the listeners a little more about who you are, what you're up. Let's dive into your journey in the syndication business.

[00:01:30] SD: Sure. Well, thanks, Whitney. Appreciate the introduction. So, as you said, I'm Stuart Dukeman. I've been in real estate investing for about 12 years. My start was pretty typical in the single-family world. I got attracted to a lot of the hype back in '07 and '08, attended a few local RIAs back then and kind of got sold into the idea of flipping houses but quickly realized that I wasn't very good at it and I didn't like it very much. I had no desire to really be a landlord. I was too nice in that respect.

When the recession hit, in some ways, it was a little bit of blessing for me because it got me out of the real estate business for a little while. But as you mentioned, I do have a non-real estate related business. I'm in the staffing business and I'm in the construction staffing business. So, during the recession, things got pretty hard on the business and I focused solely on that and kind of got out of real estate for a couple years. But as our business stayed afloat after the recession and the real estate market was still kind of starting to bounce back, we started buying some commercial buildings. That's kind of how I got restarted in the world of real estate. For the last seven years, that's what we focused on. We bought commercial buildings for our staffing business and accumulated nine commercial buildings.

Then about a little over 13 months ago, my son who is my partner, a police officer, came to me and basically said, "How do I live the lifestyle I grew up on as a police officer in Northern Virginia?" When he decided to become a police officer, we had that discussion. He knew that he didn't get into it for the money, but he wanted to go and do that. But given his schedule, I suggested, "You might want to look into getting into real estate."

I sent him some books to read and gave him a path to follow there. He came back to me a couple weeks later and he said, "All right. I've decided I want to get into real estate, but I want to do multifamily." I said, "Great! Can't help you. Don't know anything about multifamily." So, we had some discussions, and it dawned on me that a friend of mine who had gotten started in real estate about the same time had just put up something about a multifamily property that she had under a contract. I reached out to her and I said, "Well, why don't you reach out to her and talk to her? Offer to work for her for free. Have her take you under her wing. Do whatever you have to do to learn the business."

She basically talked to him for about 30 minutes and said, “You really can't help me because you don't know anything about multifamily. But I recommend you get educated.” Her recommendation at the time was to take Michael Blank's course. So, he came back to me, and we talked it over. I said, “You know, if you're serious about it, go ahead and spend the money and do it. You have to get educated.” I recall back in the days of getting started, if you don't have a good support system, you really don't make it very far. After a couple of weeks of checking in with him and seeing if he had purchased the course, finally I had looked into it. It kind of intrigued me, because multifamily was very different than what the real estate that I had done. I decided to do it with him. Then that kind of started our journey back in October of '18, and here we are a year later.

[00:04:31] WS: Awesome. That journey, I think we'll talk about that a little bit. But just like this first year in multifamily syndication. I'd love for you to elaborate on that a little bit and from what you know now from your journey and maybe how you would advise others that are trying to do the same.

[00:04:47] SD: Sure. So, for us, it was kind of an instant immersion. We both – Like I said, we took the course and we both spent a lot of hours in the beginning, focusing on the education. It was pretty apparent that there was a big gap between my real estate education and his. So, he did his best to catch up to speed as much as possible, and I did my best to learn the lingo of multifamily, if you will, because obviously it's a different lingo than other markets. We ended up going through the mentor program with Michael Blank's group and we started out kind of like everybody else starts out where you focus on building those relationships with brokers.

It took us about six months before we finally had our first LOI accepted. But along those six months, what we ran into was a lot of the junk that you get when you're starting out. You build these relationships with brokers or at least so you think, and they send you their deals, and you realize that their deals that better – the dead deals. They're not even worth evaluating. So, breaking through that was kind of tough, and it was discouraging at times. When we finally got a deal under LOI, we kind of felt like we did know what we're doing. But we had enough education and we were moving forward. We were working with our mentor.

Unfortunately, that deal after about six weeks of being under LOI, we couldn't reach contract terms over a zoning issue. The deal ended up falling through. At that point, we were pretty discouraged, because for six weeks, you stop what you're doing, you're focused on one deal, and you lose a lot of momentum in that time. During that time, we had an opportunity to help co-sponsor a deal. I had passed on it, because we had our own deal. Our attitude was, "Oh! All of our focus is going to be on our own deal." Well, when that fell through, we were left scratching our heads, so I went back to that person. I said, "Hey! Is there still an opportunity to cosponsor this deal?" Luckily, she said yes, which so happen to be the same person that I put my son in touch with.

We got involved in that deal. We were somewhat successful in in helping to raise some and be involved in it, and we got in on our first deal. Shortly thereafter, there was another opportunity with the same group, and we were able to cosponsor on that deal. The next thing you know, within now – We spent seven months spinning our wheels and inside of the next 60 to 70 days, we now found ourselves on the GP side of two deals. Because we are helping to raise capital, I also invested as an LP in those same deals. If I was going to ask people to invest with me, then I certainly wanted to put my money where my mouth was.

Since then, because deals are still hard to find in this market, that's kind of the road that we've traveled down. We've traveled down the idea that we can bring value to other groups, whether it's through the network of people that we have, or whether it's putting up some earnest money, or some risk capital, or even helping with due diligence. Whatever value that we can provide. We've been talking to a lot of people about co-sponsoring and we're trying to work towards doing more of that going forward. Kind of where we're at, so it's a –

[00:07:43] WS: That's good. Tell me though – I hear it all the time, the importance of a mentor. I can't agree with that enough, and obviously educating yourself and being in a group. That's a big deal too, because then you're surrounding yourself with other people who are speaking that lingo you're talking about and all those things. But how did that escalate just – I mean, the learning curve and even just being part of a group like that? How did that help you all? Or did that push you all a lot faster?

[00:08:13] SD: Well, the first thing that I had to adjust to in multifamily business was something that was really hard to grasp in the beginning, and it really wasn't even the education piece. It was the very first event that I went to, which was Dealmaker Live when Michael had it in Northern Virginia. I went there. I was by myself. The first thing that I realized was that everybody was talking about partnering. Having been in business for 30 years, it's a little bit cutthroat. I may see my competitors at various events and meetings and things like that. We never talk about partnering. The amount of partnering that happens in multifamily took some getting used to, because I didn't understand it at first, and that event came very early.

So, it made that decision to get a mentor pretty easy for me, because I realized that there was definitely a learning curve that had to be made, and I'm kind of one of those kids like if you're going to get into it, then let's just get into it, rather than take the longer route. So, we did that. The primary thing that the mentor helped with in our situation was to help bridge that gap between the general real estate knowledge that I had and my son who was starting from square one in that. So I think it helped with that aspect to get him up to speed a lot faster than I could've on my own, because even though he's my son, we have a great relationship, the bottom line is it's still dad talking to you. So, if dad tells you to go do something it wasn't going to be the same as if the – if our coach told him he needed to do something.

So, it helped a lot in that area, and that got me pretty involved in some of the social groups that Michael Blank has going on. I'm an advisor in his Slack channel, which creates a huge amount of context for me and I got really good at analyzing deals. So now, I help people with their analysis. That helps speed things up for me, because the more you see, the more educated you get in the whole process. So, I think, for us, it was good. Multifamily is definitely a different animal when it comes to learning the lingo, but it's also really boils down to – I mean, there's a lot to it. There's markets. There's the analysis itself. There's the renovation side. There's the property management aspect. There's the asset management side.

So, there are so many sides to it. You can learn a lot of those things on your own. I just chose to speed up the process by going with a mentor. In fact, even though it costs a fair amount of money, that individual saved me from the very first deal that I was going to go after. He saved me easily the cost of not making that mistake.

[00:10:36] WS: What would you do different now? Knowing what you know now, what would you do different or advise somebody?

[00:10:41] SD: I think I wouldn't have spun my wheels for the first six months. I think we would've recognized that the market's tight right now and that the brokers that are out there are – you really got to form those relationships a little differently. We tried to stay close to home. When you live in Northern Virginia, it's not a very good market for us value-add guys. So, I probably would've picked a different market earlier and I would've spent a little bit more time getting to know those markets and focused on relationships there, instead of cutting my teeth, if you will, on Virginia and focusing in that area.

I think the other things that we've done, obviously I would've caught on to the partnering side of things a little bit sooner, and maybe tried to be of value to a more experienced operator a little bit sooner in the process, rather than spending the seven months that we did. I think it takes at least 90 days of practice though just to get up to speed, regardless of whether you have a mentor or not.

[00:11:35] WS: Yeah. I would say at least 90 days as well. There's some learning involved doing it as with anything, no doubt. Or any ways that you see now after doing this a little while that, okay, here's some ways that people could work on, I don't know, these skills to be able to add value to somebody like you're talking about?

[00:11:54] SD: Sure. I talk about this a lot. I run a Tuesday night Zoom call with some people, and I talk about this fairly often. I think you just have to figure out what you're most comfortable with and leverage that. Maybe you're good at Excel skills and underwriting. Maybe you have some cash available. Maybe you're good at sales and you're good at building those broker relationships. I personally think that if you're starting out, you need to pick one thing that you're good at and that you're comfortable with and try to leverage that and offer that.

I was at an event a couple of months ago and I met this young girl and I said, "Well, what are you looking to do?" She said, "Oh! Well, I'm actually finishing up my master's degree and then I plan to get involved in multifamily." I said, "Well, what's your master's degree?" I don't remember the exact subject, but she said, "Basically, I do underwriting." I said, "For who?" She said, "Well,

I'm with a lender," or something along those lines. I said, "Well, have you ever underwritten multifamily?" She goes, "Oh! Yeah, yeah, yeah. I do that all the time at work." I said, "Well, you could offer that service to any syndicator that hates underwriting, because a lot of us hate underwriting." You could see the light bulb go off. She realized, "You mean, I don't have to wait another year and a half until I'm done with my degree?" I said, "Absolutely not." I said, "If you're willing to do the work, then somebody will be willing to send some deals your way to at least try you out."

That was something that I think it just – people don't think about it, because they think they have to know the whole thing. You do have to have the basic knowledge of multifamily, but you don't have to have all the skills to get involved. As you know, I mean, if you're shy, then maybe talking to brokers isn't going to be your thing. Or raising capital is not going to be your thing. But if you're good at underwriting, or you're good at any of those things, if you have a network of physicians and engineers and things like that, maybe you're going to be okay at the raising capital side. I think it's just a matter of boiling down to what are you comfortable with and go that route.

My son is not good at underwriting. He'll tell you that. So, he focused on the broker side and he got out. Rather than just trying to do it by phone, he got in his car and made appointments and met with them in person. We still got a lot of crappy deals in the beginning, but it definitely helped the flow of those deals, which helped the process as a whole. So, find one thing and leverage that in the beginning.

[00:14:10] WS: So, what's been some key things that you've done that's helped you to take your – say the capital raising portion of the business to another level?

[00:14:19] SD: From a capital raising standpoint, I'm a business owner, I'm a franchise owner, and I thought, "Oh! I've got all these other franchise owners, everybody's got decent net worth, and they should have some cash." I thought this is going to be easy and I found out that it's nothing like that at all. The reason I think in my case is that I was known as one thing. I was known as the temporary staffing guy, and I've known these people for 30 years, and that's what they knew me as. While they may have known about some real estate deals in the past, I wasn't pushing real estate. I wasn't introducing them to real estate.

So, I quickly realized that your network is helpful, but it's going to take some time for those people to come around. They're still around, and it's important for them to see that I'm still doing this after a year. Now, you can tell that they start to ask more questions. Or when I see them, they'll ask me, "Hey! How's that apartment stuff going," and things like that. But those people did not come around anywhere near the way that I thought they would in the beginning.

So, for us, it kind of boiled down to, we put another company together. We have the company that's just me and my son, which is Blue Line Investment Group. But then we put together CEO Capital Partners, with a focus on business owners and executives. We put a small team together. We have a couple other partners, and everybody leveraged their personal network and just started meeting with them and having coffee or lunch or dinner with them and putting a sample packet in front of him and explaining what we were doing and so forth. That's what led to the people that invested with us.

In some cases, it was people that we had only recently met and went through the process of making sure that we had a substantive relationship with them. But it wasn't the people that we had a long-standing relationship with that came in first. It was newer people that were a little bit more open to the idea that maybe didn't know us as well, which sounds kind of weird that people they don't know you as well are willing to invest, compared to the people that know you very well. I hope that I'm not sounding – making my reputation sound terrible among those people. It's just that they knew me as one thing.

I imagine it's no different if you're a doctor getting in this business or you're an engineer. All of a sudden, you're wearing a different hat after so many years. People are skeptical, and they don't necessarily understand how do you become an expert in something else when you've been doing something for 30 years? So, a little bit different. I would say if you're just starting out, nothing wrong with going to your network, but don't expect necessarily everybody to run to you with their wallets open and invest in your deals overnight. I think it's going to take some work.

[00:16:49] WS: Yeah. There's some saying about you never being famous in your hometown. I can't remember how that's worded exactly, but it's similar. It's like well everybody's known you

since you were a child. You're not famous in their eyes. But you go to a new community, and they say you're this big person. Well, it's like they have this wow presence.

[00:17:08] SD: Yes, and for the multifamily world that you and I run. I think there's two different worlds to the multifamily world. I think there's the online guru side of things, and we operate in that world, and it's relatively small. Everybody knows everybody. It doesn't take long to get to know everybody in the business for the most part. You go to a few conferences a year, and your name travels fast. It's one of those things, it's very easy to become popular and think you're doing this business. What you come to find out is that you kind of have to cut through it all to figure out who's really doing things and who's really getting things done.

We're just starting out. I don't try to claim that we're doing big things, the thousand doors that you mentioned. They're very small slivers of ownership. We're happy to have them. We worked our tails off to get them in some cases, but it's not really anything to brag about it. It's not a thousand doors that's going to change my life financially. It's a start, and we're in this for the long haul. My goal is not to sell my company and leave my job like a lot of people that get into this. It is my son's goal to leave his job and it is my partner's goal to do the same.

We're still putting the pieces together and trying to build this right. We're not in a rush necessarily in this business. A lot of people kind of come across as there's this big rush to get this done. But, for me, if I'm going to ask you to invest money with me, the most important thing is to make sure that we're doing the things right to protect your money, because the last thing I want to do is ruin my own reputation by losing somebody else's money. So, for us, it's important to do that, and we're putting some things in place. We've got a daily podcast that's launching that is not necessarily multifamily-specific. It's more geared towards business owners and people looking to get into business, whether it's growing your wealth through real estate or open your own business.

Brandon and Will, my other partner, are heading that up, and we're hoping to launch sometime in early December. But we're just doing things to build our network and turn this into a real business down the line.

[00:19:03] WS: Stuart, just a couple minutes before we have to go. What's a way that you've improved your business recently that we can apply to ours?

[00:19:10] SD: So, I think that when you're talking to people, you've got to be able to leave them with something. So, we finally revamped our lead magnet. We have now a way that people can actually get something from us and get on to our distribution list, and that's important to build the relationships. We're trying – as I mentioned, we're looking at launching the podcast in early December. They'll have a lot of shows already recorded and moving things forward. It's just a lot of systems, Whitney. It really boils down to there's a lot of moving parts to the business, and spending time on some of the systems upfront makes a lot of sense. So, there's a couple of ways to go about it, but I think for us it's trying to fit all the puzzle pieces together and take some time to do that.

[00:19:53] WS: I couldn't agree with you more. You definitely have to have some systems if you're going to do a daily podcast. You're fixing to become a systems expert.

[00:19:59] SD: Yeah. I leave that to those guys, luckily. Those guys are working on that piece of it kind of.

[00:20:04] WS: Stuart, what's the number one thing that's contributed to your success?

[00:20:08] SD: I think trying to figure out how I can add value to somebody else. I've done that my entire life. I think that's how I got to where I am in the business that I built. It was somebody else's business in the beginning, and I always treated it like it was my own and added value to that person. If you can help other people be successful, good things happen to you. So, we're taking the same approach.

[00:20:27] WS: Your best advice for caring for investors, so they want to come back to the next deal?

[00:20:31] SD: For caring for investors? Yeah. I communicate. Good or bad, just keep the communication open and be careful what you communicate because – try to get it right the first time. If you don't get it right the first time, don't wait to follow up with them and just keep

communicating. Most people are pretty understanding when there's hiccups and things like that. They understand that business is business, and real estate deals happen in different stages and ways. But you have to communicate. You've got to stay in touch with them, and that's really the biggest thing there. It drives me insane when I have to struggle to get information.

[00:21:06] WS: Tell us how you like to give back.

[00:21:07] SD: For me, I like being a teacher. I don't have anything formalized but I've always liked the idea of sharing. While I don't consider myself an expert by any means in this business, I do like to share and help people get started. So, I do run a Tuesday night Zoom call that we broadcast live on Facebook in the Apartment Investor Network group page. The more value I can add there by interviewing other people that have done deals or just helping people with getting started. I like to work with beginners and help them get at least to where we are today. Hopefully, as I grow, they can grow along with it.

[00:21:43] WS: Stuart, you've been a great guest. I really appreciate your time today and sharing just your journey in getting started in this business and how you would advise others to do the same and how you're improving your business as well. Tell the listeners how they can get in touch with you and learn more about you.

[00:21:57] SD: Sure. So, you can visit our website. It's ceocapitalpartners.com. We also have *The 5 No B.S. Secrets to Getting Involved in Apartment Investing Without Ever Being a Landlord*, which you can find at ceocapitalpartners.com/ebook-1. By email, you can reach me at stuart, that's S-T-U-A-R-T@ceocapitalpartners.com.

[END OF INTERVIEW]

[00:22:17] 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 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]

[00:22:57] ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge 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. Life Bridge 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.

[END]