

**EPISODE 430**

[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 Douglas Skipworth.

Thanks for being on the show, Douglas.

**[00:00:33] DS:** Whitney, I'm glad to be here. I appreciate you inviting me.

**[00:00:35] WS:** Yeah. No, I'm happy to have you on and a little about Douglas: he owns a rental portfolio of over 850 units, he co-founded a property management company with 3000 units under management for 750 clients. That's a lot of clients to keep track of. But he was also, get this, he was also honored as master investor of the year in 2019 by Thank Realty. Wow. So congratulations again to you, Douglas, for that accomplishment and just everything you've got going on here. I know it's no small feat what you and your partner have accomplished here, and I'm looking forward to getting into it. But tell the listeners a little more about who you are maybe where you're located, let's dive in.

**[00:01:17] DS:** Oh, yeah. Thanks, Whitney. We are — CrestCore Realty is our real estate brokers and property management company. We're located in Memphis, Tennessee. We have an office in Jackson, Tennessee, in Dyersburg, Tennessee, in Memphis. So that's three kind of West Tennessee offices and again manage those 1000 units for ourselves as well as, you know,

hundreds of investors from around the world. And then we provide the maintenance and construction, do some hard money lending. We've been at it since 2001, started kind of doing it for ourselves and realized that we would get better if we helped others. So it's been kind of — we kind of say our mission is to serve people profitably. So we're out there doing doing good service. But we all got a kind of win by making money for each other.

**[00:02:06] WS:** So you said you realized you would get better if you were helping others?

**[00:02:10] DS:** Yes.

**[00:02:11] WS:** So could you elaborate on that a little bit?

**[00:02:12] DS:** Yeah. So maybe it's kind of just a part of who we are, but my business partner, Dan Butler and I, we met — we moved. We're both with both — neither of us are native Memphians. I'm from Dallas, he's from Greenville, South Carolina, and we both married Memphis girls. And so we ended up in Memphis. We ended up in the same neighborhood in about 2003 and we found we like to jog. Somehow we got introduced as exercise buddies, and so we started jogging and we would meet in the morning. Sometimes we met in the afternoon after work, and we developed a friendship.

But what we really found in that in addition to getting in a good workout and in addition to having just fun being together, we built up an accountability. So it's like Dan depended on me to be there, I depended on him. If I told him I was going to be there, I would. Some days it was cold, some days it was rainy, some days I'd stayed up the night before, some days I had a lot going on that day, so there was always a reason not to meet or not to run.

And so having Dan and having that accountability kind of kept us there, and so what we kind of thought as we were managing our own properties was like, "If we had some owners that we were managing for or clients that we were helping then that would make us get better because we wouldn't have — We couldn't take the day off and we couldn't have the excuse of, "Oh, you know," — obviously, on the running side of this one I mentioned. But on the property management side or on the broker side or both, "Oh, you know, I can let this tenant slide or I don't have to do a great job on this, or I don't have to do that."

And it really ratcheted up what we needed to do, kind of digging down deep within ourselves to bring up the professionalism, which helped our personal portfolio and helped the residents that were living in their homes and we were borrowing money so we wanted to pay the banks back. And it's just a virtuous kind of cycle that spiraled upward. That's kind of what we mean by it would help us get better by starting a property management company.

**[00:04:12] WS:** But ultimately you created more accountability for yourself.

**[00:04:16] DS:** Yeah, yeah, and that for us, accountability is — personal accountability is one of our core values and just kind of that extreme ownership. But because it's prescriptive in the sense of like we want to have it and we want to do it. But we also want it to be kind of descriptive of who we are and what we do and so by surrounding ourselves with kind of external pressures, it kind of, again, it kind of makes — kind of raises the bar just a little bit more and gives us some extra incentive to follow through on what we say we're going to do and kind of prevents us — We're weak and flawed people and and we mess up. So the more reasons we have to not mess up or to dig down deeper or to try harder the next time that's just kind of what we're trying to do.

**[00:05:10] WS:** That's interesting. A little accountability goes a long way. You know, when you have no accountability, you're just, I mean, you're just off doing your own thing on.

**[00:05:21] DS:** Yeah and that's a great one. There's a phrase we use all the time. It's we feel like we always, people in general and us especially, we, you know, judge people by their actions<sup>9</sup>. But we judge ourselves by our intentions, and so everybody's got great intentions. But follow through is a lot harder, and so that's when the things we try to remember about ourselves, is like, “Oh, we need to judge by our actions, you know because intentions — everybody's got good intentions.”

**[00:05:48] WS:** Yeah. So I'd love to hear about you know how you're growth kind of, how that happened. You know, you all got started in 2000. You all were running buddies. You realized, “Okay, you know, we could probably put this together, work for other people and grow this a lot faster or, you know, help a lot more people as well. And, you know, what did the growth

trajectory then look like when you all joined together your real estate businesses and then and then went forward?

**[00:06:12] DS:** Yes. So Dan and I were both — I had a real estate technology company. He was a plant manager, regional and then nationwide plant manager for Georgia Pacific, a large manufacturing company. He was owning rental properties on the side. I had some properties on the side. We joined together. Kind of, you know, the two plus two equals five or one plus one equals three. Just we felt like there was more together that, you know, early on, we kind of adopted that African proverb, “f you want to go fast, go alone. If you want to go far, go together”. Kind of experienced that. It’s again that accountability, because we experienced it in running. It was very easy for me to get up and go run by myself.

But if I wanted to do it day in, day out for 365 days or for we've been doing it now 15 years, you know, it's gonna be a lot harder for me to do it by myself. And so we saw that with our partnership in real estate, if we wanted to build a business where we could serve people and help ourselves as well, we're probably both going to get a lot farther if we joined forces. So that was taking his strengths, my strengths, taking kind of the core values we have, as well as kind of the principles that line us up with kind of a vision. And then we were off to the races primarily buying houses for ourselves, but then doing third party property management, then real estate brokerage, and then started maintenance and construction.

So it really kind of got some juice behind it during the great risk checks, because Dan and I were able to buy a bunch of houses personally. Other people — Memphis, man, just it's kind of the Lord's blessing that we were in a good spot to buy property for other people in Memphis. And so we went from, you know, owning a few 100 houses and managing those to managing, man almost up to 2000 houses in probably five years time just by kind of being what we like to say, just kind of being honest and competent.

So in our industry, unfortunately, that kind of sets you apart if you're honest and competent. And so we tried to really, really play that up, and so that was able to both the personnel we attracted and got colleagues to work with us, but also the clients. But being honest and competent got us a long way. And what's so great about being honest and competent is neither of those are really that difficult. I mean, we didn't say, “We're the best in the world.” We're just like, “We're

competent,” you know? That it. And we're honest, and that's something that's not hard. It just it's just different.

**[00:08:44] WS:** Yeah, so tell me about some of the systems that you had to put in place. I mean growing from, you know, a couple 100 to a couple 1000. Like, that's a lot of growth, you know, in a few year period, you know? Tell me and I know there's probably some growing pains there that happened. Or some learning. Maybe? You know, I know you all are competent guys, you know? But tell me about some of the systems that you had to put in place to be able to manage that kind of growth.

**[00:09:09] DS:** Yeah. So we've always treated it — and whether you're a, you know, whatever type of investor you are, whether you're invested in apartment syndicates, whether you're invested in single family homes, whether you're invested in other type of passive investments, even a stock portfolio are any type of equity investments. We came at it that it's best to treat it as a business instead of a hobby. And so with that, we thought, “Okay, how do business run? How are businesses successful?” And usually it's, you know, kind of the systems and the tools and the people.

And so we kind of focused on the three, and we got some of this — we gleaned it from everywhere. Anything from *Emyth* to *Traction*, *The Entrepreneur Operating System* to Gary Keller in *Millionaire Real Estate Agent* and *Millionaire Real Estate Investor*. Lots of resources where we've kind of cobbled together the same concept of getting the right systems and processes in place. And those are documented standard operating procedures followed at the same time continually tweak it and modify it. But then also getting the right tools and those tools can be anything as simple as, you know, technology or other tools that help you be more productive or more efficient. Efficiency being kind of getting the same amount done with less and productivity getting more done with the same.

So we focused on both, you know, efficiency tools and productivity tools and then the personnel. And so the people has probably been the hardest part for us just because we are used to doing so much on our own and of ourselves and expecting everyone to kind of run at our pace and that's been a little bit harder for us as we've made some decisions. We've always felt like we've got high integrity people. But sometimes we've put the right person in the wrong seat. Barely

we've put the wrong person in the right seat. You know, we feel like we're a decent judge of character, but so we've got some tools like personality work style profiles. We use something called Culture Index, but it's similar to like a predictive index or Colby or Myers Briggs or DISC or anything like that to help assess people and help them kind of become more self aware so that they're, you know, we want everybody to maximize their potential. We want them to kind of thrive in their role. And we had heard Peter Drucker when it was kind of a defining moment for us was like Peter Drucker had said something years ago about, you know, the role of the organization is to maximize the strength of the individual and make their weaknesses irrelevant. And so, okay, how do we get people to kind of play in their area strength and not, you know, have to deal with their own weaknesses all day, every day, but both me personally as well as people.

So again those three areas of the processes, the tools, and the people. But people being so key because we're a service business. People are dealing with people all day, every day, dealing with clients, dealing with residents, dealing with lenders, dealing with vendors, dealing with suppliers. So —

**[00:12:24] WS:** Investors. Yeah, you've got a technology background, right?

**[00:12:29] DS:** Yes. I had a real estate technology company back in the early 2000s. So probably 2014, 15, 16 somewhere around there. And it was kind of like a proprietary Zillow, but I came at it from the finance and extending operations of the business. Now I was never a database guy, I was a coder, but I was definitely a user and involved with the user interface.

**[00:12:51] WS:** I just wonder, you know, with that background, but either way your favorite a technology that you all have incorporated in your business right now?

**[00:12:59] DS:** Oh, man, that is great. You know, it probably would be and I know I just kind of said it, but this Culture Index Tool. It's just a personality assessment a work style assessment and it's just a questionnaire that's sent out electronically. And then it comes in and it graphs and shows you and is able to kind of plot where you are, and so it gives you a real sense of who you are and how you interact with others and as well as the world.

So that's been it's been a great tool that we've used, and it has helped us to kind of learn more about ourselves as well as others and for everybody, and we've administered it to thousands of people and everybody's like, "Man, that," — you know, you send them the summary and they're like, "Yeah, that's pretty much me. I might I might disagree a little bit with this, but yeah, it pretty much nailed me." So that's that's been awesome tool for us on the technology side.

On the business side, not technology, probably something like entrepreneurial operating system traction, if any of your audience is, again anybody who's investing is running a business. And so if you're running a business, you have to have a system to run the business, and most entrepreneurs — investors are pretty much entrepreneurs. You've got to have some system to run it. And so, using EOS and Traction again, there are probably others that are out there. We've chosen to use that kind of like we've chosen this culture. But something that helps you kind of set a vision, get your core values, your mission, your purpose, and then set your goals and work yourself back to what do I need to be doing today in order to get to where I want to go five years from now? So, instead of just —

**[00:14:41] WS:** And how long have you all used EOS?

**[00:14:43] DS:** Probably for about the past three and 1/2 years. Initially, we just started out — We were getting [inaudible] and stuff together, but until we kind of stumbled across that tool or were introduced to it, it really kind of helped bring some clarity to what we were doing. Kind of some parameters, you know? Our parameters to where we could operate in that box and go.

**[00:15:06] WS:** Okay. So I guess, you know, changing or pivoting a little bit here, you know, 750 clients. So, you know, and I guess those are people that you're managing properties for or their investors, you know, and so tell me, I mean, I'd like to know, how are you finding those investors? How are you connecting with those with those people?

**[00:15:23] DS:** Yeah, great question. We kind of think of it as concentric circles. So it's like if we can do business with any of our other businesses, that's kind of our first choice. Our second choice is to do business with any of our company's clients. So if the property management company can help the real estate brokers client that's great and then after that would look for

repeat business. So if we get a repeat customer and continue to help them grow and then referrals from that. So referrals of theirs.

So those first four circles are pretty pretty nice, because if you have 750 clients and you're farming those clients and taking good care of them, you get a lot of repeat business and referrals and work together. But then, on that fifth, the outer ring, the fifth is like, "Okay, how do you get people who are like those first four circles?" And so that is — there are all sorts of ways we've got. We try and do a lot of content marketing. Two of my colleagues have a podcast that they do for the [inaudible]. We're very active on Biggerpockets.com, which is a good social network for real estate investors. Primarily our 750 clients or guys like you and me who are trying to build wealth or to create financial [inaudible] individual investors. It's not big hedge funds or private equity groups or anything trying to buy thousands of houses. It's more mom and pop investors who are buying 1, 2, 5, 10 houses to plan for the future.

So any way we can connect with those folks, we try and do that. Again like minded ones. Cause some of them have a little different philosophy or outlook that then we do. But yeah.

**[00:17:09] WS:** Yeah, and I think you had mentioned there from all over the world?

**[00:17:12] DS:** All over the world, yes. So a lot of East and West Coast investors are investing in Memphis, and then a lot of Israelis, lot of Australians, New Zealanders and then, you know, random other countries. But yeah, lots, lots from all over. So, which is pretty cool, man, that especially for Memphis, you know, kind of in the center of the USA just to have people from all over. We've got Fedex's headquarters here, so we're used to kind of that internationalment, but for us to actually be dealing with people all over the world is, you know, it's pretty cool. You feel, you know, we feel privileged to serve people all over the world in to give Memphis kind of some good notoriety and publicity in that.

**[00:17:51] WS:** Yeah. So, Douglas, what's been the hardest part of growing this business to this scale?

**[00:17:56] DS:** So probably, you know, I'm not gonna harp on personnel. That's been the hardest in processes, you know, that trying to build the right team, putting the right process is in

place. You know, managing cash flow is hard when you grow and so I mean that's something that's kind of a little bit different than that. Just watching how you're managing your finances.

We've done a lot of borrowing for our rental properties, but we've tried to run our businesses out of cash flow, and we are — one of my mentors, he is a multi-family investor. He owns about 8000 units. He's headquartered here in Memphis kind of throughout the Southeast. He does it market rate, but primarily tax credit, low income housing. And he told me early early on was, you know, "Only borrow against income producing assets." And so that's where real estate comes in and I know for apartments syndicators that's great, you borrow money because you've got an asset that's going to generate cash.

A business is an asset. It generates cash, but it doesn't have a lot — the service businesses don't have a lot of tangible assets and so we've never borrowed against those businesses because at the end of the day, there's nothing tangible that a banker could take collateral on there's nothing that we feel good that they — they're just buying the cash flow off that business. So again, we've never borrowed so we've always had to fund out of the growth. So we've had to, again, Gary Keller's got a great concept called red light green light, lead with revenue. So if you got the revenue, then you can add the expense. Get the revenue, add the expense and not the other way around. And that has been very helpful for us because we've seen, you know, especially in the media, you see people go raise venture capital or borrow money and kind of friends and family, everybody gets asked and then it not work out, and we just, that — we're just not looking to let people down or to fail if it can. So managing that cash flow has been — after managing the people in the process, managing the cash has been just as important for us.

**[00:20:07] WS:** Of course. So how are you all preparing for this potential downturn?

**[00:20:12] DS:** Yes. So, you know, we've kind of been preparing for the downturn for 10 years. You know? Everybody thinks it's coming, it's coming, it's coming. And then now maybe it's not coming? So we are constantly, kind of I said, with our personal rental portfolio. One thing we always did and have done is we've tried to kind of match the asset with the funding. So long term assets with long term financing and then to managed that rate. And so we've always tried to either pay things off as quick as we could, or get as long of maturity as we could. That was just close to the amortization. Just because the future is uncertain.

So if we can stretch out the maturity to close to an amortization on debt, that was good. Or if we could just kind of compress the amortization, this kind of cinch the belt as tight as we could. We've always done that on the personal portfolio, on the rentals, on those kind of real estate assets. On the business side, it's kind of managing the cash. Like I said, not over extended, not doing things that are crazy, not stretching for growth, but planning for and thinking about those scenarios of, "Okay, what happens if rates go up and people don't want invest? What happens if the stock market goes up and people want to invest in stocks as opposed to real estate? Or, if again, if the rates go up in bonds, people want to jump in more fixed income that way? Or if other markets are more attractive?"

So we're always kind of contingency planning and thinking that through for kind of the rainy day day scenarios. So we're always thinking and trying to be mindful of what if? What if? What if?

**[00:22:06] WS:** Yeah, and what's a way that we haven't talked about or a way that you've recently improved your business, that we could apply to ours?

**[00:22:15] DS:** Good question. One thing we've recently done is, well, we've done some core behaviours which have been great sharing stories. We've gotten the team — So this has been really fun. So we took our six core values and we said, "These are great core values. A little bit platitudinal." Is that the word? You kind of like platitudes, kind of high level things. And so we said, "How do we make them a little more concrete and actionable? Let's come up with 15 core behaviors."

And so we said, "Here are core behaviors that we want. You know, honor, commitment, tell the truth." And so we kind of gives some little scenarios of what they are. And so what we've done is we've taken those 15 behaviors and on the 1st to the 15th, we do one and then the 16th through the 30th of the month we do them again and we have everybody on the team is responsible for a day, and we kind of keep it mapped out. Everybody has to share a story about, like, "So tell us — so share a little two paragraph story about how you honor your commitment. Or tell a story about how you've seen somebody tell the truth, even when it hurts." Or radical transparency is another one. "So, how are people radically transparent and open with you, or have you seen it?"

And so that's been really great to get the team involved. Everybody sharing stories and kind of reinforcing those behaviors, which kind of support the core values of building a culture of like minded people who are out there to serve. It's been awesome. So we started that in September. Oh excuse me, we started that three months ago. So we just — we're on our third month now. It's been fantastic.

**[00:23:54] WS:** So what is your your best advice for caring for investors so they want to come back?

**[00:24:00] DS:** So, what we say is providing a world class service, or providing a world class manager service to us is being operating with excellent as well as number two is providing an exceptional experience. And when you boil all that down, I think it just kind of comes to communication and follow through. It's really simple of like communicating, communicating, communicating and then doing accountability, follow through, doing what you said you were going to do. They can count on you to get it done. Having that integrity that kind of that wholeness of, "Here's what I said, here's what I did." So for us communication and follow through are what provide world class service and sets you apart. That's how you take care of people.

**[00:24:46] WS:** Nice. And what's the number one thing that's contributed to your success, Douglas?

**[00:24:50] DS:** Man, Good Lord's blessings, you know, first. But, you know, kind of maybe what's more dependent on me or us is probably focus and focus like in our strength areas, kind of like we had talked about earlier, about just doubling down and really nailing in on what we do well and what we can do to get better at those things. So just kind of a focus — we heard a long time ago, I think it's called the Law Forced Efficiency, where there's never enough time to do everything. But there's always enough time to do the most important thing. And, you know, whether that most important thing is exercising or spending time with your family, or having spiritual time, whatever that motivation — or taking care of your clients, or doing the job, you always have time for the most important thing. For us it's communication and follow through with the business. So focusing on those areas is by far what I would say, it's helped contribute to kind of where we are today.

**[00:25:54] WS:** Nice. And how do you like to give back?

**[00:25:57] DS:** Oh man, this is probably, of all the real estate podcasts out there, man. this is probably my favorite question you ask. Because given one of my missions — serving people property profitably is our business mission. You know, giving is one of the seven rolls I feel like that is in my life and as a partner of in our company is a giver. And so what we like to say is we like to share gifts generously. And so we do a lot at the company internally, but then also in the community. We're in many communities so we try and help with mentoring programs, job preparedness, especially as we have to make new technicians and construction guys so we can really help them help the communities by providing good good landlording services and participating in the community. Kind of, we all you know, we kind of all rise up together.

Personally, one of the things that I like to do is I kind of have like a personal goal of like time and money and like I kind of, I look at it like a 50-25-25 with some kind of the way I spend my time and my money and kind of different buckets and then a tool that I don't know if you use or your audience might like it's called a Donor Advised Funds. And so it's a tax advantage vehicle. But it's for anybody who's philanthropic. Man, it is an awesome tool that you can start with just a just a little bit of money where you contribute to that donor advised fund and you get the immediate tax deduction, and then you can disperse that money out over time.

It's almost — It's really like a private foundation, but, you know, for guys like us who don't have millions and millions and millions of dollars to give away, but you just want to give away thousands of dollars a year, it's a really great tool. Or even hundreds of dollars, you know, it's a great vehicle. So we're big proponents involved with the community, it's called the Christian Community Foundation of Memphis. But there's other community foundations that have donor advised funds, and it's a great, great tool.

**[00:27:59] WS:** No, I appreciate you sharing that. I don't think I've heard of that, or the donor advised fund. It's something I'll definitely look into.

**[00:28:05] DS:** Yeah, check it out. Yeah, I promise you, you will love it, especially because all of your donations float through that donor advised fund. So you get one tax receipts. So when you

go to file taxes, all your donations for that is very in favor of people giving. And so that's a great tool that they have allowed us to use. So I always encourage people.

**[00:28:28] WS:** So Doug, Douglas, tell the listeners how they can get in touch with you and learn more about you.

**[00:28:32] DS:** Yeah, great. So check us out at CrestCore.com. We're on all social media; LinkedIn, Facebook, and Bigger Pockets. Can reach me at douglas@crestcore.com. Shoot me an email, find me on LinkedIn, find me out on Bigger Pockets. Happy to do whatever I can.

[END OF INTERVIEW]

**[0:28:50.6] 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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[OUTRO]

**[0:29:30.4] 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](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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