

EPISODE 522

[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 Sterling Chapman. Thanks for being on the show, Sterling.

[0:00:32.2] SC: Thanks for having me, Whitney.

[0:00:33.2] WS: It was great to meet you at the Best Ever Conference just a few weeks ago in Denver and I look forward to getting to know you a little better.

But a little about Sterling, in case you hadn't heard of him before, he is a finance background as well as years of experience climbing the corporate ladder in a telecom industry.

In 2017, he started buying and renting houses and moved to duplexes and quads. He now owns and manages 26 rental units worth over one and a half million dollars. Has experience with private lending, value-add, cash out refinancing, equity partnerships and more. He's also the host of the Rent Roll Radio Show. And president of Crest Worth Capital. He's moving into multifamily syndication this year.

Sterling, give the listeners a little more about your focus right now and let's dive in.

[0:01:15.5] SC: Awesome. Thanks for the introduction Whitney. Actually, I have a confession. When I started my podcast and when I built my website, I actually went and stalked your website and your podcast to look for ideas.

[0:01:29.0] WS: I'll take that as a compliment.

[0:01:30.2] SC: Absolutely, it is. To back up a little bit, I have a degree in finance and I have an MBA with concentration in finance from LSU. I'm from South Louisiana. I spent the last six years as you say, climbing the corporate ladder and I've had a really successful career at it. But a couple of years ago, I just noticed a trend every year where they would do corporate reorganizations and people would do it then, working for the company for 20 years, all of a sudden didn't have a job. And in 2017, I just gotten a big promotion and I was all excited and found out my boss who had been there 20 years just all of a sudden wasn't going to have a job in a few months.

I envisioned this, me being in my 40s and having a bunch of car notes and mortgages and kids in private school and the faucet just turning off and it terrified me. I was just about to buy my first house and I was just about to start a family and it just scared me. I said, "I got to figure out something else." I started reading personal finance books and *Rich Dad Poor Dad*, kind of dove head first in the real estate, bought a couple of single families, those went well.

And then I was out of money so I had to get a little creative and borrowed some money, fixed up some duplexes, did a cash out refinance to pay them off and walked away with some more cash flow and rentals. And I found an older gentleman who is looking to kind of retire and get out of his portfolio he had been building his whole life but didn't really want to take the tax liability of selling the whole thing all at once.

I got him to seller finance number of properties that are very low-down payment. I also talked to some friends and family who had kind of started to see my success and they started investing with me. We bought some more properties with some partnerships where they put the down payment and I found a property and fixed them up and managed them.

It's been fun and it's been great and just the last year and a half, like you've mentioned, I've gotten 26, I just closed on my 27th earlier this week.

[0:03:27.5] WS: Congratulations.

[0:03:28.9] SC: My initial goal, my initial like fear of what's going to happen if the corporate faucet ever shuts off, it's been remedied. You know, in a year and a half of going at this, I now have enough cash flow that you know, I can't retire yet, I guess, technically, I could. But you know, at least if something happens to my corporate job, my family would be okay. We could pay all of our bills. So that first goal of creating a safety net, I've accomplished.

And of course, the more you dive – As I'm sure you know – The more you dive in, the more you want to get involved and now I'm really looking to expand my operation further which has kind of brought me to my latest interest which I believe is your primary business which is apartment syndication.

Maybe around October, I read Joe Fairless' book on apartment syndication and I just had another like aha moment. Like that feeling I got the first time I read *Rich Dad Poor Dad*. I said, "Man, this is a direction I want to go in." So, I started my podcast and I had you listed on some documents. I went and checked out your website. I checked out your podcast. I said, "This guy is a class act, I really like how he's got it all setup."

I stole a lot from that to mimic my kind of setup and the podcast is really starting to taking off. I've started to use it as a way to reach out and network with other syndicators like yourself and go to more conferences like the one we just went to in Keystone and I formed a partnership with a gentleman out of Utah.

We're aggressively trying to find our first large multifamily unit. We've located the funds. He works at a bank, underwriting commercial properties so he's got a great background in underwriting and we put in a couple of offers so far this month.

[0:05:05.3] WS: You know, I think it's incredible that in a year and a half, you've been able to – I think you said and correct me if I'm wrong, secure enough real estate that if you lost your corporate position that you all could still eat, right?

[0:05:16.8] SC: Absolutely.

[0:05:17.9] WS: That's a big accomplishment. Not many people have made that happen. I want to say congratulations to that. That's just incredible. Most people can't make that happen in a short amount of time, for sure.

What was the hardest point of getting to that point? I mean, before we jump in to why you're pursuing syndication now. What was hardest point of building 27 properties in a year and a half?

[0:05:38.3] SC: Probably the push back that I got from everybody that loved me. You know, the perception of it being more risky and in my opinion was it was less risky, you know? I thought of that one source of income as being incredibly risky, it could be cut off at any point in time. But just the friends and the family, the wife, you know, they all kind of, "Are you sure? is this really what you want to do?"

Overcoming a lot of those objections and that kind of push back, finding capital at first, you know? When I had no proof of concept, no track record, getting people to want to invest with me. As like I said, the first two single-family houses I saved up and I brought the down payment and I specifically remember after I bought the second single family house.

The first one cash flowed me \$500 a month. The second we cash flow will be \$600 a month. But then I was completely out of money. And I remember – Like I do endurance training. I do triathlons and marathon so I run and I bike a lot and that's where I learned my real estate is through listening to podcast and audio books while I'm on the road training. I've gotten to the point after this first two single-family houses where I stopped listening to the books and I stopped listening to the podcasts because it just made me angry because I didn't have any money and I couldn't keep investing.

Part of me at that point just wanted to stop and didn't want to keep eating the information because I didn't feel like there was anything I could do about it. Instead of going that direction, I went the other direction and I started focusing on learning more about low and no money down deals and how you could use other people's money and get creative to build up your portfolio.

I remember the first creative deal I'd put together very well and I was scared. I didn't tell anybody at the time, I was you know, full confidence to the world. But at night, I was having

trouble sleeping. “Man, I hope this works out. Man, I hope that appraisal comes back okay. Man, I hope I don’t lose the job before I get the loan.”

You know, all these crazy things running through my head but after it all came together very successfully, then I kind of had that proof of concept and all of a sudden, you know, I didn’t have a hard time getting money and partners and investors.

[0:07:46.0] WS: Yeah, I think it’s interesting you say, you know, nights with a little sleep, you’re worrying about that. Look, if you don’t have some of those nights, you’re not trying hard enough.

[0:07:52.5] SC: Right. I like the Mario Andretti quote. He said, if you have control over everything, you’re not going fast enough.

[0:08:01.3] WS: That’s awesome. I love that. I love that. You had a problem though finding capital and I wonder how that changed? Like over a year and a half, has that changed? I know you’re pushing towards syndication now so maybe you haven’t needed more capital or the kind of capital, maybe we have to have to do a syndication. But you still found a way to buy more properties.

I know you said you seller financed something and was there other times or did you find investors?

[0:08:25.2] SC: Yeah. I found investors, I’m now to the point where there’s a lot of people that want to give me money and want to get involved. Now, I’m just trying to find the deals and the time to execute the deals. I have a seven-month old son. Between my son and managing all those properties and my W-2 job and my podcast, really, at this point, my biggest struggle is finding the time to source the deals and actually execute the business plans.

[0:08:53.9] WS: You’re still working full-time, you’re self-managing, is it 27 units?

[0:08:58.2] SC: Well, I’m self-managing 26 and I’m in the middle of rehab in the single-family that I picked up last week. But we’ll be done rehabbing it and have it sent there in a couple of weeks and then it will be 27.

[0:09:07.5] WS: And you have a seven-month-old at home, and you have a podcast? I just love like listing those things like that out like that because it can be done. I hear excuses all the time from people, "I don't have time." You know, I've been working full-time while doing a daily podcast, syndicating deals, going through adoption process. I mean, it's just craziness, right?

But you're either going to find a way to do it or you're going to find a way not to, you know? I just love hearing stories like that because I want the listener to know that it can be done. You can push and make it happen just like you've done and congratulations to you on your success in the real estate and how you're pushing forward now. And building that financial freedom for your family as well.

You know, let's move forward now. Now you've had success, you've just picked up the 27th unit. You know, now you're gaining some steam and some confidence, right? In this real estate business. Even with other people, you mentioned now you have people that want to invest with you and that's the way it works, they're skeptical at first, "You're doing what?"

You know, they're skeptical, right? They've never seen you in that space but now, they want a part of that and so now, people are coming to you which is common. They see somebody pushing and making it happen and they want a part of that. Now, what's your plan moving forward?

[0:10:12.8] SC: My plan moving forward is to continue doing what I'm doing. There's a lot of good opportunities here locally in Baton Rouge. There's a lot of good cash flow for small multi-family and small single-family houses, there's still a lot there. When I became interested in an apartment syndication and started analyzing markets on the factors that you analyze when you decide where you want to make a multimillion-dollar purchase in a large multi-family asset, You start looking at things like population growth and job growth and job diversity and crime rates, it just locally doesn't seem to be the best market.

I can continue to grow my small portfolio in this market because I know this market like the back of my hand. I know where the bad areas are to stay out of. I know worst case scenario, stress test, I can put on the things I bought.

[0:11:02.5] WS: I know people that are looking for single-family homes that are just cash flowing 50 to \$100 a door. Much less if you're cash flowing \$500 a door, I mean, my goodness, that's a pretty good deal.

[0:11:12.2] SC: They've got some great opportunities. And we're still actually seeing back in 2016 in Baton Rouge, we had a major flood that must have covered over a third of the city and some of the surrounding cities. Not all of those properties have been rehabbed yet. Those are still lingering in.

[0:11:29.1] WS: Tell us about your plan to the first syndication? You thought that through, what's your steps to getting there?

[0:11:34.9] SC: What we've done up to this point, the first step was we created a website, we created a thought leadership platform and we started to kind of grow our brand. I did that personally just because at that point, I didn't really know who I was going to be working with but I got to the point, as I mentioned with my time earlier where it's like, "okay, I need a partner with someone. I can't do everything myself." Nor do I think it's responsible when you're going to something like this that you've never done before.

My initial partnership was with a gentleman out of Utah that I met on Facebook, he was looking for a capital raiser for a group he was being a part of and I thought, "Well, you know, I could help raise some capital." I reached out to him, that group, we didn't end up going with because they just had a different type of model for investor splits that I wasn't really into. I broke off and him and I kind of joined up together just us two and he introduced us to another gentleman who had executed seven successful syndications and said that he has the capital. If we can bring him a deal that leads this criteria, we can partner on it.

From there, we've been going back and forth, analyzing all right, which markets do we really want to be in? And selected our top three markets and we kind of have criteria where if we get a deal that's outside that market but that market still hits this criteria, we'll consider it. But we're going to focus our efforts on these top three markets. And from there, we've just been working on building broker relationships.

So one of the things that I decided to do is reach out to some of the brokers in the markets that we wanted to be in and ask them to be on my podcast to just give me a chance to get to know them better, give them some free publicity. But like I said, we've made a couple of offers on some properties that fit our criteria and we are just going to continue to make offers until we get one that works.

[0:13:26.6] WS: I think it is just neat to see that you've built a track record now even though it is in small multi's or single-family, you have built some track record and even in the corporate world that still helps bolster your track record and credibility, you know? But like moving into syndication I think it is just neat to see like okay, you are building credibility through your thought leadership platform and now you've found a partner and it just starts to grow, right?

Your network starts to grow and now through your podcast or through a thought leadership platform, your network and your brand starts to grow and people start recognizing you as an expert in the space or somebody that is doing stuff and you have a partner, you all are looking for deals and so now you are analyzing markets or what I happening now?

[0:14:07.6] SC: So yeah, we have actually analyzed the markets. Like I said we have picked our three that we want to focus on and at this point, we are just trying to build broker relationships in those markets.

[0:14:17.1] WS: Okay, what are some specific things in those markets, if you can share the market great, if you don't want to I understand and why you picked those markets?

[0:14:24.3] SC: Yeah, I don't mind. So, one of the markets that we really like is Huntsville, Alabama another one is Jacksonville, Florida and another one is Lexington, Kentucky. We like the job growth over the last 12 months. We like the population trend over the last 15 years. We like the job diversity. We like the decreasing crime rates. So those are the main types of things we were looking at.

[0:14:49.6] WS: Nice. Those are all supposedly great markets and they are not markets that I am in. But I think also it is a great idea about reaching out to the broker to invite them on the

show and you are providing them some free publicity and then providing hopefully a little value, right? Is anything come of that yet or how does those relationships worked out?

[0:15:07.2] SC: Well we've actually just started to extend those invites this week. So, we haven't had any traction on that yet but I would expect a response. So, a few of the brokers we reached out to have sent us deals in the past. We are just trying to strengthen that relationship at this point.

[0:15:23.4] WS: Sure, Sterling how are you prepared for this potential downturn that everyone is talking about?

[0:15:28.2] SC: Well, I am under the impression that I am going into the business that doesn't have to worry as much about the potential downturn. So, I watch everybody else watching what the stock market's done this past week and panicking and freaking out. But you know the majority of my I say wealth, wealth is a big number for what I have. But the majority of my money is in real estate. I don't really see it being majorly affected not the way that I invested in any way.

I had long term fix debts with a pretty big gap between the debt and the cash flow. So, I am not terribly concerned. I don't really see any economic cognitions changing my tenant's abilities to pay rent and my ability to pay the note. So honestly, I have a 401(k), I contribute the max that my company matches but I haven't even checked it this week, you know? I am sure it went down but I don't really care because that is not really where I am focusing on my energy and efforts.

From my understanding of economics and multifamily, if there is a crash and people have to move out of their big fancy houses into apartments well that is only going to increase the demand in the space that I am in. So, I mean could it temporarily affect the value of the assets? Probably. But I am not planning on selling them anytime soon. So, I don't really care. I am sure it will come back around. So as far as I am preparing for it, the same way I was a year ago.

I started going in this direction with the expectation that at some point in the future there is going to be an economic downturn and this is what I want to be doing when it happens.

[0:17:03.1] WS: Nice. Most people get in trouble when they're made to sell, you know? And they don't have a choice and usually they are over leveraged or they didn't have a reserved budget or things like that and it sounds like if you're cash flowing up to \$500 a month in some of your units, you could afford to take a little less rent too if you had to, right? But tell me a way that you have recently improved your business that we can apply to ours?

[0:17:23.5] SC: A way that I have recently improved my business? I don't know how much you could apply it to yours, I am in the process of refinancing some shorter term debt into some longer term fix debt, which helps me sleep better at night knowing that regardless of how the market is going to perform down the road, I won't have to refinance. I've got fixed that locked in for 30 years and that makes me feel good and aside from that the longer amortization makes me cash flow more.

[0:17:51.8] WS: What's a way that you are finding investors right now?

[0:17:54.3] SC: So, a lot of it right now has been word of mouth. The people that are investing in my local endeavors are friends of friends who saw me, who heard the show. You know people really underestimate the power of these thought leadership platforms. I've had tons of people reach out to me and since it started, yeah. I had a guy just the other day reach out to me and he said, "Hey man, I am in New Orleans. I heard your podcast. Would you be willing to have coffee if I drove to Baton Rouge?"

It is an hour drive or something, he would drive all the way to Baton Rouge, "Yeah sure I would have coffee with you" well he was on the fence about investing. He's been on the fence just scared to make a move for a couple of years now but he knew at least what he wanted to do and he told me. He said, "Now I am just sitting on like 150-grand in my checking account, just sitting there and I don't know what my next move could be."

I said, "Well, I mean if you want some guidance we could partner on a few deals and we could use that money. I could give you a decent return and you could learn through the process." And he loved the idea. So that just kind of organically is how I have been finding investors for my local projects.

And as far as finding investors for syndications, one thing I like that I read from Hunter Thompson's book on raising capital for real estate, I just interviewed him a couple of days ago.

And something I loved that he said was rather than trying to convert these people that are just hellbent on the stock market, there's plenty of people out there who want to invest in these alternative assets. Go find the people that already want to invest in this stuff. And just thinking about all of the people at the conference, all of the people that we met. I mean in Keystone last week, there was two rooms. One of those rooms was completely filled with passive investors who want to invest in this type of asset.

So, one thing I walked away from that whole experience with was focus on the people that already want to invest in this, it will make your job a lot easier.

[0:19:52.0] WS: What is the number one thing that's contributed to your success?

[0:19:54.8] SC: Not giving up and having a sense of urgency. So, a lot of the properties I have picked up, it was right when they came on the market and rather than waiting a lot of times I have woken up the broker the next morning with a full price offer to make sure that I got it before anybody else saw it or running over there on the weekend while everybody else is in the football game. I contribute my professional success in the corporate world to the same sense of urgency.

But with real estate it is really not giving up because I lost a lot of deals along the way. I had a lot of banks turn me away along the way. The banks are actually a hot button issue with me. So, when this first duplex is at fix up and I wanted to do a cash out refinance right after I was done, the first three or four banks said, "Oh no you've got to be with this for a year. You can't do this. We won't give you 80% it would be 70%." And what really reared me up on that topic is when a bank won't do something they'll tell you nobody would do it.

[0:20:52.0] WS: That's not true.

[0:20:53.4] SC: And it is not true, you know it just makes me think I wonder how many other people out there gave up? How many other people went to that bank, asked for that type of loan? The bank told them nobody will do it and they believed them and they went home and gave up. You know luckily, I am hard-headed and went to 20 more and I got all of my deals done but you know that aggravates me. You know, either you don't know what you are talking about or you are lying to me and either way I am not happy about it.

[0:21:17.8] WS: Yeah, so why move into syndication now after your success with this smaller multi's or single-family?

[0:21:23.4] SC: I mean to scale, to get diversification. Any given day a hurricane could come wipe out my entire portfolio. I could only personally operate so many rehabs and manage so many properties at a time here in locally whereas with the syndication the numbers are a lot bigger. There is a lot larger potential upside, you can scale a lot quicker with professional management and that kind of thing. And there is just diversification in the different markets.

[0:21:52.6] WS: And how do you like to give back?

[0:21:54.1] SC: So the primary way that I give back, my brother is an assistant principal at a local middle school and East Baton Rouge Parish School System is real dicey and there is a lot of poverty in part of the city and he found a lot of the boys that were acting up in school came from broken homes and single parent households and they didn't have a lot of direction and guidance.

So he started this program called Strong Men Academy as a character development and leadership program where he brought a lot of successful and good male role models in from the community come talk to the kids and it is just evolved and we actually get to do a lot with the kids and there is a curriculum associated with it where different stages of character development and leadership and that is really starting to take off. So, I am on his board of directors for that. So I do lot to try and help with them.

[0:22:45.7] WS: That sounds awesome. That is an incredible way to give back and locally there too. So, thanks for sharing that Sterling. I appreciate you sharing your story and just your

success while working full-time, a growing family, making this happen even just your drive to go to numerous banks even after the first few or however many told you no and I just think it is incredible. I think the listeners and myself can learn a lot and it takes a lot of times to make it and any business especially in the real estate business and be successful.

And you sound like your well on your way. I look forward to having you back on the show I say in a few months when you all closed that first syndication and us walking through that but tell the listeners how they can get in touch with you and learn more about you?

[0:23:24.0] SC: So yeah, they can call me at 225-247-5562 and they can email me at sterling@crestworthcapital.com or they could check out my podcast, The Rent Roll Radio Show.

[END OF INTERVIEW]

[0:23:39.1] 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 and sign up for the newsletter. If you are 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]

[0:24:18.6] 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]