EPISODE 620

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.4] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Spencer Hilligoss. Thanks for being on the show again, Spencer.

[0:00:33.5] SH: Whitney. Oh, man. You brought me back. Thank you so much. It's an honor to come back and chat with you again.

[0:00:39.0] WS: Glad to have you back, Spencer. It's been great to see your success and progression just since we've met. Just so the listeners know, Spencer was a guest on the show 357. I'd encourage you to go back and listen to him there. He told a lot more of his story there. I know we're going to cover some today, because it's a great story. I know many of you will benefit from listening into how he got into this business and what he's been able to accomplish. Just in case you haven't heard that yet, I want to tell you a little more about him. He's a passive investor, co-sponsor and former technology leader. His company, Madison Investing, has co-sponsored deals, totaling more than 5,000 units for more than 600 million dollars' worth. Spencer invests in syndications as an LP and actively leads Madison Investing along with his co-founder and wife, Jennifer.

As a technology leader, Spencer built a 13-year track record of growing high-performance teams across five companies, three of them unicorns valued at more than 1 billion dollars. In November of 2019, Spencer retired from his lucrative technology career, leaving behind the 4 billion dollar loan origination teams he built at lending home, funding 600 fixed flips transactions per month.

Now, he is focused on spending time with loved ones and growing Madison Investing by helping passive investors achieve their goals. Spencer, it's an amazing story just reading your bio. I mean, I've read it a few times, but it's incredible. I mean, what you've been able to accomplish in — but I know that's a big step and leaving a career or like that. I know you worked really hard at it and just to get there is not a small feat. I'm looking forward to getting into that a little bit today. Give us a little more — you know, update us again just on your bio, your background, just getting into this business a little bit, because I know the listeners are going to gain from that.

[0:02:29.0] SH: Yeah. Whitney, thank you so much for bringing me back. I think that you and I have gotten to know each other over the years now, it's becoming years now. I think it's a time to educate for so many folks out there. Podcasts are part of how I do that and you are a huge influence on the education sphere out there in real estate. Thank you for everything that you're doing.

For me, I am based out here in the Bay Area, California, which is NorCal, if you want to call it the cool way. I'm in Alameda. It's tucked right between Oakland and San Francisco. You already mentioned this briefly, Whitney, but just as a rehash for folks that might be hearing this for the first time, I have spent the last 13 years of my career and my life building really high-velocity teams and operations and sales groups for tech companies. That's the local business out here in the Bay Area. I didn't really start that way. I used to hide this story, but it's really brief. I actually grew up in a real estate household. My dad was actually one of the top performing residential real estate brokers in the United States back in the 90s. I got exposure to it then. I soaked up all those learnings. I didn't really realize I was getting those learnings until later in life, obviously. A lot of them are coming out even now at the ripe old age of 36.

I will just bring that up, because I watched an active business getting built. I was literally sitting on plots of land at the age of six watching him do what he does. I was working open houses as a teenager for multi-million dollar mansions. I just didn't really like it. Frankly, I ran away from it into tech. I watched my dad build that business up and later when we went through a really hard time as a family — I watched my brother passed away to cancer, I watched my parents get divorced as a result of that as it usually happens and a bunch of really just challenging stuff during this thing we called 'the dark decade' in our family. I watched his active income go away. I watched our entire family's financial livelihoods shrink significantly. I took a lot of observations, a lot of learnings from those experiences. Now I have kids of my own. I have two young boys and my wife, Jennifer and I. I've balanced our careers with raising them over the last few years in particular. We found our way, I found my way into a real estate tech company, which was the fifth software company in my career.

I wasn't planning on some master plan with becoming a real estate investor. I was in back office software for small businesses, like the driest stuff ever. I mean, I Whitney, that's not usually what people want to think and talk about in the morning is accountancy and payroll software and HR software for small businesses. I'm so thankful I got nudged by a mentor to go join a lending home, which is now the biggest fix and flip single family lender in the country. The last time you and I talked, I think I was actually in the office, because I was still working full time there. Just five, around four and five months ago from right now, I put in my resignation and I left behind that entire career I had been working so hard for so long to build. The reason I did it was because we'd been just grinding and focused and working hard in investing passively, now we are active investors, to the point where we had the resilience, the financial resilience built in to go full-time. I'm now a full-time real estate investor.

I still invest passively, but we also now co-sponsor and help other people invest passively in these commercial syndications, multifamily, self-storage, mobile home parks. Those are our three asset classes that we tend to focus on. That is the passion and the joy that I get to experience daily right now. I still work hard, but it's the work on my terms and it's the stuff we've been able to do because of passive investing and I'm so grateful for all of that.

[0:06:14.1] WS: Wow. That's an incredible story, Spencer. Grateful to, like I said, to know you and to see your success over the last few years. I know there's many listeners that can gain value from your experience and a little bit about why you're getting into real estate while you had this maybe great tech job or this career that you've been focused on. Why bring in real estate at the same time?

[0:06:37.5] SH: Yeah. I was working at this company, this lending home company. By the time I got there, we're talking around early 2016, I had observed not only my own bank accounts and my own 401k accounts that I had been dumping money into — we're thankful that Jennifer and I had done well enough to get some excess income from our W-2 jobs. We're following a traditional path, like so many corporate folks out there do. We dump money in. If you have excess every month, you put it in the 401k, you tuck it away until the end of your career.

Now there's a different path that a lot of Silicon Valley folks, tech folks follow in particular. What they do is they chase these smaller stage companies. Oftentimes, they're VC funded, venture capital funded and they're looking for companies that have the next Facebook characteristics, or the next Google characteristics. They want to find that early-stage company they can join and then ride the "rocket ship" until they have a huge IPO, or a huge exit that maybe they get acquired by a big company. Then that early-stage equity becomes a seven-digit number, a huge liquidity moment, if you want to call it that. Suddenly I was sitting there in 2016 realizing, I was betting my future the same way, I would say the majority of early-stage tech employees do. I was betting my financial future on this mythical moment that frankly doesn't happen that much. It doesn't happen often, where people can actually join the right company, win the tech lottery, if you want to call it that, and somehow absorb all of their financial sins with one huge awesome fell swoop, because they happen to pick the right company. Happen to pick the right time. Happen to pick the right job and get a meaningful amount of equity. That was our plan.

Once I got to 2016, I had just experienced the hardest startup run or roll that I had ever gone through. I was working — this was pre-lending home — I was working 16 hours a day and I was doing that for about a year and a half. It was a really hot startup. It was really high potential. They might even have a really amazing exit and I'm going to keep my fingers crossed for that, but I'm not going to expect it. I had a really strained moment with Jennifer and I — and that we're sitting there going, we have an infant son, I'm away from being able to focus on him and her, something has to give. I can't go do this for the next 30 years. What happens if I get hit by a bus? What happens if I lose my ability to produce income at the levels that I'm currently doing it? Our whole lifestyle is tied up into a certain amount of income, currently. We saw that, we realized we have to do something. I have to do something about this. That was the spark.

The spark that lit that fuse one they was “Okay, I need to figure out how to ensure that I play financial offense in a way that my dad never quite really did. He would have to keep working.” Robert Kiyosaki in that famous book that we all know and we all reference all the time, *Rich Dad Poor Dad*, he would use the example of the buckets and the pipelines, active jobs like brokers, wholesalers, flippers, those are the buckets, the figurative buckets. Same thing with a W-2 job; you go in, you make money and if you stop going in, you stop making money, the pipelines, the pipeline is quite different. Pipelines mean they keep flowing regardless if you’re working or not. I had only buckets, we wanted more pipelines.

I went deep down the rabbit hole of researching passive investment and we bought a few rentals. We had to go through those stages like everybody else does. We bought a local duplex, paid too much for it, we bought some turnkeys in the Midwest, we still have them now. Then we found out if you buy single-family homes and one person leaves, well then you're at zero percent occupancy overnight. Didn't like that. Then eventually, we found multifamily and we eventually found syndication investing in general. Now that is what we do. We invest our capital passively. We started that a few years ago, initially thinking rentals were passive. I'm not going to be the guy to get on here though, Whitney, and say rental investing is bad. That's not the message. The message is that it was not the strategy for us, because we eventually want to be completely passive. We want to be able to travel the world with our children when they're grown a little bit more, not at the ripe old age of six and two. That would be a handful outside the COVID context, but that's the stuff that we're going for.

We realized, I realized I'm not playing financial offense and I'm not playing financial defense. That's the ethos that underpins everything that we do and this is a guiding light for how we want to make financial decisions and invest moving forward.

[0:11:14.8] WS: Awesome. Well, I want to fast forward just a little bit, because I want to be able to ask you a little bit about your business now and because I know listeners are also wanting to be where you're at. Specifically about just the goals that you set, or the goals you decided on and how listeners should think about just goal setting towards their own financial freedom like you did. Can you give them any advice on that?

[0:11:38.1] SH: Sure. Yeah, there was a lightbulb moment for me, Whitney. I wish someone had helped me wrap my head around this point earlier. So many of us, myself included, were conditions to break a pie chart out when it came to our portfolios. It's still useful. You think of that, when you go and choose your 401k option, maybe you look at a target date fund, it says this percentage should be allocated towards stocks, this percentage should be allocated towards alternative assets, or bonds. That never really resonated with me. I didn't understand how it fit for my life, until I was retired. For me, thankfully, I'm grateful that I still have a few years hopefully. I can make it all the way to that traditional retirement age.

The big learning was, a monthly cash flow number brings everything else into clear line-of-sight. Once we started goal-setting based on that — that just simply means, what is the number that if we have coming in, that will cover all of our expenses to live well, as well as being able to probably have a little bit of extra to continue investing passively? Once we set that goal, every decision that we would make it changed. It informed everything, Whitney. All the way down to about two years ago as an example, we wanted to buy a new car. We don't have any new cars right now, by the way. We’re driving used across the board. Silly, small example, but let's take the silliness away from it. We were about to go buy a 0% down SUV that I really wanted and then we looked at the fact it was going to cost us 800 bucks a month just to get that financing option. That would have taken cash away from us every month. I just brought up that one silly example, because I think people fit — under-value the power of picking a cash flow number as their monthly target.

If you're working a job full-time and you're struggling with getting motivated and you're struggling with making smart decisions about this stuff, put that number down on paper, or figure out what is your monthly number. Particularly if you're in a relationship, if you're married, if you have a significant other, if you're living with them, you're figuring out the money discussions, have that together and it ain't going to be easy. I mean, Jennifer and I had a couple weekend's that were involved — I mean, not to go TMI, but it involved tears and smiles and cries and the whole cycle ran itself multiple times. Then we got to a point of clarity that we have never achieved prior. I really do think the goal setting on that front is absolutely critical for folks to start there before they jump straight into let's go buy a duplex, let's go buy a rental, let's go drop $50 to a $100,000 into a syndication. You got to make sure that it actually applies to your specific strategy.

[0:14:08.7] WS: I appreciate you bringing up just having that conversation with your spouse as well. I mean, it's so important, right, just thinking through those goals with your spouse. I know my wife will bring up things. She's not big into real estate, but she's just smart about things and she'll bring things — she'll talk about things, bring up different things and I'm like, "Oh, I hadn't even thought about that." I mean, she's definitely such an asset to our business. She's my best business partner for sure. It's so important. I'm glad you brought that up.

Then you're setting your goals, you're pushing towards that, obviously you're working so many hours. Why did you quit your W-2 when you did? How did you — and maybe you talked about that a little bit, but maybe elaborate on that decision, that moment when it's like, "Okay, we're going to do this." How did you know when that was?

[0:14:53.3] SH: Yeah. Man, no matter which way you slice it, Whitney, I want to make it clear to folks, it never became an easy decision. I thought back to a piece of advice I heard from a mentor, a real estate mentor. I have been working with him for a few years now and I think he didn't have a regret around this per se, but he said if he could go back in time to when he quit his successful W-2 career and went full-time as an investor, he said, "Don't pull the ripcord, or don't just go cold turkey. What you should do, Spence is," — if he could go back in time, he would phase the whole process. He would wind up and build up his passive income, his real estate provided income from all sources and he would do that over a duration, over a period of probably years.

We followed that playbook and we didn't want to just — frankly, it would be a selfish move. It would be really fun to just say two years ago, “Okay. I'm all-in.” I, at the time, I was devouring books and I was devouring podcasts and I was just drinking that Kool-Aid so much that I would have just leapt off the cliff and gone all-in. But it probably would have hurt. We would have had to significantly reduce our household spending to make that work at that time. Instead, we waited and I just kept going to work, kept doing a really good job to the best of my ability at my day job, but I also was making some very specific decisions at my day job to enable me to continue building up our business that is Madison Investing. Building up the resilience financially on a personal level to leap and push really hard on building our business. I said no, as an example, to three different promotions, because I wanted to cap my hours, because I wanted to make sure I had ample time to research these investment opportunities for real estate. To make sure I could go vet sponsors to go and build the right relationships with people on nights and weekends. These are all the things that I realized.

Four or five months ago when I finally said, “This is the time. This is the time to retire.” It came down to a moment of — we have replaced most of my income from my W-2, career which was good. I worked hard to get to that point, but we replaced most of my income —Jennifer does still work full-time in her leadership career, separate, it’s a totally different hat that she wears, but we had enough. We had enough and we felt this is the time. Now it would be silly not to do this at this moment. We did it. I didn't know it was going to happen five months before the COVID-19 crisis and the pandemic circles the globe and the economy comes to a screeching halt. I got to tell you, the resilience that we built up and the resilience and the mindset and finances that we built up to get to that moment, Whitney, created — basically a moat around our family and our business, which meant whenever someone walks up to me now, well I guess, it's virtually goes into a Zoom call with me now, because I don't see them too much face-to-face at the moment, but they'll ask me, “Oh, my God. Are you okay? Are you sure you're okay, because man, didn't you quit your tech career five months before all this? How are you guys okay?" I'm like, "Well, I hate to flip the script on you. We're not just doing okay, we're thriving."

[0:18:11.8] WS: They're still in that week-to-week mindset, right? They're not thinking passively.

[0:18:17.6] SH: Yeah. It's never intended to be braggadocious. It's intended just to say, you can be here too, friend. I really truly believe that. I think anyone can do this. It just comes down to an open-mindedness and sometimes to really get someone's attention that you care about, to make sure that they can start making just better decisions about where they place their money and where they put their time and their education financially. I want to snap them out of it and be like, "You can go into a — even something as awful and crushing as this pandemic has been on the economy, you can feel financially okay if you start thinking and planning in 10-year increments and you make big moves and you start investing with people that actually are there with your vested interest in mind."

That's why we started Madison Investing, is because we felt like, "Wait. We can do this." Yes, it's a for-profit business, clearly, but it's also something where we can do good and do well at the same time and feel our friends and our colleagues, our network are coming along with us.

[0:19:18.2] WS: Spencer, I know a lot of the listeners are — they're thinking, "How did he get all that done? He's working full-time." Or maybe they're working full-time thinking, "I don't know how I'm going to — where am I going to find the time to do all that to get a business started?" I mean, I've been there myself a long time. For you, how did you find the time just to research deals that you're going to invest in? I mean, obviously you had a family and maybe when you started, I think your first son was born at that time. Finding time to still be the father, the husband, you're still working full-time, but then starting this career. How did you find the time?

[0:19:51.9] SH: Yeah. I'm going to use a very nerdy sounding term. I can't remember which leader I got this from within my corporate career, but the term lim-facts, limiting factors.

There's three of them and I won't go too far down on this, but it's a helpful construct for goal-setting and I used it regularly; time, capital, expertise. Those are the three limiting factors. All of us are subject to them. We all have different starting points depending on where we're at, right?

I looked at my calendar. It sounds so simple and nerdy and tactical, Whitney, I audited my calendar. That was the first thing that I did when I was starting to set these goals. This is a few years ago now. I was working full-time, just starting that early process. I didn't even know I wanted to necessarily go headfirst into building a high-growth business and helping other investors get into passive investing, but I knew that I needed time to go and research deals. I knew that I needed time to go get sponsors, so I audited my calendar. I put away my Xbox. That was a very sad day, but I also stopped — I really couldn't go to just fun social dinners as often. I had to sacrifice.

This is stuff in the big picture, it's not that big of a sacrifice, particularly compared to all of the hardship going on in the world right now. That's where I had to start. I had to start auditing my calendar and saying no to people. The ability to do that comes from goals, all the way back to that monthly number. That monthly cash flow number that Jennifer and I had set informed big decisions around, "Oh, let's go focus on multifamily, self-storage and mobile home parks." That's a big decision.

Small decisions on — "Do I say yes to that lunch with that person that I care about?" — But I have a really critical deadline that I have to hit this week. That's a relatively small decision in a vacuum. What if I make that decision wrong 20 times in a row over the course of three months? Well, now we're talking about a lot of hours. That's the stuff to find the time on those three limiting factors that people just need to wrap their heads around. You have more time than you realize, guys. I promise you. I promise you you have more time.

The other two just really briefly would be expertise. Expertise, I decided to go active in real estate. Leading up to this, I read 24 books, not exaggerating. 24 books, over 400 podcasts devoured and that's probably under-counting. That is not something you necessarily need to do to be an effective passive investor, then it wouldn't be passive, right?

What you do need to do is if you don't have baseline expertise, partner with people who have it and then they can help you do what you need to do. That is a primary value why people end up working with us at Madison Investing on one of their first or second syndication investments. That's the stuff you do on expertise is you could borrow that expertise if you need to. I don't claim to have all the answers. I'm not a in-depth asset management operator, that's why I bring some of these things around operations, around certain things around investor relations, around certain things around marketing, these are the things I bring to deals. We see and get folks that can work with us on that front.

That's the stuff that folks just need to think about on their expertise. If you don't have it, if you don't have the time to go get it, partner with people, vet those people and then they can help you in addressing that.

[0:23:04.5] WS: Yeah, on that front, I mean, how do you decide which sponsors you want to work with, or deals, or markets to focus on?

[0:23:11.3] SH: Yeah. I'm not sure this is a contrarian view. I'm more and more, I'm starting to realize that it is, I think. I start with the who. And I place an overemphasis on the who. That three-part framework that you and I are both familiar with, Whitney, around you look at the team, the team, the market and the deal, those are the three pillars of how do you analyze a real estate opportunity, I put a relatively large weight on the who.

The reason for that is I've seen so many business plans in the startup world and the corporate world alike that are perfect, a perfect spreadsheet, a perfect business model and I've seen the wrong leader put at the helm of driving that business plan. It goes straight into the ground and it misses the mark. I've brought that ethos into real estate and I was like, you know, I get that there's great markets, there's weak markets or declining markets, dying markets, there's all these differences around the where. It comes down first to the who. That for me is where we started. Once we made a first couple relationships with sponsors and started investing our own capital with different sponsors, then we realized, “Well, wait a sec. We don't necessarily need quantity. We don't need to be on every sponsor’s list under the sun, we just need a select few that are the right ones.” That was the approach that we took. When we want to go and find better deals for our investors in our own club, because we have a Madison Investing program, folks sign up and they can see the deals that we're putting our own money into and then they can decide if they want to come along with us.

We start with the who and this is contrarian, I will say. I wish it wasn't in this space, Whitney, but the things that we look at for the who are going to be the track record and there were actual sub-bullets and spreadsheets behind this. I had it pulled up with me right now in case anyone ever wants to go down the rabbit hole, but this is not a two-hour podcast. I don’t want to bore people. We got a track record approach, team communications. The most important one which I bring up proactively now every time someone asks about this is values. It matters now more than ever.

Example would be last thing I’ll mentioned on this topic to your question is does this sponsor have an established philosophy on how they approach something, like tenant relations? If they don't have an answer to that, if you don't want to take the time to think about that and answer that,we’re probably not going to work with them. It sounds so simple, but if that doesn't matter to you, you're probably still crushing out there as an operator, but I'm just saying now more than ever, we're in a time where intended relations just became critically more important, even more important than it was before. That's the stuff that matters to us, Whitney. I just wanted to bring up, the who matters more than the where any day of the week for us.

[0:25:57.2] WS: For sure. No doubt about it to me as well. Yeah, I love you brought up the values as well. That's so important. What's changed for you, say pre-COVID-19 to now?

[0:26:08.7] SH: Yeah. We actually started six months before COVID hit. I had no idea it was coming. No one did, clearly. I mean, those of us in the space of real estate and economists and finance years, they all knew, we all knew, there's probably a recession coming, because we were over a decade into a bull market, into a growth cycle. If you study history, you know that that cycle is going to end. It's just, it has to happen. Something has to give.

No one out there knew that COVID-19 was going to hit. I certainly did not own that crystal ball. If you know anyone that does, I would love to meet them. We didn't know that. What we had started though was we started deliberately shifting strategically within our business, preparing to pull a figurative lever. We're going to basically pull the lever and say, “You know what? If this comes, let's be ready. We're going to go and lean harder into certain asset types. We're only going to work with a select few partners and we're not going to say yes to working with everybody and we are going to be selective about who we work with and the asset types we go into.”

We started saying no more often to deals. We started saying no more often to sponsors. We went harder into a couple places that we’re already fond of and we've done deals. We looked at things like self-storage. Multifamily has been and will continue to be a primary focus for us, but we also started looking into self-storage. We also started looking into mobile home parks. We've done that really sparingly over the past three years, but now we're going heavier into it because there's certain things that just align very well within that space, within those asset classes. That's the stuff that gearing up for pre and post-COVID, we were planning for. I don't know what's going to happen six months from now. I don't claim to have any answers. I will say though, out of all the opinions that are flying around out there, Whitney, it's amazing how the doom and gloom — I'd say, fortune tellers that were saying, “Buy now, while we’re sitting here in June 1st,” we were expecting to see rent collections from multifamily bought him out by now. I think nationally, we almost saw not only flat, but depending on A Class, B Class, C Class, we're actually seeing it up a little bit.

It's not necessary for people to go out, I think, and be so darn doom and gloom about things. We're just taking the data as it comes in, making thoughtful business assumption decisions. I will say this, we have done one deal to date, this year. That one deal had, on paper, really strong counter-cyclical, I would say, recession resilience baked into it in the numbers, like a really great breakeven occupancy. Meaning the thing could be half-full, the apartment could literally be half-full and still profitable. Those are the types of things that we look for and I think pre and post-COVID, or more like pre-recession and then mid-recession. By the way, we're not post-COVID. We’re in this thing. We're in this thing for a while in my humble opinion. I don't want to insinuate that we're actually done with it. There's still people out there going through hardship right now and that's a fact. Those are some of the things that I would say have shifted for us and we're focusing on now.

[0:29:16.7] WS: Nice. Nice. Maybe highlight just a few things and we're almost out of time, but highlight just a few things of an example of an attractive deal for you. You can say pre-COVID, or now, either one, or maybe it's always the same, but give us a few details of that attractive deal to your team.

[0:29:35.0] SH: Yeah. A couple things on the who, I already went into this a bit that I would just say, looking for people that have done it before, ideally in a specific market and that they've done it before, they've run that business plan and strategy before. For example, if it's their first time doing a value-add, they're taking, they're buying that asset, they're improving that asset and they're doing it with a A Class, B Class, C Class multifamily property, we don't want to be their guinea pig necessarily. That's the stuff first and foremost that we do look for.

Now we have gone further into places like self-storage. Examples would be right now, storage is appealing to us and to me and for our capital. We have actually invested already very recently in a self-storage deal, and so I could speak to it from our own capital perspective. We put our money in, because there's these D-words, which are not always rosy to talk about, but they are a need that has to get met in the middle of downturns, which is — if there's unfortunately a downsizing at a company, if someone has to downsize their lifestyle, they have to store that stuff somewhere. If someone has an unfortunate death in the family, it's inevitable at some point, they have to typically have storage needs. Those are the types of things that we are looking for.

We're also looking for things that have, as we go into this downturn, slightly higher cash-on-cash returns. I think as you were looking at the later stages of the growth cycle, you can see some of these projects that were banking really heavy on the backend of a project at the sale to achieve those really sexy-looking returns. Now heading into other asset classes at this stage of the cycle, we're seeing some pretty compelling cash-on-cash. That's what attracted us with our own capital to projects like the ones that we just invested in, because you're able to see – really saw the returns. Maybe, I would say even double digits within a cash-on-cash. That's the stuff we're looking for. We're still in some of these markets that we have been in and we're continue to going to be a fan of.

I would say some of them would be like, we've been in Texas, we're going to still be in Texas, the Carolinas, opportunistic in Florida. I would say, Idaho is up-and-coming and appealing. I think there's a handful markets that are really attracted to us, because all those "fundamentals" around migration trends are actually now still playing out, by the way, with — I would say, we don't know yet how much of an impact COVID will ultimately have on the question when people ask "Where should I live now," because and I mean, all the way down to how apartment buildings are structured, all the way that cities are laid out, these are all things that are going to be impacted for years to come most likely within COVID. We'll have to just watch and see.

[0:32:13.6] WS: What's a way you've recently improved your business that we could apply to ours?

[0:32:17.9] SH: Well, that is a really timely question. A couple things we materially changed, I should say added to our vetting process, we now do a comprehensive background check on a sponsor before we invest with them for their first time. That's not cheap. We're talking about spending about a 1,000 bucks or something like that. Maybe it depends on the person in the level of depth, but could be 500 to a 1,000 bucks. We're actually putting our own money into that.

[0:32:42.5] WS: Now is that as a passive investor, or you mean as a co-sponsor?

[0:32:45.6] SH: Two-part answer to that. Before we actually even become a co-sponsor with an active sponsor, we are now also putting our own money in, first, pure, just as a LP. That was a deliberate step. Those are two deliberate steps that we just segued into, Whitney, which is we are putting our own money in pure just as LPs, before we start working with a sponsor, as a co-sponsor.

We're also now background checking the sponsor to make sure that they are who they say they are and we already believe them. By that point, I've had dozens of conversations with them. This is not like I called and reached out on LinkedIn and say, “Hey, I'm going to go pay for a background check on you. Do you want to work with me?” That would be quite creepy. Instead, what we did was put those two processes in place more recently. There's a couple other things that we're now doing, because it is harder to get on a plane.

There are really, really great services you can do to go and do due diligence and inspections physically in person, if I can't necessarily get on a plane the way that I typically do to go and look at a property firsthand myself, which is usually part of our standard process too. Those were a couple things that we've not done, because you got to get rigorous. There's lots and lots of people doing this stuff for the first time. There's lots of sponsors that are enthusiastic, highly capable people, but they're newer in the game. We want to make sure that their experience doesn't come with any baggage. If there's a felony on there, we want to make sure that we know about it. We want to make sure that at least, they're forthright with their histories too.

[0:34:11.8] WS: What's your best source of meeting new investors right now?

[0:34:15.9] SH: Referrals are now going really well for us. We have a lot of folks that are very happy. They’ve repeatedly invested with us, in some cases six times, seven times over. They are bringing in other folks. My network in the tech industry has been our primary source. Just because I worked at so many companies and I met so many folks and I hire so many folks along the way. That has been our primary.

Now, I would also say that I'm pretty active on LinkedIn every day. I try to put out — I don't hire someone else to do this for me. I'm literally on there every day trying to stir up some motivation for folks, as well as get some education for them and actually start discussions. We're getting some LinkedIn folks that reach out to me as well. Just like you and I discussing right now, Whitney, podcasts were huge for me as an education point when I first got into this stuff.

We do get folks to regularly reach out and not only to not just invest, but just to connect, to look for guidance. I'm always happy to talk with folks, if they want to reach out, if they hear me rambling on here like a madman, talking about the merits of investing in real estate and they want to connect, I would love to talk to them about that stuff. I'm always happy to share the stuff that's been helpful for me. Those are the things that have been most helpful, I would say.

[0:35:25.0] WS: How do you like to give back?

[0:35:26.7] SH: Yeah. On the financial front, we donate in a lot of different ways. I would say timewise, what I do is I don't offer a coaching program, a paid coaching program. I do spend a lot of time coaching. That is the way that I can give back materially, particularly with folks that I think, not just within the real estate world, but also people that I care about within the corporate world who are trying to find their way. It's not easy, like, climbing the ladder is no longer applicable. We're not in the Industrial Age anymore. People need help and guidance on how to navigate and carve out a career for themselves. That's stuff that I don't ask for any fees, I don't ask for anything else like that. I just want to be helpful when I can. I can't always do it, but I try to do that regularly every single week.

[0:36:09.6] WS: Well, I'm grateful for your time, Spencer, and just your willingness to give back, not only in those ways, but just with us today on the show and sharing from just how you got into this business. I know so many of the listeners are in those shoes, or trying to make that happen and figuring out. Sometimes this can be so overwhelming it seems initially, especially if you're still working full-time and if you already have a family in place and it's hard to be supportive there while trying to make these things happen and you've done it. Congratulations to you, by the way, and just grateful to know you. Tell the listeners how they can get in touch with you and learn more about you.

[0:36:41.6] SH: Yeah. Well, and thank you for all the kind words, Whitney. I mean, obviously you already know, I think the world of you and I thank you for all the education you brought to me and as well as the rest of the listeners. I think, the primary way to learn more about us and to connect with me would be just through our website, so madisoninvesting.com. You can absolutely join our LP or passive investor program. If you head there, there's a big button at the top right, you can click join the list and it just asks for some basic compliance information. I'll set up a call with you.

The other way is to go on LinkedIn. I promise, I will not bite. If you reach out on LinkedIn for Spencer Hilligoss and send me a connection invite, I'm happy to accept and it would be great just to kick off a conversation from there.

[0:37:20.7] WS: Awesome. That's a wrap, Spencer. Thank you very much.

[END OF INTERVIEW]

[0:37:23.8] 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.

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[OUTRO]

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