

EPISODE 647**[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]

[00:00:23] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Adam Pressman. Thanks for being on the show, Adam.

[00:00:31] AP: Thank you, Whitney. I'm glad to be here.

[00:00:33] WS: Adam put together the Syndicate Path team that has raised about a 100 million dollars since starting in 2017. That's impressive right there. It developed a complete turnkey real estate syndication via online investment process. He leads a team with over a century of real estate syndication experience. Adam, thank you again for your time being on the show. I'm looking forward to hearing more about this online platform and obviously, I get calls like it was so new on me. I mean, numerous times a week from people who was asking, how do I get started? How do you do this? It's going to be interesting to hear about this platform and how you've helped so many people get started in the syndication business, because there's so many parts to it.

You can't just read one book and all of a sudden, you've got this thing down. Get us started a little bit though. Tell us a little bit about your syndication background and then how you got into creating the syndicate path.

[00:01:26] AP: Okay. I'll be happy to. The first thing I'll tell people is that I am not one of the experts on the team in commercial real estate syndication. What I knew about capital formation seven years ago was how to spell it correctly. Watching it back then –

[00:01:40] WS: I won't test you.

[00:01:41] AP: If you're thinking about the timing on that that means that it was the last time we had an economic slowdown that got me in this space. I learned a lot about alternative fundraising for capital formation and using crowdfunding, peer lending, etc. One of the sectors that seem to be making the most of crowdfunding and alternative finance was real estate. It didn't surprise me, because real estate is something more people understand than probably any other kind of investment, including even stocks.

They get it. They live in one probably. Most people's biggest investment is their home. In this world, we're talking about commercial real estate. We looked at – we were a crowdfunding and alternative financing research organization called Crowdfund Roundup. We spent several years doing research into what was working and what wasn't, what parts of the old model could be thrown away, what parts needed to be kept. Real estate was meanwhile building some buzz.

Some guys in our area started Fundrise and it's one of the leading real estate syndication platforms out there for online investment. We saw that real estate was a good place to go. We looked to see what's missing in the equation. We learned a couple of things about the way real estate crowdfunding was being done that really matter to the professional broker, or the professional sponsor, which is what we call somebody who syndicates, basically buys and/or runs real estate with somebody else's money. So, one of the things was that they tended to fund the whole deal.

[00:03:05] WS: They fund the whole deal?

[00:03:07] AP: You'd go to realty shares, or realty mogul, or Fundrise and you put in your money and then that organization, that group of people would fund the entire investment by the building, which makes sense. The problem with that is the people we wanted to serve were real estate professionals and I don't know any of them that don't already have a good relationship

with a lender. The last thing I wanted was them to be out on the golf course or wherever they were with their banking buddy and saying, "Hey, I just bought a building with somebody else's money. I got a bunch of investors on the Internet." The banker goes, "What? Where's my part?" And to poison that relationship.

We think that building wealth and opportunity in our localities, which is the mission statement of Crowdfund Roundup and Syndicate Path depends upon local involvement. We want our brokers to have a mortgage. We then syndicate the down-payment. This is a couple of really cool things. One, it preserves that relationship with the banker. The other thing is from the investor's perspective, passive investors in real estate are always scared. They're the more risk-averse lot of online passive investors, but they invest in real estate. That's the one thing you can probably know. They're going to get 8% yields, 6% to 8% yields.

These aren't people looking for no, 20% to 60%. These are scared people. They love it that the bank has stepped in, done their due diligence and said this property is at least worth the loan, if not more. It saves them a lot of heartache, okay. The other thing is they're leveraged. They're only funding the down payment, but they get all of the rent, less the mortgage payment of course.

So, they pretty much got depending on what, 25% 20%, no down payment. They have a 4% to 5% full leverage. That made it easy to find investors for our deals, because they could trust that the bank was involved and the property wasn't going to lose the roof next week, or the tenancy was correct and inspections had been done and paid for, things like that, and they were getting more leverage out of it. Because it was easy to find investors, that made it easy to find syndicators, because we can say, "Hey, we can get investors, usually in about 45 days," because they want the property. It's an income-producing property, already. It's not a development. And they've seen a bank is engaged and they're getting a good rate.

The other thing syndicators were concerned about then, that we didn't see in the other marketplace, was that you'd go to a – and I don't want to knock Fundrise. They're an excellent organization. Their model is just different and this is true of most of the other crowdfunding sites. You go, work really hard, Whitney, to get your investors to go to your site and invest in your

property and they see right next to us another one that they want better and they buy it. Because to boot, it's a little buffet of real estate opportunities.

You've seen them if you've ever gone to a crowdfunding site. There's a bunch of little tombstones, they call them, pictures of the house, invest now. Everybody's got one and they're going to pick one that's not yours. We present, we provide you with a website, or add to the one you already have — a single option. Here's the property, buy it, don't, whatever. All the crowdfunding sites and us too, nobody can go and change — this is highly regulated.

We all provide the exact same facility for educating the investor. By law, you have to do it in terms of what property has to do. We have to escrow the money. We have to keep that money safe until the entire close is done. We have to make sure all the proper filings is done by SEC and things like that. We have to qualify the investors is what the SEC calls accredited investors.

For most people, that means about 2 million dollars in net worth outside of their home, but there's other options. Thankfully that rule is changing literally as we speak. There's a bill on the hill right now to hopefully change that. One of the things that we also learned was there wasn't a whole lot, because all the platforms were saying, this is easy, this is easy, this is easy. It was easy to invest a little bit. What it was hard to do would understand that a professional broker knows his legal liabilities, knows what he has to disclose.

The bar is much higher when you're selling securities. What we encountered was a lot of brokers didn't know that they could get into trouble with the things they were saying and the trouble wasn't that the deal wouldn't go through. Like it was in their real estate world. The trouble was jail, or big fines. A lot of them were scared to go out and do that. That's why they won't go and build their own investment platforms, or go put this thing together on their own because they're afraid of missing something.

One of the things I've always championed about lawyers is I don't think anybody really likes them. I have one that I love our lawyer. He's just a great guy. He's a very funny man, in addition to being unbelievably experienced. He's literally done thousands of these. Is that we transfer liability to them. That's the whole point. It's their fault, not yours, if something goes wrong.

What we do for a broker who's got a great income property is we evaluate it. Takes a couple of days. We send back what we think of it in a little spreadsheet, but basically is for the investor and says, "Here's what your investors can expect out of this property." We typically say 10 years. Can be more, can be less, but 10 years is a good place. They'll get when they sell the building, includes the operating along the way. Because we only get B level and up commercial property, typically a cap rate of at least 7%.

We're picky about what gets up there, because again, we want every investor whose invested just once to do it a second time. That's only going to happen if we do them right by the first time. We evaluate in a couple of days, then we send you two things; the spreadsheet that I mentioned and also a letter that says, "This is a great move. Here's what we need to go forward." That includes a deposit. What the deposit is designed to do is to pay for the list of investors that have either already expressed, or have already committed to a property [inaudible 00:08:50].

We do what you see on Facebook and when you browse the Internet every day, which is that ads get put in front of you with things you've either already looked at or already bought. We do the same thing, which means when we look for an investor it isn't just, "Hey, do they have a million dollars? Send them an e-mail." It's do they have a million dollars and they've invested in senior living housing before? Because we got a guy who's got a senior living housing opportunity.

We have a bit more smarts behind how we find the investors. Then when we find the investors, we then direct them to a website. Like I said, we can provide it. You may already have one. The only change to yours if you have one already is a little button that says, "Invest now." You click that button and everything necessary to be legally compliant happens; investor's application, the disclosures, collecting the money, giving them the receipt, setting up the appropriate reporting, all done.

Literally, the only thing a syndicate pass sponsor has to bring to the table is an income property. Now there's a thing that will make it more successful, which is if he's already got an investor in mind, because there's nothing that makes marketing –

[00:09:59] WS: An investor, or investor database?

[00:10:02] AP: Either one would work, but the goal is to develop an investor persona. Let's say it's somebody who has done a couple of flips, wants to get their first apartment building, or maybe has already gotten one apartment building and wants to get a second. Invested with his college buddy, invested with two college buddies. One of the college buddies, yeah, didn't work out. He'd really rather not invest with that guy again. But the second guy, he's got a dream come true. Not only does he do everything he's supposed to do and says he's going to do, but he's actually a real benefit to the organization.

I would love when you come on board with us to know that guy's name, so I can go out and find 12 more like them. Oftentimes, a company like the ones we spoke of before, some of the other private equity firms will have five investors on the project. They need 12. We backfill that, because we look at what they have and we find more of them.

Because here's a dirty little secret about real estate syndication; you're no longer in the real estate business. You're in the investor management business. You probably bought a building and you're going to be with these people for 10 years — married to them. You better like who you're with, right? It's part of what we do, we can provide the process of finding the people we know you can work with, getting you more of them and getting them committed early on. Does that help?

[00:11:17] WS: Yeah, for sure. Somebody ultimately that's looking to get started in the syndication business, they find a deal that's let's say, it's something that they can move forward with and all those details. We won't go over this second, but they have the deal and then ultimately, you all are going to turnkey the rest of it ultimately. Help them through the entire process of syndicating that deal. Tell me how that works a little bit with the investors a little more. How are you all finding investors? Do those investors then belong to that operator? How do you all handle that?

[00:11:46] AP: To answer the second question first, the investors and the operator are part of an LLC we formed specific to the property. The bank loan goes against the property LLC, as do all the investors' management. Therefore, they are free to operate that building. They can pay

somebody else to operate that building, but it's their building. The LLC gets created for that purpose.

Obviously, if they like that the way that sponsor is treating them, they're going to work with that sponsor going forward. We maintain the database, not any proprietary function where we're going to say we own that guy, you can't have him. We're simply out to make sure that our investors if they work with us again, are going to enjoy their second and third experience as much as the first. We will say to them and to the sponsor, "Hey, you like this investor. He likes your property. Would you like to sponsor another one and your cadre of investors like to sponsor another one."

We cater to the beginner. Oftentimes, our real magic is somebody who's done one or two and realizes they don't want to do a third on their own. They want somebody like us to help them through the process. Even a chef needs a dishwasher.

[00:12:53] WS: Tell us a little bit about that investor experience and how you all cater that a little bit and give us some tips even how we can better perform our investor relationship business, because it is exactly what you said. We are in the real estate business. Such a big part of – I mean, so much of the time that I spend is investor relations. I mean, just calls and e-mails and reaching back out and answering questions, or helping through the documents, or whatever it may be. It takes a lot of time and focus and we're very dedicated to that, just the user experience. How do you all do that?

[00:13:28] AP: Sure. It's a very simple maxim regarding to investors is they invest in what they know. Coming to me with a business plan that says, "Adam, I am looking at senior living properties west of Richmond. I know a little bit about this. I have a 15-year background in healthcare. I used to work for a geriatric physical therapy company and I'm getting into real estate as my second career. I know a lot about what people are looking for."

He comes to me with a business plan of what he's going to pursue and I share that with the investors and they are delighted, because they see a guy who knows the market and knows what his possibilities are. There are generic, really good commercial real estate brokers that could sell anything.

The funny thing is, so I can tell them that there's 21 other individual fees they can take besides the commission. Those guys are the least likely to be my customers, because all they want to do is get it and turn it. That's fine. If they're happy with the 3%, that's great. There are some that really embrace this role. From the investor perspective, we want to put in front of them something they're looking for. When they see it, they can see that whoever is going to be their partner in this knows what they're doing and has made this a commitment. By a commitment, means he's eschewed other opportunities that may wave a bright shiny thing in front of them in favor of making sure these investors are happy. Does that help?

[00:14:53] WS: Sure. Yeah. Yeah, we want to know who we're marketing to and put the right thing in front of them, right? I mean, that's any business right there. And so, Adam, what's a common theme that you see amongst people who are trying to get into this business, like the biggest sticking point, or hardest part of the process for them?

[00:15:09] AP: Hardest part of the process and the funny thing is we're partnered with an organization called Value Hound Academy. I encourage your listeners to look at them as well. They are the educational partner for us. It's about 40 long-term professional real estate syndicated sponsors, who shared with me that the reason they started this thing was that the leader said, "Adam, I have 700 investors in my cadre that help me buy property. And I don't want 800."

They don't want to do syndicated real estate anymore. They want to teach people how to do it and that's their reason for being. And them, and us, have the exact same challenge, which is sponsors come to us without a firm business plan in mind. They come to us as that generalist. Well, what will your investors buy? No, no, no. It's what do you want to live with, is the question. What are you good at? What do you know when you see it, it's a good move? Maybe you're a really good fixer-upper. Maybe you're good at senior living. Maybe you're good at student housing. Maybe you're good at retail, mixed retail.

There's something that you're really good at. Leverage that, because that's what's going to be visible to your investors. Everything else about the investor experience is the same, because it

has to be. There's laws about what we can say, what we can do, where we do it, when and how, that really get in the way of any anybody tells you it's any different, kind of lie into you.

What's really going on is we're all following a regulatory roadmap that makes it clear to protect the investor. The only differentiator is you, the sponsor; how are you going to make yourself obvious as the partner these investors will want to work with over and over and over again?

[00:16:40] WS: How do you all help somebody prepare for a downturn, or pandemic crisis, something like we just experienced?

[00:16:48] AP: You have to educate yourself in any pursuit you're going to do. You have to learn what's important and then make a habit of achieving it. That's the tricky part. It doesn't really matter to read what sectors are on the ride in loop net or anything like that. It matters to go out there and do the work to make sure is that it's a habit that you always find good properties.

Some sectors are not really being hit by this and it's also geographic. We're nationwide. We can do what we do anywhere. Retail in Florida, terrible, terrible. Retail in the Carolinas is up from there, but in the Richmond area and then heading down into Carolina, retail is really good alongside the highways. Retail is really good in California. Retail is really good in Texas. Senior living, depending on what part of the country, certainly the sun belt, huge, huge opportunities.

Then we work spaces and co-locating spaces. A lot of people who might know for example, property managers of large commercial office buildings are right now learning those tenants aren't coming back. Their employees are going to be remote. What they can do instead is sell to the guy who always works at home and has to get out. He's tired of feeding the dog, he's tired of the whining kid, he wants to get out and meet people who are doing what he's doing. That's why these co-working places – I use WeWork. It's a poorly run good example, but that idea is very sound and a lot of people getting into that space that would formally be working with tenants.

Find those people if you're a sponsor. Say, "Hey, I'm going to need a property manager. I'm going to be investing in a bunch of properties that do what you do, but I'm not going to manage them. I want you to manage them for me. I'll pay you the fee and we'll just find more business together." Building those local partnerships is probably the best way to be prepared.

[00:18:31] WS: For sure. What's a way that you've recently improved your business that we can apply to our business?

[00:18:36] AP: Being really good at doing what we're doing now, a Zoom call. We're not the guys that actually review a property, so we don't worry about virtual walkthroughs and things, but some of our sponsors have shared with me the amazing level of development in four months, three to four months that has happened in terms of being able to show somebody a commercial property without them having to get out of the car. It's just brilliant what you can do there. Always regard whatever challenge you have is an opportunity to step out ahead of the guy who's going to be your most likely competitor. Every crisis has opportunity, right?

[00:19:06] WS: For sure. It's all about those who see it. Adam, what's your best source for meeting new investors right now?

[00:19:15] AP: By now, we've got some traction, so that we're able to use a referral network to do so. What we would typically do is work with a marketing company that is very familiar with the space. For example, there's an entire sector of marketing that does nothing but biotech. They get engaged in marketing biotech products and services, but they also are really good at finding, because of the people who buy those the first two things, they're able to identify medical office locations that have a lot of turnover, or are in need of development.

One of our early wins, I'm not sure it's going to be as useful now as it was then, but we'd go to a lot, number of areas that didn't have a chiropractic, or an urgent care center, anywhere within 50 miles. We'd say, we've got a way for you to crowdfund a chiropractor, or an urgent care to come to your location. Would that be of interest to you?

The cool thing about that was we weren't really sure how to find people who already said they wanted that investment. We were going, shooting, a scatter gun approach, looking for anybody who wanted to invest in real estate, period, and say, "Hey, how about knocking off two birds at one stone. You get into a sector that's doing very well, is only going to improve and you get the benefit of having a chiropractor, or a nursing care in your neighborhood," That resonated very well.

So, again, local knowledge of your community is going to be important. When you come to me as a sponsor I'm going to say, "What do you know is the best opportunity within 35 miles of your area of operation?" If you don't have an answer, I'm going to find a kind way to show you the door with what to do next, obviously what to do next. The issue is that you really – we're talking about you taking other people's money and having a stewardship responsibility for that. It should be a little scary. You should do your roadwork. It shouldn't keep you awake at night, but if you're not thinking about it that should keep you awake at night.

[00:21:16] WS: Right. What's the number one thing that's contributed to your success, Adam?

[00:21:20] AP: Putting together a great team, without question. These guys, I tell you, we come off, most people tell us we're about the same price overall to get the job done as just doing the legal work alone with any other syndication plan. The reason is I found a bunch of guys who were at the top of their game five, 10 years ago and have retired.

Instead of costing me \$600 an hour to figure out if this is a good investment, it cost me nothing. I'm able to pass those savings on. These guys are all highly motivated. The cool thing is though, they're older guys that have been doing this 40 years a piece. Three of them are doing this 40 years a piece. They are very embracing of new technology. I get these emoji chats from the 75-year-old all day long. The team, it's crucial for either the sponsor or us to have the best, best people we can get.

[00:22:09] WS: For sure. Team is so important, especially in the syndication business. How do you like to give back?

[00:22:14] AP: One of the things that we like to do is coerce sponsors into doing some community development. I alluded to the chiropractor and the urgent care thing. Our goal is to build wealth and opportunity in any way that we can in the communities. Hence, from a work perspective, we go out there and we try to find underserved sectors and underserved sponsors and investors. We work with people who are hub-zone advocates, either they're actually looking to sponsor real estate in hub zones, or they know more about it to help people who are making

a buy, or a work decision there to move into those areas and convert them into economic powerhouses. The potential is there.

Working with CPAs and other private equity firms and syndicators, it has been a core part of our business to build a community agenda. What does this area need to get strong either again or in the first place and work from there? Personally, I'm part of a large referral network. I do personal coaching as well for people in a lot of underserved communities, like minority real estate professionals and things like that that just haven't had the opportunity to get the educational expertise in business and investment and things like that that the other way, that anybody else would have been able to get.

[00:23:22] WS: Nice. Well, yes. Thank you for sharing that, Adam. Appreciate you giving back in that way. I really appreciate you opening our eyes to just Syndicate Path and what that is. I know there's a lot of listeners who are trying to get into this business, trying to get to that first deal, that first cash flowing deal and it's very overwhelming when you first start thinking about the syndication process and the legal side and underwriting and structuring the deal, and working with investors, all these things and interviewing other team members, property management, just to name one — and you know it's very overwhelming.

It's interesting to think that there's an option like you've provided that can help somebody through that process, so they know they have their ducks in a row before they start. Share it with the listeners how they can get in touch with you, learn more about you and Syndicate Path.

[00:24:07] AP: Absolutely. Our website, syndicatepath.com. It's nothing fancy about it. It's just the information. Has an about section that shares information about the team that I just mentioned is our secret sauce. But also, under learn more is a complete run-through of the process and the frequently asked questions. You can fill out a form there. You put in your e-mail information, it'll send you a report that you can then put in a property. We'll evaluate it at no charge to you, usually within 48 hours, frankly usually within one day, and send back a spreadsheet that says, "Here's what your investors can expect from you and therefore, we think this is either a good way to move forward, or it's going to need something more and here's what it is."

You're never going to walk away not knowing what it's going to take to be successful, whether you engage us or not. Then all of our deals are bespoke and accustomed to what it is. The sponsors and the investors agree upon what they need so. I have no cookie-cutter approach. I've got something that can take someone start to finish with our hand-holding, but those that can complete some of the modules on their own, we're going to customize the price, customize the level of activity to bring into the fold that expertise that you bring to the table. We can work with people who've done it a hundred times, or people who have never done it at all. Please just reach out.

[00:25:20] WS: Awesome, Adam. No, that's good. Thank you very much. What's that?

[00:25:24] AP: I said, I answer the e-mails and answer the phone.

[00:25:28] WS: All right, Adam. Have a blessed afternoon.

[00:25:30] AP: All right. You do the same. Take care.

[END OF INTERVIEW]

[00:25:31] 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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