

EPISODE 658

[INTRODUCTION]

[0:00:00.0] 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 Colin Douthit, thanks for being on the show Colin.

[0:00:33.2] CD: Thank you so much for having me Whitney.

[0:00:33.9] WS: Collin owns a property management and construction company that has experienced 300% growth in 10 months. He likes to bring value to investors before they bring him on. He has three engineering degrees, and has a professional engineers license, but has chosen a new path in life. Looking forward to hearing about that Colin and just this massive growth for your property management company and, you know, how you've done that. But give us a little more about your back story, on real estate or just getting from, I mean, three engineering degrees?

I mean, that doesn't happen overnight or without a lot of work but then you know, just taking this new path.

[0:01:14.2] CD: Yeah, no. It didn't happen overnight. I did two undergrad engineering degrees in college, I got a job right out of school, then got my masters at night, and got my professional engineers license. Bounced through four jobs in seven years, got unceremoniously let go from two of them, including the last one. I had already been thinking about real estate, researching

real estate, reading, analyzing, just kind of get my mind around the whole industry before I was let go on the last job. I was under contract on my first property and I said, “You know, what? Let’s see what we can get done here, without having to go back to the corporate world,” and that was about three and a half years ago now. That kind of got us to the point that we are at now.

[0:02:03.3] WS: What kind of property were you focused on at that time or that you had under contract, when you were let go?

[0:02:08.5] CD: Yeah, I had a seven unit multifamily building that I was under contract on. You know, within recent – right after I acquired that, went out and bought a couple single families, some packages from some people that we’re trying to get out of the game. Over the next 18 to 24 months, we acquired a handful of their units, I had some partners on some stuff, and that’s kind of how we started to build up our portfolio to where I could justify not having to go back to the corporate world.

[0:02:34.8] WS: You know, it seems like the property management space has kind of become your focus or in your expertise, is that right?

[0:02:42.4] CD: Yeah, that is.

[0:02:43.9] WS: Why that space, what brought you in to focusing on that?

[0:02:47.9] CD: Kind of a round-about way. Once I got up to the point where I was self-managing, 60, 70 doors, I had to invest in the software, right? Because you just can’t manage it all. I guess you could go old school but I decided to go to software where I could kind of streamline everything. Then, from that point, I was like, “Man, I wonder if I could start third-party managing to generate some additional revenue? And maybe just bring on one property manager that could then just manage my asset essentially for free,” if it was a break even proposition.

Quickly after I started having that thought and discussing it with some people, I got an introduction to somebody that was looking to sell their property management company and we

went down that discussion and then, you know, getting up to the LOI, and then they decided not to sell. After reviewing their numbers and just seeing how the company worked, I really started to get a lot more interested in the property management space. Then just decided to build my own and grow it to whatever I could.

That's kind of where I got into the business and my passion for the business came from.

[0:03:49.1] WS: Are you focused on specific type of properties to manage, or size of properties, in a specific market or how does that work?

[0:03:58.7] CD: Yeah, We're within about an hour radius of anywhere in the Kansas city markets, that's where we're operating right now. We do work with single family investors, and we work with large multifamily investors. Recently, we've been brought on for a lot of repositioning of assets so, whether it's a single family house that we need to put 30, 40, \$50,000 into and get it back on the market then, or we are brought into an apartment complex that's been poorly managed, that needs rehab on every unit and hundreds of thousands of dollars of work, we've really been brought in to all those different spaces, just to try to help value add and manage properties better.

[0:04:36.7] WS: You know, let's dive into some of the 300% growth in 10 months,. You know, when – what has caused that, what was that, how did that happen? You know, everybody dreams of that kind of growth, right? No matter what their business is. What caused that and what is that type of growth?

[0:04:53.0] CD: What's caused that – probably numerous things. We've been really networking heavy, I've been networking heavy to expand my network of influence among local investors, owners, realtors to kind of be there go-to guy as much as I can. Additionally, we've been trying to perform at a high level.

I say this to a lot of our investors in my team, that it seems like the bar for property management is set relatively low on what average performance would be, so if we can perform or communicate better than majority of the other managers out there, then we're going to succeed. We've had some pretty good feedback from a number of our investors and when we get

feedback, it's not positive, we always try to internalize that and figure out what did we do wrong? How can we make this system better just to deliver the best product we can, the most professional property management that we can?

[0:05:48.7] WS: I love that. Networking heavy though, what did that look like though, to reach out – because it really wouldn't matter almost what business you're in, you have to have a network. You got to have people that you're meeting and people you're adding value to or – but what did that look like for you, finding these people, the owners, and realtors and, you know, was there a process to that?

[0:06:06.6] CD: You know, I would really say, it started with the couple of people. I started building a relationship with them trying to bring them some sort of value. They were like, "Hey, well, I want to focus on bigger stuff but I've got some investors that wants some smaller properties and are looking for management. Can you help them out?" I helped research and analyze some smaller properties when I still had all the time and ability and the bandwidth to do that, and was providing them value.

Then I got brought in on some of their bigger multifamily deals to start scaling that way and then, you know, it goes one or two contacts started referring me out to other contacts or making introductions. "Hey, you're in this space, do you know so and so?" "No, I don't know." "Okay, well here's that," and then I go and have a coffee or lunch or a drink or something with them, and get to know them a little bit better, and just started building my network out that way.

I didn't go out intentionally targeting some people, it really happened organically and through intentional and unintentional efforts, I guess.

[0:07:00.4] WS: You mentioned performing at a high level and that you found that the bar was set pretty low. What are our couple of ways that you've been able to really shine or raise that bar?

[0:07:11.4] CD: Part of it is communication. Communicating with the owners, communicating with the tenants as well, letting them know what's going on, coming in and having a level of professionalism with trying to deliver accurate data on their reports.

Trying to actively manage their property in a way that I would want it managed if I was an investor, because I am an investor. I was an investor before I was a property manager, which I think may give me a little bit different view than somebody else, but knowing cashflow struggles, and knowing maintenance struggles, and how they can impact the dollars, and trying to control those, and then trying to give guidance to owners that isn't always self-serving.

[0:07:53.1] WS: Guidance to owners that it's not always self-serving. You mentioned right off, communication. How do you communicate with owners that maybe – that's different than what you've noticed in the industry?

[0:08:05.0] CD: Well, each owner has an assigned property manager, so our property managers only have a certain number of owners or certain number of properties. They have the ability to communicate with them directly. Additionally, all the owners have my cellphone number, so they can call or text me or email me whenever they would like.

I'm available to the owners directly. I'm not just bringing them in through the sale or just to the network, "Great, you're in, you'll never talk to me again." I'm here for them. A lot of the times, when I get them brought in, we worked through this property. I've been there with them through the due diligence process, so we've put together kind of a plan, "Okay, we're going to vacate these units, we're going to rehab them, we're going to raise the rents to this."

I am still there helping them execute and build a plan, and then I'm helping coach and communicate with our property managers on the plan, and making sure that it gets executed.

[0:08:54.2] WS: Let's talk about some of the struggles or obstacles of just managing that kind of growth. You know, some things you've experienced and just making that growth happen. There's different things that comes up with any kind of growth like that for any business owner. You know, what are a few things that you've learned, or obstacles you've had to conquer?

[0:09:12.4] CD: Communication is still one of them. I mean, that's one that we have had waxed and waned on with the effectiveness of it, right? There was definitely a point when we would bring on a quite a few door, before we run another property manager, where I wasn't

communicating effectively with one or two owners, and I started getting some feedback from them on that, and then I was realizing, “Okay, this is something I need to do better on, or I need to delegate.”

You know, having that many new customers coming on, even if it's just a handful of customers that all have a lot of doors, just managing the business, managing the people, and managing the customers, that's where I had some struggles and you know, had to learn to delegate effectively.

[0:09:52.7] WS: Elaborate on that a little bit, you know, how have you delegated? Did you have to hire people, what was a little bit of that process and handing things like that off?

[0:10:00.8] CD: Some of the responsibilities I handed off to a senior property manager. I'm like, “Okay, you know, you're now going to coach some of the new property managers as they're coming in, and you're the first line of defense before it gets to me with an internal question.” Delegating some basic bookkeeping stuff that I was doing, writing checks, paying bills, that sort of thing, delegating that to somebody else in our office or bringing somebody on to take over that role, because that was sucking up a lot of my time, when I could be focusing on something else.

[0:10:31.3] WS: What's your team like now, compared to then? How's your team grown and what does that look like?

[0:10:37.5] CD: Yeah, this time last year, it was just really myself and then kind of a part-time assistant. Now, we have two full-time property managers, a bookkeeper that also has property management history, so, as we're capping out the other couple of property managers on their max number of units, she's starting to take on units as well.

We have a service coordinator or maintenance coordinator that fields and assigns all the calls. There are a maintenance teams, we got five maintenance guys in addition to him, and then we've also got a leasing agent.

[0:11:06.4] WS: Wow, okay. That's growth, that's a lot of growth very fast, right? What are some obstacles now that you're having to overcome with that kind of growth, and keeping that communication up, and adding more units, and all those things as you're just compounding?

[0:11:23.1] CD: Yeah, one of the obstacles that we've been having to overcome most recently is just trying to hire more maintenance personnel, because every time, you know, you add a hundred units, that is close to one guy for maintenance. Being able to hire some – finding people that will show up to an interview, and then show up to the first day of work, those are the small struggles. Just so that we cannot get – we don't get behind in maintenance calls, you know?

Because when you start adding chunks, you add hundred units in a month or a hundred units in a day, and then you've got that much more maintenance on the next day. Just having the personnel to handle that, that was a struggle. 60 to 90 days ago, we were having, and it was, "Hey," we're starting to get some calls from the tenants, that some of these maintenance, and not getting communicated with enough or not getting down as fast as they would like it.

We heard that, and, "Let's hire more people, let's get it done." Now, okay, we're on top of things right now, things are getting done within a couple of days or sooner, depending on how urgent it is and just maintaining that customer relation with the tenant.

[0:12:26.8] WS: Wow, how are you – how do you add value to the investors, what does that relationship look like?

[0:12:34.9] CD: One of the ways I add value is that I am an investor, and I work with them through the due diligence process. I'll tell this to any investor, I was like, "Bring me on the due diligence process, even if you don't buy the property. I'm still going to be here for you guys. You will get my time, you'll get my attention. Let's do some analysis on the rents, the rent rolls, fees that we can add, let's look at their profit and loss statement to see where we can improve that, and see if that can improve your offer?"

Additionally, we have a construction company we're Atlas Property Management. We have Atlas Construction. I have a partner in Atlas Construction. He handles all the field operations. I'll will

bring him in and we will then start to walk the property. We can put together the rehab estimates per unit or for the whole building, depending on what needs to be done.

We can give you guys construction estimates, we can give the investors rent estimates and performance metrics and, hopefully, give them an accurate picture on what is going to cost them and what they're going to get in income.

[0:13:33.0] WS: That is so valuable. You know our management teams are such a big part of our due diligence process. Just the reports that they provide, and helping us with leasing audits, and things like that, I mean, it is so valuable. Especially if they are going to be managing this property long term for us. It is great that they are learning all of that stuff about the property right off the bat.

[0:13:55.1] CD: Yeah, let us know what we are walking into and also, this is a small thing, but I told the investors, like, "Before you close, let me see the leases and let me see your closing statement, just so we can make sure you're getting the correct amount of pro-rata rates and security deposits," because that is a small thing. If it is on a four unit building that is not a big deal, but we recently had it happen on a 20 unit where they didn't bring us in and they need to go back to their old – The seller twice for thousands of dollars that was not accounted for in the leases, or wasn't accounted for at closing, so, "Hey, there is more security deposits. Oh, by the way, nobody told us but this one tenant still had seven months of prepaid rent floating out there," and we didn't pay around until we got the leases a week after we start managing the property.

[0:14:36.8] WS: Any other horror stories that we can learn from, as you all been called in to help investors with these properties?

[0:14:44.7] CD: If you are going to be doing a big value add, and you are going to take a C-minus property up to a mid- to upper-C, be prepared for a lot of vacancies. I mean we're on two particular properties that we have been doing largely positions and now we are at 50 percent vacancy on one now, granted a chunk of your properties on the market now that are have done the rehab and that was always the goal, but you know we are having to go through evictions.

We are dealing with pistols and pit bulls and drugs and all sorts of stuff. It is like, “Oh buddy this isn’t always cracked up to be sometimes.”

But when we have the end in sight, we know what it can be, and once you make that turn, we’ve made it on the first property and we are getting close to making on the second property, to where it’s like, “Okay now I’ve just got one or two stragglers of the old guard.” The deferred maintenance on a property that has that kind of tenant and those kind of issues is probably going to be bigger than you estimate off at the beginning.

[0:15:37.2] WS: Yeah, and I would hope that our management team could help us understand what to expect there, especially if they are going to understand the market most likely better than we do. Just by managing tons of other units there. So, let us talk about that just a little bit. I mean let us say a lot of the listeners are probably value add-type of investors, and are looking for deals like that, or that business plan.

Any words of wisdom you can add, from being able to take that class C property and make it into their C-plus or B-minus. Where you have seen people have mistakes or even things they just don’t know what to expect like you just mentioned. You know the pistols and pit bulls and things like that you don’t know to expect or to account for. But any other ways that we could be more prepared? Or even just worth the relationship with the management company.

[0:16:28.2] CD: Yeah, I mean make sure that you are management company knows what they are getting into to an extent. I mean we’ve definitely been surprised at points. Get the opportunity to walk the units, talk to the current management company, but even talking to the current management company doesn’t give you the full picture because this 34 unit property that took over when we are dealing with drugs and guns and aggressive dogs and all sorts of stuff like that.

I mean it was a professional property management company here in Kansas City that has a large footprint and, “Okay, well this should be decent,” but it was an absolute disaster. People were behind on rents, people were living there that weren’t on leases, no pet policy in place. Nobody was getting evicted and, you know, we walked into it, and I don’t know why the law was this way but one guy broke another guy’s orbital socket, right?

The other man, maybe in his 40s, broke this 70-year-old guy's orbital socket in a fight in the hallway or outside, and then he is not even on the lease. The guy that broke it, and we can't get rid of them.

[0:17:32.9] WS: Wow. So what do you do? What did you do to get rid of him, call the police?

[0:17:37.1] CD: Yeah, well he got arrested but until he gets two offenses, he can't get a restraining order, so he was still allowed in the building. It was just like, "This is ridiculous." And finally we – and then the courts opened back up. This is, of course, all during COVID. So then the courts opened back up. So we get possession of the unit probably next week. It's been this long, ongoing saga, and it is just like goodness gracious.

[0:17:59.3] WS: Yeah.

[0:18:00.0] CD: And you know, we have so many problems with tenants that we didn't place. If we could place the tenants, our collections are higher, our dramas less, our maintenance report requests are less. Everything that we take over property like that and everybody is like, "Well, all tenants are like welcome to the Thunderdome, because the people before you sucked."

[0:18:19.8] WS: Speaking of COVID, you know let's definitely just spend a couple of minutes there, and why don't you give us a highlight of kind of what happened with the vacancy, and income, and you know just numerous things there that over the last few months, right? Three or four months, and then into what you see happening over the next few months?

[0:18:40.3] CD: Yeah, so we then brought in a lot of reposition properties right now. So everybody is like, "What was your collections during COVID?" I'm like, "I have a hard time telling, because our collections were low, because we were taking over these properties that were poorly managed to begin with." We had non-paying tenants on properties that we took over one week before the whole world got shut down. They are not going to start paying now.

So it is hard but, generally, if we exclude those tenants that were bad tenants before, we had pretty decent collections all in all, we're pretty happy. We were 90 to 95% during COVID. You

know, we worked with tenants, we got some of them on payment plans. We were able to use some security deposits, and get them switched over to a rhino policy, if they were towards the end of their lease around month to month and get them put on a new lease.

Rhino is a security deposit insurance or security deposit alternative. So we are able to use their security deposit to help them out there, but generally it's been okay. We had a lot of units that we were completing rehabs on during COVID and so once those rehabs got completed we started showing them but they still got leased up. We had a ton of showings, our occupancy has been increasing during the whole COVID.

[0:19:52.1] WS: Nice, so what do you see happening or any – I mean, forecasting in the next couple of months?

[0:19:58.6] CD: Most people have gone back to work here in Kansas City. You know we have just a handful of tenants that are still having issues and at this point we are either trying to work with them and, if they just stop communicating with us, then we are going to have to send it to the attorney because, you know, we have to manage this property appropriately. If you are not going to communicate with us, we don't really have any other options at that point.

Going forward, people are working now. Most people are working. So I think that we are going to get back to a little bit – life is normal from the income side of things. I don't think life is not normal in terms of how we enter the units, or going to Home Depot to pick up supplies, or whatever that is, but I think as far as getting the units occupied, keeping them occupied and collecting rent we're going to be back to normal.

[0:20:42.0] WS: What's been the hardest part of this real estate journey for you Colin or maybe even just growing this management company?

[0:20:50.2] CD: The learning from the School of Hard Knocks. I've never really been afraid of failure but sometimes when you do stuff and it is a failure, I mean just having to take your licks and you go, "Okay, well I learned from that one. Let's get up and make sure I don't do that again." I am learning that more on that personal investments probably than I have through the

property management company, just because I spent a couple of years learning on my own properties before I started a management company.

[0:21:18.8] WS: You know working with these many investors, I like to ask people how do you prepare for a potential downturn – or, getting to see as many properties as you do, or are there specific things that you like to see an owner have in place or have done or certain numbers to say, “Okay he’s prepared for the next downturn, or some kind of shortfall?”

[0:21:39.0] CD: My advice as investors, especially the ones that want to do value add, is don’t go buy the most expensive property and not even that, the most expensive rent. Don’t buy a property that has the highest rents in town, because you are going to be the first one that is either going to have to cut the rent amount, or you are going to have to have vacancies. So if you can just buy a working class property that people are coming up through, and people are coming down to. You know, you are probably going to see a pretty good rent collection and a pretty good occupancy.

[0:22:07.1] WS: What is a way you have recently improved your business that we could apply to our business?

[0:22:11.0] CD: Recently, within the last month or six weeks, we implemented monday.com, a project management software. We use that for when we have units go vacant, and that allows the whole team to communicate on. So, it will have myself, it will have a property manager, it will have our leasing agent, it will have our maintenance coordinator, it will have construction brought in, and we are all on this and we have built out a bunch of steps.

As it goes through, it pings the next person in line, “Hey, this is – you’re up.” We are figuring out that was a bottleneck that we are having, was unit terms, and just making sure everything was getting done on a timely manner, that we were getting security deposit inspections done, and security deposit work done within 30 days, to get that money returned or partially returned. So that was what we have implemented recently that’s helped us systematized more things.

[0:23:00.1] WS: What is the number one thing that’s contributed to your success?

[0:23:03.4] CD: Networking and hustle, I guess. I am just always – I've just been real with people. I haven't tried to sell them something that we are not.

[0:23:10.7] WS: And how do you like to give back?

[0:23:12.2] CD: We are really involved in our church. So I like to work with the youth there and some missions work as well.

[0:23:17.5] WS: Wow. Well, Colin I am grateful for your time, and just your story, and your hustle, like you talked about, in just making this happen. Congratulations on the growth, and really raising the bar for the property management in general. I know that will pay off long term no doubt about it. Tell the listeners how they can get in touch with you and learn more about you?

[0:23:39.3] CD: Yeah, so if you want to reach me directly, you can hit me up on LinkedIn, Colin Douthit. You could reach out to our website, www.atlast.rentals.com. Yeah, either those ways you can get a hold of me and people had to chat with anybody if they have any questions.

[END OF INTERVIEW]

[0:23:53.5] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

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