EPISODE 672

[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 Brian Adams. Thanks for being on the show Brian.

[0:00:32.9] BA: Yeah, thank you for having me, this will be fun.

[0:00:35.3] WS: Brian is the president and founder of Excelsior Capital, where he spearheads the investor relations in capital markets arm of the firm. He has 10 years of experience in real estate private equity. Prior to forming Excelsior Capital, Brian co-founded Priam Properties, an institutional real estate private equity sponsor, in 2010 and provided leadership and direction for the firm in connection with capital markets, investment management, and investor relations.

You're a perfect guest for our show, no doubt about it Brian, just your experience in this business. You know, we'd love to hear a little more about your background, maybe what brought you into this business, private equity real estate syndication, and growing your brand and your name the way you have. Give us a little background, I'd love to just dive into just your capital raising abilities and just the way you've scaled.

[0:01:27.1] BA: Yeah, sure, happy to. I'm a New York guy originally who married a Nashville girl, we met up in college in Connecticut, and I went to law school in Boston. We moved here to

Nashville about 156 years ago. I practiced law for a number of years and then my wife's family has a family has a family office.

Essentially, a family investment partnership for the benefit of their family descendants, and they have exposure, and had invested in commercial real estate, private equity for the last 25, 30 years. I knew nothing about the business until I joined the family board, and then I saw some of the investments we have been making, some of the sponsors we've been working with, some of the GPs I got to be friendly with, and I just fell in love with the business. I thought real estate was terrific, it was a lot better than being an attorney.

I connected with another New York guy, he married a Nashville girl, we started our company 10 years ago. We initially started raising funds, some kind of blind pool commingled, the investment vehicles, from friends and family. We raised a series of those funds but that really got into the syndication business about midway through, and once we started syndicating capital, we grew exponentially, probably, frankly too fast. We probably bought about 200 million, 250 million dollars' worth of real estate in a span of four, five years, and we can go into it later if you want, I made a bunch of mistakes and had terrible screw ups trying to scale that efficiently, but definitely understood the product type and the offering that individuals and families wanted.

At this point, we have a portfolio of property that's roughly 250 million dollars that we re-capitalized with an institutional investor and then, for the last two years, I've been focused on purely syndicating capital on a deal-by-deal basis on the asset level to purely individuals, families, independent RAA boutique wealth management firms. No institutional appease, that's where we are today.

[0:03:28.0] WS: Nice, wow, I would love to talk a little about your – maybe in a few minutes about your – the 250 million in four years, you talked about many mistakes. I think that can be very beneficial to a lot of the listeners. You know, I'd love to know, let's dive into, just your secret sauce on raising capital and just how you developed that over the years. You've gotten into the business and you've made lots of connections, no doubt.

You know, what was – walk us through that a little bit, maybe early on, your ability to raise capital and how you grew that to where you are at now?

[0:03:57.7] BA: Right, this is going to sound cavalier, and it's probably going to come across as obnoxious, but honestly, the secret sauce to raising capital is to actually listen to your logical investor base, right? I'm not talking about the Saudi Arabian pension fund, right? Because that's not a realistic investor for you, or it's not for me. Probably isn't for a lot of folks listening to the show.

If you write down 50 to 100 people, that will realistically take a meeting, they will realistically give their resources, time, and money to you in return for your product offering, and you actually listen to what they want, don't just cram down what you think is a cool idea, or a cool investment, or a great deal, because if you have a best deal in the world in your mind and you think it's terrific, but unless you can raise capital to acquire it, it's just art.

Art's wonderful but art is not a business, right? If you want a business, you need to have a product offering and a service that people are willing to give up their resources for. About halfway through my journey of trying to cram down product into my investor base and what I thought was cool or interesting, I actually did kind of a mini road show, and I sat down and listened to what my investor base wanted.

I realized they really wanted three things: Capital preservation, access to real assets, yield, they wanted income generation, and they wanted to really push the tax benefits that come with direct real estate ownership through their K1 as a taxable investor. Once I pivoted my product offering and my investment thesis to satisfy those three things, that's really when I started to raise much more efficient capital.

[0:05:54.2] WS: Capital preservation, yield, and tax benefits, did I get that right?

[0:05:57.7] BA: That's right.

[0:05:59.2] WS: Nice.

[0:06:00.2] BA: A lot of entrepreneurs and people who want to get in the business talk about IRR and multiple and all these other things that are great, but frankly, in my experience, even sophisticated family offices, they don't' care. Just give people what they want.

[0:06:18.0] WS: Would they be in that order? I would imagine.

[0:06:19.7] BA: Probably so.

[0:06:21.7] WS: Capital preservation is –

[0:06:23.1] BA: I'd say, certainly in today's environment where the stock market has extreme volatility, it seems like it's extremely expensive right now. Yields on bonds or fixed income or corporate debt are terrible, but taxes, you know, are a real issue. Even though it doesn't seem like it on the CPI level, inflation is real, right?

Anybody who pays tuition or is buying a home feels that inflation coming. It's really, I think a way to put some money to work outside of the public equity market but also, to get something in that, I think realistically, 6 to 7 to 8% cash on cash yield, that current income, so they can pay for their lifestyle, they can maintain their quality of life, and/or maybe be opportunistic with some other type of investments. Cash is king, and I think especially in inflation hedgeD product would do very well over the next cycle. That's where, you know, investors that I talk to on every day, you know the stock market's scary, and municipal bonds or whatever kind of fixed income, their financial advisor wants to put them in, yields are awful, right?

It doesn't make a whole lot of sense to lock up your capital for that. I think you just need to listen to what the needs are from your investor base, and deliver on them. Once you start doing that and giving them that experience, it's much easier to raise more capital from your existing investors than it is to go out there and make a brand new relationship, right? That takes time. Especially in a COVID area where we can't necessarily meet with people in person, this is much more powerful in my opinion.

[0:08:01.3] WS: You mentioned like delivering on those things. Ultimately, listening to what they want and then delivering on what they're requesting, what's most important to them. What you found was capital preservation yield, tax benefits, you mentioned like pivoting, changing your messaging. Can you elaborate on that a little bit? What was your way that you got that message out? You know, was it pamphlets, was it just the way you spoke to people, was it a little bit of everything, could you elaborate?

[0:08:24.1] BA: Yeah, I think you know, a lot of people, especially in our business, when I meet young entrepreneurs or people that want to be a sponsor or syndicate capital, they always – lots of them will try to third-party the capital raise. Or they'll say, "When I raise a little bit more capital or have some more revenue coming in, income generation, I'll hire a chief marketing officer, or I'll bring in a third party to do the capital raise." Wrong. If you as the principle and sponsor are not the chief sales officer and the chief marketing officer, you will fail.

This is exceedingly capital-intensive business. Unless you feel comfortable getting a hundred no's a day and making up 200 asks, it's not going to work. You cannot offload that, no one will have the passion or the drive that you have, and no one will understand the story the same way that you do. I think, that's a really big mistake that people make.

In terms of how to present it, you know, oftentimes, when people do the pitch, you know, kind of like you did, you teed me up and I gave you my background. Honestly, no one really cares, right? No one cares that I'm from New York, no one cares that I went to a liberal arts college in Connecticut, nobody cares that my wife's from Nashville, I mean, not really, if you ask them.

What they care about is how can you address their needs? How can you help solve their problems, and allay their fears. Once you understand what their fears are and what their needs are, just come out of the box and tell them what you do and how you can address those problems. I think your pitches will go much smoother.

[0:09:57.6] WS: I love that, I love just getting right to the point and just putting it right out there, no doubt about it. They don't want to waste either time either, right?

[0:10:05.3] BA: Yeah. I mean, we all have a great story and once you get to know people, t hat's wonderful, you can have a drink and you can talk about all these things that you did. When you've got – when I was a district attorney and I was doing jury trials and we would do summations or open remarks, we were always taught that people lose attention within the next – within the first five to seven minutes. When you have the opportunity to talk to a potential investor, are you going to burn five or seven minutes talking about where you went to college? Nobody cares.

If you’re in this business, you’re probably smart, if that investor wants to hear the pitch, they probably understand on some level what you do and they’re already comfortable with the risk or the investment thesis, just address what the problems are and help them solve the problems. This is sales 101 but I continuously hear pitches where people talk about their track record, and why they got into the business, and their sob story, when – I think all those things are important but I don’t think the investors are listening.

[0:11:09.3] WS: Okay, you know, how did you – I know we talked about changing your messaging and then talking about listening, that’s so important, right? Like, you talk about any sales training, you’re going to hear, you're going to listen to what your clients are looking for and then have that product, right?

I love how you said, if you're not the chief sales officer, you will fail. I think that’s important to realize upfront. You know, you mentioned putting out, would you say, 200 asks and being willing to receive a hundred no’s or more –

[0:11:37.7] BA: You’ve got to realize, there are 12.4 million accredited households in America, not individuals, households. You're talking about converting 1% and you're a top 1% sponsor syndicator, right? I’m not saying be aggressive, I’m saying, it’s not a sales call unless you make an ask, right? Make the ask, get the no, or get the yes, but aim, shoot, and move on. I think often times for whatever reason, nowadays, people who are in their 30s or 40s that want to get into this business, they don’t want to be associated with being a salesperson.

But it’s what you are. You need to embrace it, make the ask, be very transparent with what you're doing, what you don’t do because you don’t have to be everything to everybody, right? I’m trying to capture a niche population that I know wants my product and it’s just a matter of birding that divide between what I do and the people that want it.

[0:12:36.1] WS: Maybe you can make a suggestion for those that are listening that are just getting into this business, or maybe they've done a deal or two, or just building their investor base, but even any person right now, where to find investors? Where you're connecting with them now just so you can have that conversation so you can eventually make that ask?

[0:12:53.4] BA: Yeah, I mean, pre-COVID, I was a road warrior. 100, 150 flights a year, conference, grinding it out, coffee meetings, lunches, drinks, dinners, and that's what I did. I've had to shift a little bit during COVID, and I've really embraced LinkedIn as a great venue and a marketplace to make these type of connections and so, it's really powerful if you can understand the right way to use it. I think one of the issues that – basically something that not a lot of other sponsors are going to like, but it is what it is.

I think what you see a lot of is other sponsors and syndicators cannibalizing each other's time, right? I had these many phone calls this week, but when you look at who they talk to, it's other syndicators and sponsors. I don't think that does a lot of good, right? I mean, you're trying to get out there and engage with your investor base, not other people that aren't going to provide capital to what you do.

I think you've got roughly 12 hours a day when you can be productive unless you want to go crazy and not work out and not have a life or social whatever. You've got to think about how you want to spend those 12 hours and how you can not just use those 12 hours but multiply the time that you put in to each hour to have a greater effect and a knock on effect where, instead of outbound marketing, you're inbound marketing.

I think that's been the biggest change of mindset for me personally.

[0:14:22.2] WS: Wow, it's incredible to hear just how you've embraced something else or LinkedIn as opposed to how you were doing it and traveling 150 days a year or trips, or however you say that. Now that I guess you're staying at home now, right? You're more remote, you're not on the road as much.

Maybe you can elaborate on why LinkedIn, and how do you learn a platform like that to embrace the same caliber of results that you were reaching while being able to do it in person?

[0:14:50.2] BA: Yeah, I just became a total LinkedIn junkie, like a total nerd. I listened to podcasts, I read up on articles that try to understand how the algorithm works and, really, I try to understand how my logical investor base uses LinkedIn to source opportunities, right? Because these are individuals and families, for the most part, who are looking for deal flow. It's that typical market place dislocation between one group who wants your product, and the other group who has the product, how you guys meet?

The really powerful thing about LinkedIn is, it's 24/7, right? I post once in the morning, I post once at night or in the afternoon and I try to post things that have meaningful content for my logical investor base, and then we do a lot on the content side. Once a week we do a webinar, typically very technically focused on commercial real estate aspects like 1031, cross segregation analysis, whatever. But I think it's also important to realize that, in our world, you're not trying to get all of the assets that these people have, right? We're not wealth managers, I'm not trying to get all of your AUM.

I'm only trying to provide a slice of your capital to put to work. I don't want all your AUM. And so also just being a resource for people, right? So, if these individuals, the five pain points and I am addressing one, try to help them with the other four, and just be useful and productive, and try to build that good karma up. It will always come back. It will always come back.

[0:16:20.9] WS: What's been the hardest part of your journey in this business of real estate and syndication?

[0:16:27.5] BA: Yeah, I mean once I realized an efficient way to raise capital, we became deal guys, which is, "Oh we've found these great opportunities, we're going to do these deals, we're going to close them," and we did. We acquired a lot of real estate in a short period of time for our – in our world. I made a huge amount of mistakes because instead of leading with what I should have been, which is investor relations, business development, communication, we just focused on doing the deals.

And all of that stuff got pushed the back-burner, and it was a huge mistake, because it really alienated a lot of my investor base. What I did, starting two years ago, I scrapped everything, went down to the bare bones. I hired an internal controller, who is a CPA with a public accounting tax background, because tax is huge for investors who are taxable investors. I got Juniper Square, which is a great investor relations CRM, 365, 24/7 investor portal, which is just terrific and does all kinds of great things.

I started leading with, "Hey, we're going to be best in class for investor relations, communications. We are going to go over the top and provide you with all of this information and accessibility," and now out of 450 somewhat investors, you know I rarely got a phone call, because it is all right there for them. We are getting way out in front of anything, which I should have been doing earlier in my career but, frankly, I think making those mistakes and having that painful period of my life as a manager, ultimately makes me a much better sponsor.

And so, I am not happy it happened but I do think it is a necessary pain point for me to be where I am today.

[0:18:13.8] WS: Nice and I wanted you to elaborate on that a little bit. I know we briefly mentioned it earlier, 250 million in four years. I mean most people listening would dream of being able to scale that fast.

Can you elaborate any more on just mistakes made of scaling that fast or things you would have done differently, I mean anything at all that the listener or even myself can just take from that?

[0:18:34.3] BA: Yeah, I mean obviously it is a big cliché but just because you can do a deal doesn't mean you should, right? And ultimately, just because you can make acquisitions and raise that capital, you've got to understand that are two distinct parts of our business. There is the deals themselves, there's the acquisitions, there's the underwriting, there's the diligence, there's making a good investment based on the thesis that you have.

But there is this whole other component of the actual business that you are running, which is the vehicle that enables you to make those investments. For a long time, I didn't really spend that much time or effort on the business side of it because you are essentially, you have understand. If you are an investor, you're taking a risk that this sponsor knows what they're doing in the real estate world, right? But especially as a young sponsor or a newer sponsor that investor is also taking a risk on you as a small business owner.

And I think what is important to understand is investors who have been doing this for a while, they understand they are taking risk on the deal, right? I mean COVID happens, 9/11 happens, ’08 happens, these things happen. It’s a big boy game that’s why accredited investors are accredited, but what you need to focus on in my opinion is taking care of everything else on the small business side and de-risking the small business component, and it takes money right?

It takes energy and effort to have that kind of system in place for the enterprise level. So, I think it is really important to understand that you need to have all of these things, investor relations, a really good portal, a really good in house controller account, really good asset management, you know a decent office where you can actually do the work. Those things are all separate from the deals but they’re just as important. Frankly, it is probably more important.

[0:20:35.5] WS: And I am grateful for you hammering that home because yeah, if you don’t have the business side, if you don’t have the investor relations component alone, the property doesn’t mean anything, does it?

[0:20:45.5] BA: And maybe you should just be an allocator, right? Maybe you should just really focus on underwriting GP’s and sponsors and you have your own relationships and you come to me and you say, “Hey, I like what you are doing, let’s have a relationship on a business level.” That’s fine but I’ve got 12 employees, right? So that’s a legitimate HR issue. I’ve got them to worry about all of these other things that have nothing to do with office buildings, but from the investor side, that’s how they experience it every day, right? And so even if it is the best deal in the world, unless you’re transparent and communicative and addressing the actual needs of those investors, it doesn’t really matter.

[0:21:25.7] WS: How did you develop the business side? I know you talk about how important that is and I couldn’t agree more. I know that’s been a growing point and a struggle for me personally as well. You know, I can raise a lot of capital now, you know, work with hundreds of investors and we have done that in a short period of time, I feel like, and tried to do it the best that we possibly can, but then just like you said, when you're talking about, "Okay, we need to hire somebody for this. We need to hire somebody for that."

I go back and think, "Okay, you know, what should that job description be? What should these things be for this person?" And those are things you didn't realize maybe five years ago that you are going to have to deal with, right? And so how did you learn to operate that business and put those things in place?

[0:22:07.0] BA: It is just by making huge mistakes and screwing it up initially and then talking to sponsors in GP's that are 20 years older than me and just asking for as much free advice as they're willing to give me and being unabashed about it. Calling up a sponsor who I know has done really well, track record, grown a great company saying – and don't just ping them and say, "Hey, I'd love to pick your brain," "I want free advice because you seemed to be doing a really good job, and I want to copy everything that you have been doing so I don't step in the same pothole again," right?

And that's part of this community, which is really cool. Not every sponsor is going to respond or GP is going to respond but the ones that do, they're just a gold mine. Because they have made all of these mistakes too. You know I think often times, we look at them as, oh they have achieved this greatness and they're perfect and they are terrific, never the case, right?

They've all been on this hero's journey of chapter one, is this a great idea? They do this thing and it is wonderful. Chapter two, they have failure and chapter three is the redemption, right? That is what we all like to see. So if you can find folks in chapter three that are willing to be honest about what chapter two look like for them, it is so much more valuable to understand what not to do than it is what to do because I think we all have a sense of what we should be doing.

And what would great but really avoiding the pitfalls is what's going to prevent you from having catastrophic failure in your business.

[0:23:31.7] WS: Wow, great content Brian. I am just grateful for you to be willing to share so openly. Unfortunately, we just have a few minutes for a few last questions, but I just want the listeners to know Brian is going to come back, and we're going to talk about some different things about demographic shifts, and just changes moving forward. Just looking forward to just getting his opinion and expertise in those areas as well.

Brian, what's a way that you have recently improved your business that we could apply to ours?

[0:23:57.1] BA: Gosh, that's a really good question. I think recently one of the things that we have been focused on is educating our investor base about some of the things that they can do to amplify their returns, and really educating them about conversations they need to be having with their other sponsors, and other GPs, and other opportunities. So, if you're an investor and you've got office investors as me in retail multi-family, etcetera with other groups, just be really transparent, and say, "Listen, if your GP's aren't doing cost segregation analysis or bonus depreciation that's a problem," and you need to talk to them about that.

If they are not using a best in class investor portal, you need to push them on that because it will make a huge difference for you as an investor and so I think it's often times when I – before I pivoted towards this kind of outbound or inbound marketing concept I was really worried about giving away my secret sauce, right?

Even though it seems fairly simplistic, I was nervous because I thought, "Gosh, people are just going to take these ideas and then run with them." But what I've realized is if you give it away for free and you are a resource for people, they will always come back. I've just told everybody on my team, "Listen, we are going to be a huge resource for all of our investors, all of our competitors. We are going to tell everybody what we think is best practice," and it's been hugely beneficial to our growth.

I think it's confronting that fear that you might be taking away from some kind of zero sum game, but it's really not. I think we should all do a better job of trying to take away some of this kind of opaqueness that exists within this private equity accredited investor world and just be more honest and transparent because once investors think that you have accomplished a good business plan, and that you're a thoughtful person, and a thought leader, it really changes the whole game in my opinion.

[0:26:02.3] WS: Being generous always pays off right? And most people that you do hand all of your information to that is a very small amount that is actually going to probably doing anything with it, which is unfortunate. Yes, great advice. What's your way that you stand out with investors? That you stand out amongst your competition, what are a couple of ways or at least one that you really found that, "Okay I stand out because of this?"

[0:26:27.6] BA: Yeah, the reason I got into office originally was, when I talked to my logical investor base 10 years ago, everybody had exposure to multifamily, everybody had exposure to triple net retail. Over the last few years, self-storage, mobile homes, data center, cellphone towers, etcetera but it is a pretty crowded trade, right? I think what is important for me to understand is delivering people a product type and an offering that still hits a reasonable return threshold on a risk adjusted basis. – which is a really fancy Wall Street jargon way of saying find a niche, where you can exploit inefficiencies, and be comfortable with the fact that you may not be able to scale to a billion dollar business.

Just run the business that you want to run and work with the investors you want to work with. I am fortunate enough that this point in my career where I can tell LPs no. I mean I don't do that but I have a no jerk policy. I don't want to work with some Wall Street guys who are going to rip my face off. I don't like doing business like that, right?

So, I think having a very hard look of where do you want to be and how can you get there is really important, because oftentimes you just kind of run into this idea and run into this company. We start doing things for the sake of doing them without ever reflecting on what's the end game, you know? Who am I and where I am going? Knowing that yourself, I think ultimately will make you a better manager.

[0:27:59.5] WS: What's the number one thing that's contributed to your success?

[0:28:02.2] BA: Marrying into my wife's family. I have an unbelievable advantage over almost anyone else because of my wife's family and their success and also I have incredible privilege being a decent looking white guy that went to great schools.

[0:28:20.1] WS: How do you like to give back?

[0:28:21.7] BA: So we are on a company level, we partner with a local food back. It is like Second Harvest but it's only based in metro Nashville. Obviously during COVID it is very hard to do things in person but food drives and that kind of thing I think is something – hunger is something that we can all get behind. It is not controversial. Then on a personal level, I do a lot with individuals and families who have children with special needs or developmental delays.

Specifically within the athletics sports world and so I pick kind of two things, one on the business side and one of the personal side, and then try to do as much as I can there.

[0:28:59.8] WS: Wow, well, thank you for that Brian. I am grateful for how you have given back today and great show and just great content. I know so many have learned so much and taken so much away from just your experience and you being willing to share very openly, just about the hard times ,and even scaling too fast can be an issue sometimes, right? Just you being very open about that and just really getting your messaging down and listening to investors and how you have built your team.

So, tell the listeners though how they can get in touch with you or learn more about you?

[0:29:29.2] BA: Yeah, thank you again for having me on, this is a lot of fun. I am very active on LinkedIn like I said, Brian C. Adams. If you reach out to me and if you message me, I will connect with you and I will set up a time to talk about anything that you like to talk about. I will try to give as much free advice as I can possibly give more hopefully, tell you what not to do. You can follow us or you could check us out, our website is excelsiorgp.com.

Feel free to give us a shout, we'd love to talk.

[END OF INTERVIEW]

[0:29:54.1] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real

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[OUTRO]

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