

EPISODE 679

[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 Charlie Stevenson. Thanks for being on the show, Charlie.

[00:00:32] CS: Yeah, thanks Whitney. Appreciate it. Pleasure to be here.

[00:00:35] WS: Yeah. Honored to have you on the show. Charlie and I have met at a few different conferences and looking forward for him to be able to share your story. A little about him though, in case you haven't heard of him. He's a serial entrepreneur. He started several businesses in the US and Europe in the marketing and adventure travel industry since his university days in Boston.

He switched into real estate after realizing that he could generate passive income and scale more easily, allowing him to travel the world, spending time with his family, and focus on what matters most. After making the industry switch, he founded Akras Capital, which has been syndicating and acquiring multifamily properties across the US, building a portfolio with nearly 500 units valued at over 60 million dollars.

He's now committed to bringing the freedom he found in syndicating real estate to others by helping them break free from the constraints of time, money, and unfulfilling jobs. That's where we all want to be, right Charlie?

[00:01:31] CS: That's it. Yeah. Thanks.

[00:01:33] WS: Yeah. Thanks for being on the show, Charlie. Give us a little more of your background. I'd love to hear a little more about the story. I know you briefly talked about it before we got started recording. Give us a little more of your background. That's anytime any of us make a big swap like that. I did the same thing.

I mean, it's obviously such a big decision, a big leap of faith. I think it just speaks volumes to just the listeners as well and we'll encourage them. Get us started.

[00:01:57] CS: Yeah. I was always really passionate about travel and grew up in Washington State. My parents were big backpackers. We'd go spend a lot of time exploring the mountains and the lakes of the Pacific Northwest. As I got a little older, I started to want to get out of my own little backyard and start exploring the world more. I ended up going out to Europe for a little while, where I founded an adventure travel business that brought American study abroad students on trips around Europe, to ski in the alps, or go down to Morocco, or sailing in the Mediterranean. It was just a really amazing experience for me.

I always really loved travel and entrepreneurship and building businesses from scratch. After that business wound down, I moved back to Boston where I went to college, and was in the corporate world for a little bit, in the travel industry. I met my wife and she was in the finance industry. We both realized that working in the corporate world, while it paid well and seemed really glamorous, we weren't traveling as much as we wanted to, we weren't out spending time with family as much as we really valued. On our honeymoon, we vowed to quit those jobs and go and travel.

We had no idea at the end what that would look like from an income perspective or anything, we just knew we wanted to maybe start our own business. We traveled for about a year and a half and just had an amazing transformational experience, a lot of growth, a lot of exploration. It was a lot of challenge too, but just a lot of real highlights. It was about halfway through the trip, we were riding the train across Siberia up in Russia, the Trans-Mongolian, and a good friend of ours from Christina's former job was joining us.

We were talking about what we were doing after we were done, which was six or eight months out. We're like, "Boy, this condo we have in Boston has been," which we had rented, "has been generating cash flow for the last six months and supporting our travels to some extent. How great would it be if we had five more of these? We wouldn't even have to return and find another job or something."

Our friend was like, "Yeah, silly. This is what I've been doing since I graduated from college." She owned a couple of multi-families in the Boston market. At that moment, we were just like, light bulb. Let's turn this into something bigger than just a single condo. At that point, we decided to begin building an institutional business that married my entrepreneurship with my wife and my other partners' experience in the finance industry as traders and portfolio managers. That's what became Akras Capital. We began acquiring multifamily apartment buildings once we returned. That's the whole long and short of it.

[00:04:36] WS: Nice.

[00:04:38] CS: The whole thing was we wanted to be able to continue to travel, continue to spend time with our family and this business is a means to that end. We've gotten really passionate about it as well. That's where we are. It's been fun.

[00:04:49] WS: Wow. I mean, and I hear a similar story often, where somebody just had a house, they had to rent it out because they had to travel, they had to go somewhere else for a job, or whatever it may have been. They were forced to become a landlord. Then all of a sudden, this light bulb came on, right? It's like, "Wow. I'm actually making some money here." It wasn't even counting on that. Never dreamed of being a landlord. Then it opened their eyes to this bigger picture of real estate. Sounds like that's what happened to you.

[00:05:17] CS: Yeah. Same story. Luckily for us, the landlording was really easy, because it was a fairly new construction. There wasn't a lot to do. We learned a lot in that experience that we wanted to have assets that were fairly easy to manage. We learned that the hard way, I would say with our first couple of acquisitions. Now we've really dialed that in, having assets that

cruise along just like our first new build condo in Boston, so we can truly have it be a passive concern for us.

[00:05:48] WS: Let's talk a little bit about the transition and why syndication? You could have just stayed with condos. You could have got to that five condos, like you were talking about, or started flipping homes, or just more single-family rentals. There's numerous different ways to get into real estate. Why syndication?

[00:06:07] CS: Business was what I studied in college. From day one, operations class 101, they drive into your brain, "You need to gain economies of scale, and get as much leverage out of the systems and processes that you build." Our first acquisition was a small five-unit multifamily that was built in 1900. Of course, it didn't have any on-site leasing management. Didn't have any on-site management offices, anything like this, because it's just a tiny little multi. We realized how much work it was taking to manage just five units under one roof.

One of our mentors at the time said, "Look, you guys have the smarts and the ability. Go bigger. You're going to gain economies of scale. Having that on-site management office is a game changer, and it'll make managing your five-unit. The same amount of effort can manage your five units, that would be a 50, or a 100, or a 150-unit." I don't know if that's exactly the case, because there's a lot of different complexities. Certainly, there's some truth to that comparison.

The ability for us to ultimately scale the business, and then it allowed us to go a little bit bigger a little more quickly. Then our investors really enjoyed that predictable passive income that we can provide for them. The deal structures are really nicely structured to protect them and align our interests with them. I think for all those reasons, we really like syndication as our vehicle to invest in multifamily assets.

[00:07:30] WS: Nice. Yeah, so somebody just really turned you on to it, right? I mean, you're figuring out that hey, this is a lot of work to manage this five-unit property. I think until you get into it, or until somebody opens your eyes to you, you think, "Well, why in the world would I want a 100 units when this is this difficult?" You don't think about the economies of scale, like your friend was telling you.

I was going to say too, a 1990 property, I know that's pretty common in the northeast, right? A property that's built in the really early 1900s, I mean. 1900s. Yeah, I couldn't imagine that. That's so common up the northeast. Tell us a little more about maybe your process just in getting into the syndication business. I know a lot of listeners could relate just to your process and being stretched really from, say a five-unit to even thinking about doing a larger transaction, a much larger property.

There is just a lot of confidence has to be built there. A lot of things to learn, but you do have to just – you have to take the step and make it happen. Walk us through that a little bit?

[00:08:33] CS: Sure. I would say, a really important inflection point for us was attending a conference. Actually, where I think I first met you out in Denver a couple of years ago. We just went into it to explore and observe and see what all these difference syndicators were doing. It was fairly a new idea and a concept for us. We attended a lot of the different sessions and spoke with a lot of the different groups that were there in attendance.

We met one team who we just really had a great connection with. We felt like we were on the same page from a mindset perspective. There was just an instant click. We began to really invest in getting to know them over time. Over the course of the next year as we built trust and better understood each other, they – and a little on them. They are an operator and a syndicator on numerous large assets in the southeast and southwest.

We were a little bit honored, just that they were giving us the time of day. They took us under their wing and let us ask any question that we had. We really just valued that really, and continue to value that relationship, because they really showed us what pitfalls there are, and what we need to be careful about, and how we can build processes and systems around each of the different components of syndicating an asset like this.

That built a lot of our confidence. We began participating with them as a member of a general partnership on a couple of their syndications that they were the lead sponsor of. In the course of that time, we built our confidence and understood how our earlier experience, operating smaller multifamily properties, had similarities and differences with the larger assets. That helped us to identify the gaps that we had, which we really intentionally began to fill over the intermediary

period between then and now. We built the confidence to go out and seek our own multifamily asset to syndicate.

[00:10:25] WS: That's awesome. No, that's awesome. It's just a great way to get into the business. I mean, find an operator who's been doing it, been around the block and back. You just learn so much by being connected to that individual. Tell me though, because this question is often too, like everybody wants to find that group like you did, wants to find that individual that's going to mentor them, or take them under their wing a little bit. That's difficult. I understand now too, there's so much happening, I can't answer every question, or I can't allow everybody to work with us.

I know other operators that experience it, but you want to. You want to help everybody you can. How did you – adding value to that person is so important. How did you do that? How did you get this person's attention enough for them to be really, your all's mentor for a time, or maybe even still, what did that relationship look like?

[00:11:17] CS: Yeah. It started off with taking a little bit of a risky move and introducing ourselves to them. They were paneling in one of the discussions at the conference. My partners and I identified some of the different people that were paneling and some of the speakers, and reached out directly to them, which was surprisingly easy. Those that responded, we sat and had breakfast or lunch with. Those that didn't, we just hoped that we'd meet them again at a better time.

Once we met that individual, or the two individuals on that team, we just let our ourselves and our experience bring a little bit of credibility and they liked the way we were approaching the market in a little bit of a different way. They liked that we were pretty authentic and just candid and as communicators and let them know that we had vulnerabilities and were willing to learn.

As the relationship began to grow, we put systems and processes in place to grow it. Every two weeks, we met with them and had a conversation. We set expectations early on about what we were looking to do and trying to understand what they needed. We learned that my strategic and marketing background could help to influence certain things that they were still figuring out. Then my other partners' underwriting and understanding of larger, I guess, trading and portfolio

management could help them to influence their underwriting models and strengthen their underwriting models.

We found out where we could bring value to their team. Of course, they could bring a lot to us through their experience as experienced syndicators at that point. We just found where there were gaps within our organizations and just began to share resources and ideas and that simple formula has been really great for us, and for them as well. I think we're all growing more because of it.

[00:13:01] WS: I liked hearing that you all were proactive. You went out, you had seen who was on the panels and you reached out to them. You didn't care how many said no, but you focused on the ones that said yes. That's incredible. I mean, it is taking that step. I find that most won't do that. Most people will – they say they want to get into this, or they're interested in real estate, but they won't take that step to even connect with somebody that they feel is ahead of them. I would say that that person probably doesn't feel like they're that far, that further – much further ahead of you, but you visualized them as being that far ahead that you don't want to reach out, but you should. You should reach out.

Anyway, you all just reached out, you set up a time to talk. No doubt, that's paid off. Tell me about some growing pains since then. Maybe a growing pain that you all had and how you overcame it.

[00:13:53] CS: As we began getting our confidence as operators, we began to go out and explore new markets, apart from our first market that we had been introduced to with our partners down in the southwest. We found quickly that it's a lot about the relationships and infrastructure that you build on the ground in these markets, especially with the deal providers, like the brokerage houses.

It began with us calling a lot of the brokers who have access to the larger 100-unit plus deals. When you get a random phone call as a broker from a firm you've never heard of and you don't understand how they're capitalized, you don't know what their experience is, maybe there's a website they can visit, but when you don't have a local body of experience, they're less likely to

give you their attention and certainly less likely to bring you a really valuable value-add multifamily asset.

What we did to overcome that was we really worked to build on-the-ground relationships with local investors and syndicators and developers who had those relationships with the lenders and the brokers in that market, so that we could get a little bit of credibility from those pre-existing relationships. Then we also really did our best to convey the fact that we had the experience to be there, and we had the credibility to acquire and close on one of these larger multifamily assets, just by flexing some of my other partner's experience in the finance industry and Wall Street and some of our experience starting multiple businesses.

Really, just trying to convey our credibility in a way that was humble, but also very direct, but also bringing other local relationships into those new brokerage relationships that we're building. That's how we overcame it.

[00:15:41] WS: Nice. Nice. Maybe this is relate to the same thing, maybe not, but what's been the hardest part of just the syndication process for you, Charlie?

[00:15:52] CS: Let's see. Well, I think that the hardest part for me personally has been – well, a big part of my role within this organization is investor relations. We were lucky to have a strong stable of investors in our tier one network, which is our closest family and friends to help us close on our first couple of assets. As we continue to grow our business, it became clear that our capability for raising capital from our network needed to increase.

I really had to go back to marketing school and go back to school to understand what tools and technologies I could use and employ in our business in order to increase our money-raising capability, which really boiled down to education and building automations that help to educate our investor base and our newer investor base about syndication, about how these structures work, about the different risks that they need to consider. Then putting all those tools in place, so that it automates and brings them down that funnel.

That's been a bit of a challenge, just because I've had to go back and learn about all these new different technologies and put them in place and luckily over the course of the last two to three

months with some of the slowdowns in acquisition as everybody's waiting for some repricing to happen, that's given our team a little bit of breathing room to say, "All right. What gaps do we have in technology in our business that can help us to increase our money-raising capability?" I've had time to go and build out those systems and processes, write those white papers that help to change people's mentality from active to passive income, build those e-mail welcome series that introduce our team, why they should trust us, and why they should deploy their capital with our team.

That's definitely been a challenge, but a really a fun one as well. It's a creative self-expression for me, so I really enjoyed it.

[00:17:52] WS: What's been the best piece of technology that you've added to your all's operations?

[00:17:56] CS: Yeah. I would say, we implemented ActiveCampaign as our marketing and customer relationship management platform, about three months ago, and moved from MailChimp. Just the suite of tools that ActiveCampaign provides have been really, really great and have helped us to like I said, automate our educational process and our investor onboarding process.

Definitely something I recommend. If you really like to nerd out about automations and click funnels and that thing, they've got all kinds of powerful tools that help to enrich your investors with education and resources.

[00:18:37] WS: What's a way you've recently improved your business, maybe besides ActiveCampaign, that we could also apply to ours?

[00:18:43] CS: Let's see. I would say, there are a couple of things. We began using a more strict criteria for market analysis and market selection. I would say, that has helped us to identify opportunity in markets that we otherwise would have overlooked. That was some of these different criteria that we use, like growth characteristics in the market, have helped us to explore new markets in a different way; maybe a market that we'd seen in the past that we weren't as interested in before, we're now saying, "Okay. This is something interesting."

That was right before the COVID pandemic really hit the United States hard. Our team went down to Atlanta to attend a boot camp that helped us to really beef up that market selection model. That's really been something that's helped us to see new opportunity in the United States.

[00:19:42] WS: Nice. You got to be willing to invest in yourself, don't you? I mean, you all traveled, you've been attending conferences. It's not cheap to do that. What's your best source for meeting new investors right now?

[00:19:54] CS: Right now, I've been really pleasantly surprised with a platform that was introduced to me, maybe about two or three months ago, called Lunchclub. I'm not sure if you're familiar with this one? It's a virtual networking platform, where every week you put in – you build a profile and you build objectives into that profile. Maybe they're meeting interesting people, or launching a new business, or raising capital, or investing capital. Based upon your geographic location and those objectives, they will match you with another professional, or another person and you can set up to six per week or something like this. I've been doing a couple.

I've met some really interesting people, people that are business founders, entrepreneurs, venture capitalists, some people that are in the real estate business. I've met some syndicators, creative professionals, all sorts. Certainly, I have come across a lot of professionals who are where my wife and I were before we got into real estate, where they were grinding away in an active income career and they're looking for some relief and they're saying, "Boy, I'd really like to have more passive income, so I can go travel, spend time with family."

When that conversation begins, I'm like, "Well, perfect. Let's talk about how we can potentially work together, so long as you meet some of the important criteria for being able to be an investor in the types of deals that we bring our stable."

[00:21:16] WS: Very nice.

[00:21:17] CS: Yeah, Lunchclub –

[00:21:18] WS: Is that lunchclub.com?

[00:21:19] CS: Yeah, I think it's lunchclub.com.

[00:21:21] WS: I'm sure we can find it. I was just going to say, I've not heard anyone mention that, I don't think, on the show. I'm grateful for you putting that out. What's the number one thing that's contributed to your success, Charlie?

[00:21:32] CS: The number one thing that's contributed to my success – I really think, like, if I was to look at it from my business perspective, my two partners have been a really strong support system for me. I can really rely on them to bring discipline to the type of work that we're doing and we also have a really good culture where we take care of each other. I think if there's one thing that's really kept us moving along and kept us motivated as we've grown this business, it's been them as a team, I can rely on to just continue to motivate me and myself to motivate them.

I would say that our team, that strong bond they've created. Then also just the confidence that we've been able to have getting into these larger assets based upon their experience as Wall Street investment managers and portfolio managers. That's been really great, because this isn't anything they haven't seen before. They were in the housing sector for a decade watching fluctuations in the market since 07. They've seen all this craziness before.

As someone who's never been in finance, I was in the travel industry, I would have maybe been thrown a lot by changes in the market cycle, or a large deal size. For them, they were trading 300 million-dollar deals on a daily basis. A 50-million-dollar property to them isn't something that is super overwhelming to them.

The confidence that they've brought to our business, I've been able to really have some of that and bring some of that into the growth of our business.

[00:23:01] WS: Nice. Well, tell us how you like to give back.

[00:23:04] CS: In a couple ways. I benefited a lot as I was growing my businesses as a younger entrepreneur from my university back in Boston, had a really great venture accelerator. I was paired with mentors who had experience as entrepreneurs from the early stages of my second business. They were just providing pro bono advice and strategic guidance on a weekly, or bi-weekly basis. Since then, I've gone back to that same group as a mentor myself and joined their Venture Mentor Network. It's part of Northeastern University's IDEA Venture Accelerator.

I got paired with two different ventures, one's a yoga, a virtual yoga company based in Boston that's expanding, another one is a travel business, actually based in South America. I'm able to work with them on every couple of weeks, help them suss out different components of their business plan and just provide some guidance.

That's one way that I really enjoy giving back, so that other entrepreneurs can continue to bring energy into the market.

[00:24:05] WS: Nice. Well, Charlie, I'm grateful for how you've given back today to us as well. It's interesting, I don't know many people who have started businesses in Europe and the US. I just think that gives you a leg up on a lot of us. I couldn't imagine going to another country and starting a business.

Anyway, grateful to have you on the show. It's been great to hear how you got into that condo and really your eyes were opened and a five-unit and then somebody told you about doing a larger deal, and you all made it happen, and just how you all were proactive and you reached out to panelists and you took the time, you've traveled to conferences, you all put the work in and it's paying off. I know a lot of listeners are looking up to you and are hoping they'll get to where you're at.

Tell them how they can get in touch with you and learn more about you?

[00:24:52] CS: Yeah. Thanks, Whitney. My business is called Akras Capital. A-K-R-A-Scapital.com. You can certainly visit our website. We have a lot of resources there, where you can find out what we're up to. Sign up for our newsletter and we send off information about the markets that we're looking at and any interesting investor insights that we come across, we like

to share. You can also download a white paper right on our website and get some more resources that you can get inspired with and share with your communities.

Then my direct e-mail is just C as in Charlie [stevenson@akrascapital.com](mailto:charlie.stevenson@akrascapital.com). Feel free to reach out to me and introduce yourself. I always love meeting other professionals within the industry and we'll see if there's any ways that we can help each other out and collaborate. Yeah, look forward to meeting any that reach out to me.

[END OF INTERVIEW]

[00:25:36] 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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