

EPISODE 707

[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 Kevin Romney. Thanks for being on the show, Kevin.

[00:00:31] KR: Thank you, Whitney, for inviting me. It's good to be here.

[00:00:33] WS: Kevin is the co-founder and principal at Camino Verde Group based in Las Vegas, Nevada. Formed only 18 months ago, the company has purchased three communities in Las Vegas, with another under contract in Kentucky, as well as a development deal ongoing in Las Vegas, Utah and California. Camino Verde Group continues to search for additional value-add acquisitions and development opportunities, as well as JV Partners and real estate investors in the multifamily space.

Kevin, thank you again for your time. Looking forward to this conversation. I know you all had some acquisitions recently that you've had to be creative about how you found those deals and just looking to diving in a little bit. Give us a little more about beginning this company 18 months ago, what was happening before that and why did this company begin?

[00:01:17] KR: Well, thank you. I've been an entrepreneur most of my life. Graduated with a degree in accounting and worked for one of the big eight CPA firms that dates me a little bit. Soon, found I didn't particularly care for that and I've been an entrepreneur and owned my own

business since. I've done work in the call center industry. We've built out and built and sold call centers.

My latest venture was in the renewable energy space. I was ready to sell that company and I was visiting with one of my good friends, Mike Ballard. I was saying, "What am I going to do when I sell this company?" He said, "Well, Look." Mike is a partner in a company that does the back-office accounting for about 40,000 units nationwide. He said, "I see how much these apartment communities make. Let's get into the multifamily business." I said, "Okay, sure. Let's do it. Wo we partnered up." That was 18 months ago. We've bought three communities here in Las Vegas, another one that we'll be closing on in a matter of weeks in Kentucky.

We've also – our minor partners in two ground-up developments in LA area, as well as partnered with one of the largest affordable housing developers and we're working on a community in North Las Vegas in Henderson. We're also doing a master plan community in Ephraim, Utah. We've been busy the last eight months and working to complete those projects and continue to look for additional great projects.

[00:02:37] WS: Nice. I love just the mindset of an entrepreneur that says, "Oh, well. Sure. Let's dive in there. Let's go tackle that. That looks like something we can do. Let's go make that happen." You all have obviously done that and are doing it as we speak. Incredible. Let's jump in a little bit to the last few deals. I know you have an ability to find off-market deals. I would love to hear some examples and us discuss that a little bit.

[00:03:03] KR: Sure. The first community we purchased was on the market. After we underwrote it and analyzed it, we decided to purchase it, raise the money through syndication, closed the deal. About two, three months later, the broker called and said, "Hey, I've got a friend that just purchased a community. His plan is to – it's another 36-unit community. He plans to remodel it, but he'd be willing to wholesale it. Would you be interested in taking a look at it?"

We said, "Sure," and went and looked at it, underwrote it. Decided it was a good move and we purchased the property. Raised the money. We currently have a signed LOI to sell that property. We've put about \$300,000 into it. We currently have an offer on the table, which we have accepted and it'll give a good return to our investors. That same broker, again three, four

months later came and said, “Hey, we've got 210 units that are on various different communities that are put together and owned by one investor on the street over from you guys. Would you be interested?” We said, “Sure. Let's take a look at it.”

The owner wanted to see proof of funds to take down 210 units, which at the time we couldn't do. We said, “Well, look. Let's peel off one of your communities here. Here's one with 28 units that's right behind ours. Would you be willing to peel that off and sell it to us?” He did. One of the best stories of how we found an off-market deal was the only one that we've got under contract in Kentucky that we'll be closing on, this one came to us through a property manager, that my partner Mike was familiar with.

She actually brought us this property a year and a half ago. It was the first property that we seriously looked at. We have some great mentors and they said, “You know what? You guys are in Las Vegas. That property is a thousand miles away. It's a heavy lift. That might not be the first property you want to buy.” We thought that was good counsel and we listened.

Well, fast forward a year later, he's renovated 85% of the units, done just a marvelous job. That property manager called us back up and says, “Hey, he's ready to sell this. He wants to take his money and put it into a ground-up development that he's doing.” They've done a beautiful job on the renovations and the repositioning. There were areas of opportunity for management to tighten down some of the expenses and to increase occupancy. We're moving forward and we'll close on that property here shortly.

That one came to us through a property manager. Just this week, I've had a call with an insurance broker who said, “Hey, are you looking for additional properties?” I said, “Absolutely.” He says, “Well, we do exclusively multifamily. I frequently have people that I talk to, our customers who say they're ready to sell. Do you mind if I send them your direction?” I said, “Sure, absolutely.” Those are some of the methods that we've used to be able to find those off-market deals.

[00:05:51] WS: How did that, say property manager and insurance broker, how did you develop that relationship with them so they knew that you all were buyers?

[00:05:59] KR: Well, my partner Mike Ballard, has had a relationship with this property manager for three or four years. Just once we started our own company, we let her know, “Hey, we know you're a quality property manager. Find us a property in your area that's right for us and we'll allow you to do the property management on it.” Same thing with the insurance broker. As I was shopping for insurance on this new community that we're purchasing in Kentucky, I approached him about insurance and he says, “Well, are you in the market to buy?” I said, “Absolutely, yes.” He said, “Well, let's see if we can hook you up with some of our clients that are ready to exit their properties.” It's just a matter of getting the word out.

[00:06:36] WS: How did you and Mike educate yourself about multifamily syndication to take that leap and say, “Sure. Let's go do this.” How did you learn the business?

[00:06:45] WS: Well, we went to a real estate class. Went there, learned everything that we could from them and then we've just continued to educate ourselves as we move forward in the industry. We frequently attend real estate conferences throughout the country. It's one of the ways that we meet new people. It's one of the ways that we network. It's one of the ways that we syndicate and raise money, is constantly out networking, go to those real estate events, meet folks, take them to lunch, take them to dinner. That's just how we've done.

In fact, a fun story, we always take folks out to dinner when we go to these real estate conferences. We always just invite folks that we meet. We met somebody and they said, “Hey, can I bring one of my friends?” We said, “Sure, bring them along.” That individual happened to run a small family office and wound up to be one of our major investors in one of our latest deals that we put together. It's just a matter of getting out, getting in front of people, continuing your education, but also building your network.

[00:07:44] WS: That's interesting. Not just bringing that one person, but sure, bring your friend as well. You never know who that's going to be.

[00:07:51] KR: You bet.

[00:07:52] WS: Learning the business, getting into this, let's talk about raising that capital for those four deals and going way back. Initially, how did you raise the capital for the first project?

[00:08:03] KR: My major concerns of getting into the business, to begin with, was how do we raise money to purchase these properties? It starts with just a list of friends and family going down and making that list, picking up the phone, making the phone calls, creating a database of e-mails.

Then as we go out and network through various different events, we continue to meet people. We always ask if they're all right, if we put them in our distribution list for our e-mails. We send periodic updates. Then if we've got new deals, we'll always send them an e-mail and ask if they're interested in taking a look at that particular opportunity. Just started with friends and family. Then grew from there as we met new and different folks in the industry.

[00:08:49] WS: Nice. What were those first, say, some conversations like when you're telling people, or maybe friends and family at first and then later, it's not as many friends and family, or completely, but some of those conversations, what were those like when you're saying, "Okay. Now we're jumping into multifamily syndication, or investing." Are they looking at you like, "Oh, Kevin. I thought you did this over here. Or I didn't know you were in this business."

[00:09:16] KR: Oh, absolutely. Lots of those conversations. I started off with sending out an e-mail saying, "Hey, I've sold my company and here's the next thing I'm off to. Being involved in and if you have an interest, or would like us to share any opportunities with you, please let us know." A lot of people responded to that. That was probably the genesis of our list. Then you need to just call up.

Just folks that you know, there's a relationship of trust. They also want to see, "Okay. Well, let's see you do a few of these and be successful first." The thing that we found is that now that we've got four properties under our belt and we'll be exiting our first property here soon, finding that it's getting easier to raise funds as we have that experience under our belt and people can see that we're serious about what we do and we've given our investors a good ROI, a good return on their money. We're finding that it's a little bit easier now to raise money after 18 months than it was the second month.

[00:10:17] WS: What are some challenges now that you all are experiencing now that you've got established, you've done a few deals, your investor base is probably growing, you're getting more referrals now, getting a little more comfortable in doing deals. What are some challenges now that you're facing?

[00:10:31] KR: Well, COVID has certainly presented some challenges to us. The latest property that we purchased was purchased on March 18th, just before things begin to shut down. This one does require repositioning and remodeling.

Anytime you buy a new property, there's always tenants that are going to have to be spun out as you're remodeling and then raising those rental rates to the market rates. There's always some tenants that are going to need to be spun out.

The problem was is that we've got – we're under an eviction moratorium. We've had in this particular property, we've had probably about four tenants that have not made any payments since the beginning of the COVID shutdown. That's been a bit of a challenge. Then also, getting the remodels done, finding the workers and getting that done during the pandemic has been a bit of a challenge.

We've been delayed in our timeline for that particular property. The good news is we always raise extra capital reserves, so that there is some type of an emergency, or some type of an issue like this that were not cash-crunched. We've done that with this property and all of our other properties. We've been able to weather the storm of COVID-19, when some of our neighbors may not have fared quite as well.

[00:11:53] WS: How are you dealing with the four tenants that have made no payments, or have you been able to evict them now?

[00:11:59] KR: Well, we were planning to start on that immediately, but our governor here in Nevada just announced yesterday that he's extending the moratorium for 45 days. There's not a lot we can do. We don't want to put these people nest out on the street during COVID-19. We're working with them and encouraging them to use some of the CARES Act money that's available.

Some of them are willing to let us help them and others, strangely enough, it's hard to get a hold of them and hard to contact them. It's hard to help somebody if they aren't willing to put in a little bit of effort themselves. We'll just have to weather the storm a little bit longer for the next 45 days. Then even at that point, we want to negotiate with these people. Again, we're not looking to put anybody on the street or anything like that. We want to negotiate with these folks and see if we can find terms for them to be able to come current on their payments.

We've had to be patient and just work with folks as best we can. Certainly, those who are interested in working with us, we can always come up with a solution. Those who ignore us and don't want to work with us, that's a little bit harder.

[00:13:07] WS: You mentioned, you always raise extra capital reserves. Do you have a way of calculating that, or saying, "Okay. We always want this much reserves in the bank at closing," or do you have some way that, "If we have this much, I'm comfortable moving forward"?

[00:13:22] KR: We always look to raise at least two to three months of operating expense. We go to our pro forma and find out what our annual expenses are and then divide that number by four and that'll give us a three-month cushion. In addition to that, we always raise the extra funds that we need to be able to do the repositioning, remodel the units, etc. If things get tight, we can always take some of those funds that are earmarked for remodeling. We can always slow that process down just a little bit if necessary. As far as working capital reserves, we always want at least two, if not three months operating expenses in the bank.

[00:14:00] WS: Nice. Now that you've done a few deals, is there anything differently that you would have done on your first deal?

[00:14:05] KR: Oh, yeah. You always learn as you go. I think that we would have underwritten a little bit differently, perhaps a bit more conservatively. I think we probably would have budgeted a little bit more for repositioning, for remodeling and for some emergencies. That property we still have a very nice cushion and a very nice fund, but we probably would have budgeted a little bit more for improving and enhancing the units.

[00:14:33] WS: Kevin, what's been the hardest part of the syndication journey, or process for you?

[00:14:38] KR: The hardest part is just finding the right people, finding the folks that can help you, but you just keep turning over stones and looking in every little corner and crack and you always wind up finding those people that can help you, that they're willing to invest with you. We've had a couple of syndications that we came right down to the wire on closing date and just generally, a few days before we were always able to find someone that was willing to come in and make up the difference on the funds that we were short.

It's just a matter of being consistent. Just work the plan. Keep contacting people. Keep looking for those new investors. Keep creating those relationships. We found that everything always comes together and we work it all out.

[00:15:29] WS: What's the way that you're prepared moving forward for the next downturn?

[00:15:33] KR: Well, one of the things that we're doing is we're being much more conservative in our underwriting. Looking to hold properties a little bit longer than we were originally and initially. That's one of the things that we're doing is again, being conservative. The other thing is always making sure that we raise those extra funds, so we've got a rainy-day fund. So that when we do run into those bumps, or if there is a downturn in the economy, just make sure you've raised enough capital to be able to get you over that hump.

[00:16:03] WS: Is there a way that you've recently improved your business that we could also apply to ours?

[00:16:07] KR: Automation. As we meet more people and we grow our database, we're using some software that allows us to send out e-mails in a bigger group, but also allows us to be able to tell who's opened those e-mails and how long they might have spent with those e-mails that allows us to know who's interested, so we can know who to pick up the phone and call. Just utilizing technology and working our database has been something that we are improving as we move and go on down the road.

[00:16:41] WS: Can you share any software, or tools that you're using to do that?

[00:16:45] KR: Sure. Sure. The software that we use is SharpSpring. Then we've got a consultant that we use that helps us with that that just does a super and a marvelous job. Yeah, SharpSpring is what we've used and it's been very beneficial to us.

[00:16:59] WS: Interesting. I've not heard of that one before. What does it do for you?

[00:17:03] WS: We can prepare an e-mail and then send it to our entire database. It allows us to see exactly when someone opens an e-mail, how long they've spent looking at that e-mail. It will actually notify us if they go to our website and check out our website. It will give us all of the percentages of how many e-mails were opened, how many were not opened and all of those analytics that help us to be able to do a better job in our prospecting.

[00:17:35] WS: What's your best source for meeting new investors?

[00:17:38] KR: Our best source is probably the real estate conferences that we go to. We go out to IMN, is one of the conferences that we go to regularly. Also, we're local members of the REIA organization here in Las Vegas. We've found great folks there and investors there. I'd say, probably the real estate conferences that we travel to around the country.

[00:18:00] WS: What's the number one thing that's contributed to your success?

[00:18:03] KR: Well, the number one thing that's contributed to our success is probably great mentors. Good people who have helped us along the way and given us advice. The second thing would probably be hard work and tenacity, just staying after it and not giving up when you have a hard day, or when things don't go exactly your way.

[00:18:19] WS: Well, you mentioned mentors. Such a key point in any, I think, entrepreneurs' growth, or most people's growth, especially in business. When does someone need a new mentor? I know you've had numerous businesses, have been an entrepreneur a long time, but when do you suggest somebody needs maybe the next level mentor? You grow and oh, what's your thoughts on that?

[00:18:38] KR: Well, we've had some great mentors. Some that first got us started and then more recently, I've had a great mentor down in the Austin, Texas area that's taken us under his wing and has given us some great advice and even partnered with us on this deal in Kentucky that we're working on. We appreciate all those who have helped us along our way. Just as you hit a new plateau and a new challenge, that maybe some of your current mentors haven't experienced, then it's time to look out for new folks and who may have experienced that and may be able to give you some additional advice on top of what your current mentors can offer to you.

[00:19:14] WS: Kevin, how do you like to give back?

[00:19:16] KR: Giving back, a lot of folks have mentored us. We've now started to mentor a few folks. We still have a lot to learn, and so we know that we can help folks to a certain degree and to a certain point, but that's one thing that we've been doing now is being able to mentor some other folks. Another way that I give back is through service to my church and the community here, through contributions of both time and finances. That's my major way of giving back; helping other folks in the business and in the community and in our church.

[00:19:51] WS: Nice. Kevin, I appreciate you sharing that and giving back to us today and just sharing how you found some off-market deals and through relationships with people in the business and just the importance of those and how you guys started raising money for those deals through friends and family and then growing to other people as well, and even some challenges through COVID. Grateful for your time. Tell the listeners how they can get in touch with you and learn more about you.

[00:20:14] KR: Fantastic. You can reach out to me at my e-mail address, which is kevin@caminoverdegroupp.com. You can also find us at our website, which is www.caminoverdegroupp.com. That's where you can contact us. Love to hear from you.

[END OF INTERVIEW]

[00:20:35] 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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