

**EPISODE 765**

[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]

**[0:00:24.3] WS:** This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Megan Stafford. Thanks for being on the show, Megan.

**[0:00:32.3] MS:** Thanks, Whitney, I appreciate it.

**[0:00:33.9] WS:** Megan is the CEO and founder of Dreamy Capital, a real estate investment company located in the San Francisco Bay Area. She is an innovative entrepreneur with a proven track record of acquiring and managing commercial real estate investments that produce 70% or better return on investment. She previously managed a commercial portfolio of \$135 million in office, retail, multifamily and industrial, spanning across multiple states from California to Florida.

Megan, welcome to the show. Thank you again for your time today. Give us a little more about who you are, your background in real estate and let's jump into your super power and how you make all this happen.

**[0:01:12.0] MS:** Yeah, great. Thank you so much. Thanks again for having me here. My background is, I bought my first duplex in 2013 and did that whole house hacking thing. I lived on one side and rented out the other side. I was also in a band at that time, so we had like our band room on one side. It was super fun, but also, when you put on your landlord hat, things

really change. It was tough, but I also really, really liked it. Like when I first got my first rent check, I just — it was like a light bulb. Like, “Oh, man. What am I doing? Why am I not doing more of this?” That kind of triggered everything.

Fast forward to I moved to San Francisco Bay Area in 2014, and then didn't jump right into real estate here right away. It's kind of tough to get into it, but did eventually jump in, worked my way up really, really fast. I started us like an assistant, and then I went to assistant property management, then property management. This was all within like six months. There's really high turnover in property management, FYI.

Anyway, so I began managing that portfolio of \$135 million. It's probably \$140 or so now, give or take COVID time. But anyway, did that, which was — you're wearing multiple hats all the time, and trying to keep investors happy, but also have tenants pay rent, which can be interesting when you're working in the office assets for example. Like, you've got legal teams that are just so big and it's just you having to like really bag on, say like, “No, that clause doesn't mean that. It means this and we need you to pay rent. Thanks.” So just really, really interesting.

Then fast forward to my last corporate-type job, I was with NAI Northern California, big brokerage, but it was the investment arm. There, I was the asset and acquisitions manager, which was also like a hybrid role so you're just busy all the time. It's like 60, 70-hour weeks at the minimum. So, yeah. For them, we bought distressed assets and renovated mostly multifamily, but there were a couple of retail. We made a lot of money off of Cricket Wireless buildings, triple net bills for example.

Now, in the present, June 2<sup>nd</sup>, I quit that job to start my own company. We're focused on flipping small residential properties right now, just to get some extra capital, then we'll 1031 Exchange into some bigger deals in Q1 of next year. We'll be doing 15 units in a multifamily in the market that I like, which is Arkansas, where I'm from. Yeah, that's —

**[0:03:55.2] WS:** Nice. It's interesting. You said you like, house hacked. Was that your plan to house hack when you purchased that duplex?

**[0:04:01.7] MS:** Yes, definitely. I actually was one of those like really nerdy kids who started reading like tax law books when I was 17. I kind of always wanted to do something with real estate, because I started realizing like the tax benefits right away. It was just like one of those things like, how do you do that when you come from not having any money at all? I mean, I had like a Toyota Corolla that was like junky and barely ran, and like, how am I going to buy a house? That's crazy. I can't barely buy a car. I started looking, digging in, realized the FHA really made dreams work, so that's the Federal Housing Administration. I got in with an FHA 203k loan, which is the rehab loan. So on my first deal, I got thrown into like learning how to manage contractors, which is a nightmare as your first deal, but whatever. It happens.

I went in that right away. The rehab was like \$17,000. To give an example, so this duplex was \$91,500. I put 3.5% down, because it's an FHA. So a little under \$4,000 to get me in this house. That's cheaper than a lot of people's cars. You don't need much to get involved. You just got to start. That's my number one thing that I try to tell everyone. There's always a way. But anyway, so I got into that house with under \$4,000. The rehab was like \$17,000, somewhere around there. I really got gypped but I learned a lot in the process. Then after that, it was all ready to go, all of it was wrapped in one loan. So again, my down payment was super low.

**[0:05:34.6] WS:** You said you got that first rent check and like everything changed, like your eyes were opened. I wondered, like from there, you became an assistant in a property management company. I mean, what was the goal? Was that just to get a job, like you found this position or was it like, "No, I can learn this side of the business"? What was your plan there?

**[0:05:52.2] MS:** Exactly. Yeah. I think a lot can be said about like how you deal with strife, and like my way is like, "Okay. What can I learn from this?" Because it's not easy to be on your best friend's for rent money. It was great to get that money and to be able to afford my mortgage, but it was also, I needed to figure out how to navigate that relationship and balance, and treat it like a business because that wasn't my business in the beginning. So I thought, "Let me get into property management because these people seem to know what they're doing or they know how to navigate that. I need to learn how to do the financials correctly." And all of that because my financials were a mess. When you're doing your own business, you got to know how to do a little bit of everything, kind of like a jack of all trades sometimes. You got to do your own marketing and be able to show the place.

There's so much that you can learn by just jumping into property management if that's your goal. But yeah, mine was just to learn more about the business and make sure that my business was performing at its best.

**[0:06:58.5] WS:** Yeah. No, it's just interesting to find a career. Or I mean, just even as an assistant role, like to get started, you're going to learn so much I think about being on that side of the business and learn how properties are managed, and especially if it's a company that's very reputable, and has good processes and very respected. But before we even started, you mentioned like being scrappy, coming from hard beginnings and being able to just make it happen. I'd love for you to highlight on that a little bit, what that means a little bit. Because I know there's listeners right now who are struggling to make it work or mentally anyway, right, in the beginning to figure out, "This isn't just possible." What was that for you? What does that mean exactly?

**[0:07:37.3] MS:** Yeah. I guess to back up a little bit. I grew up in a little small town, it's called Sherill, Arkansas. It's like 70 people.

**[0:07:44.3] WS:** That's small.

**[0:07:45.8] MS:** Yeah, right. Growing up in a place like that, you learn to be able to like, be very independent, I would say. I guess, you have family members and stuff, but you got to be able to make it with something to do all day. I think that really helped shaped me, and I'm sure everyone has stuff they've gone through that can help keep them motivated and know that they can make it through whatever. But anyway, so I say that because I had to learn to be scrappy. And I mean, you can have contingency plans for miles long. I mean, you can try to account for every little thing. But at the end of the day, it never goes according to plan like 100%. It's like 95% I would say, and there's always that 5% where you just get constantly kind of hit in the gut or it's a surprise.

For example, I can account for on a renovation like, "There's going to be some plumbing leaks, as soon as we lift the floors in every room, and especially the bathroom, there's going to be something that a contractor a long time ago didn't do or it's busted because the thing is 50 years

old, whatever.” I can account for that in my contingency plan. But then, you might have something else where the contractor is like, “No, I want an extra 50% more than my bid.” So now I’ve got to like find another contractor mid-way through the project, call a friend, see if I can get backup money here. It’s constantly being creative and being able to figure out like, “Okay. What is my problem? Here’s the problem. Okay. What are my solutions in being able to get back up when you get hit in the gut? Because it’s going to happen, you’re going to get hit and you got to just pivot and keep moving.”

**[0:09:25.9] WS:** Yeah, you do have to get up and keep moving. Expect it, it’s just going to happen.

**[0:09:32.2] MS:** That’s true. I think [inaudible] is really helpful. Because when you’re in that mind frame, you’re like, “Okay, no big deal. Like I’ve done this a million times.” Like stuff always happens, you just got to go with it.

**[0:09:43.1] WS:** What has been the hardest part of getting started or getting into the real estate business, Megan?

**[0:09:47.8] MS:** Yeah. I think it’s learning as quickly as you can. Brandon Turner on BiggerPockets always says that phrase about like building a parachute on the way down, and that’s so true. It’s like, you jump out of the plane and you’re not sure if you have a pack that will open, but damn it, you’re going to try your best to open it. So yeah, it’s being able to learn on the job, learn on the spot. Then if something doesn’t work, if you fail, like no big deal, like you learned a lot from your failures for sure. I mean, every failure I’ve had, I just become so much better from it.

**[0:10:19.8] WS:** How do you prepare for a potential downturn?

**[0:10:21.7] MS:** Yeah, that’s a good point. Basically, I have been hoarding cash. I’ve gotten all my hillocks in place, so I’ve got a bunch of cash reserves based on like all my financing stuff. So whenever interest rates are going down, I tried to get as much as I could right before I quit my job. Because once you have that W-2 going, lending is like, “Oh, you seem a little risky.” I made sure to get all of that lined up before I put in my notice. So I’ve got all of that in the back just

waiting in case something happens. There's also lots of different avenues with like SBA, there's disaster loans that are actually not that difficult to get. Then yeah, it's just being able to be prepared with a little bit of extra cash just in case. I'm in the school of thought that like, I want to be buying when there's a downturn, and be prepped in that way. So yeah, hoard your cash.

**[0:11:20.4] WS:** Maybe this goes right into the next question. It's like, what do you predict is going to happen over the next six to twelve months?

**[0:11:25.8] MS:** Yeah. I mean, obviously, no one really knows. But I definitely have been seeing foreclosures already, especially in Arkansas. That's where I invest primarily, in the Central Arkansas area. I'm already seeing them pop up more than they used to. Especially with — by the end of this year, because the extended unemployment payments until the end of this year, that's going to run out. They can't do it forever. We can't just keep printing money forever. I mean, we can try, but it's just not going to work.

So yeah, I predict by the beginning of next year, people will stop being able to pay those mortgages. The foreclosure process takes a long time, so probably by mid to Q3 of next year, we'll see some sad things start to really impact our economy. And yeah, it's sad but it's also creates an opportunity for people that are trying to get into real estate, because you didn't put them in that position. It's terrible, but you can also buy those properties on websites like auction.com or whatever and get started and start doing investment properties. Of course, I really, really love the market that I'm in because I don't do A class properties, luxury stuff. I always go with B and C, because when times are hard, renters move to that B and C property. They're not going to go from a B to an A all of a sudden. That's just not possible. Yeah, I find it to be very, very risk — well, I don't know what to say. But basically, I find it to be the best fit for me and my —

**[0:13:00.7] WS:** No, that's awesome. Megan, I find that people who are successful in business have a high level of self-discipline. It's interesting you talk about coming from a scrappy beginning as you call it. It's just hard to get started, right, or you come from not much or humble beginnings. But you have to have a high level of self-discipline, and how did you gain that high level of self-discipline?

**[0:13:20.0] MS:** That's a great question. I'm not super positive where it came from, but I will say one thing that really helps keep me focused. So I do this thing, it's — Hal Elrod actually came up with it, but it's called SAVERS. It's this acronym and I love it. I live by it. It's so amazing. So it's an acronym, SAVERS. S is for silence, so I do meditation in the morning. This is a thing you do every day. You can do it in the morning, you can do it at night, whatever, and you can do it as long as you want or as little as you want. It's up to you.

S is for silence, so I try to calm my mind and really get in that space of Zen. Just drown out everything else. A is for affirmations. I have a list of affirmations I make every six months, and that's to keep me focused. So I'll read through those twice. Then V is for visualization. I have like a vision board and it's got like pictures of me doing awesome things, like running a half marathon, and it's got like my little bubble head on top. Like just stuff to kind of trigger your brain to be thinking about those goals that you've set at the beginning of the year or whenever you set them or whatever, just being able to visualize yourself getting those things or going to that beach and feeling the grains of sand in your toes, just really, really driving that home with the sensations.

Then E is for exercise. I exercise every day. I've don't that for like 90 days straight. I've missed five days I will say. But I try to do it every day because it's a really great habit and it keeps me focused. Then R is for reading. I'll read lots of different things. I'm an avid reader. I love reading. Read for like 10, 15 minutes, whatever you can fit. Then S is for scribing, just because he needed the acronym to work. It's just journaling, which has been eye-opening for me, because we get so busy and just like, everything is kind of jumbled up. But when I'm forced to like journal to myself, like it just — everything becomes more clear.

I would say, all of that has helped me become very disciplined because I start my morning that way, and so it trickles down from there, like I feel centered. And now, any problem that comes up really just doesn't seem like — I can handle it now.

**[0:15:32.8] WS:** Yeah. I appreciate you sharing that. A morning routine is so important to me as well. Being up early, *The Miracle Morning* Hal Elrod's, I guess one of his first books. It's something I read three or four years ago. That really transformed a lot for me too. I don't follow all those things like that or as disciplined as you are. But it did help me at least to think about my

morning routine and being purposeful with that time, and it just changed a lot. It's allowed me to read tons of books, and do lots of other things.

But Megan, now that you know what you know in real estate, you've got more experience now. What would you have done different on your first deal?

**[0:16:07.2] MS:** On my first deal, I probably would have asked for more help. What I mean by that is, I didn't actually know like any one in real estate. There's so many more things now that there weren't basically back then, like LinkedIn. I probably would have gone to LinkedIn and looked up people that were in real estate that did investments and knew like how to navigate that, and just said like, "Hey, I'm young. I'm dumb. I need help. Can I just send you this contractor bid and can you tell me if they're trying to screw me over because I don't know?" I would have tried to find — it would have been more helpful to have some sort of mentor, being able to like reach out to a local real estate group and say like, "I really don't know what I'm doing." I'm kind of introverted, so I try to do everything by reading books, and it really, really helps when you can have someone human, kind of walk you through that or just like tell you it's okay, that all of this is happening.

**[0:17:07.7] WS:** For sure, and that's great advice. Ask for help. And usually, there are people that would help too, and people just don't ask. But what's a way you've recently improved your business that we could apply to ours?

**[0:17:17.6] MS:** Getting more organized. I'm creative, so there's a little bit of bliss in mess for me sometimes. But getting really, really organized with my marketing materials, making sure that when an investor asks me or a new person comes to me and says, "How do I get started?" Well, I have an eBook I just wrote, "Here's an eBook. Now, you can read through that. Here's my one-page wholesaler deal." Just trying to really get organized and say like, "Okay. Well, if I were on the other side of this transaction, what would I want from a syndicate or like what would I want from someone that I'm investing with?" Well, let's get dialed in on all of those things that they would ask me and make sure that it's very clear, and precise, and there are pretty pictures and it makes sense.

**[0:18:03.4] WS:** What's your best source for meeting new investors right now?



**[0:18:07.3] MS:** Probably lunch club. I've been doing that, it's an invite-only. I'll invite you if you want to. Just find me on LinkedIn or go to our website, dreamycapital.com. But basically, I've been doing a lot of lunch clubs. So you set up your meetings at the beginning of the week or whenever you have time. Then I've been doing like all founders lately, just because they can — they know a little bit more about the different things that I need to know such as like, a good CPA in a region or whatever. Yeah, it's been super nice, super fun to network and meet people through that.

Then LinkedIn, I get constant stuff on LinkedIn. That's been a really easy way to find investors and stick around. Yeah, we've been really trying to do more social media stuff. Again, as I said, I'm more introverted, so I hired someone that is extroverted to help me find people and navigate that.

**[0:19:01.9] WS:** What's the number one thing that's contributed to your success?

**[0:19:05.3] MS:** Probably being able to pivot and just like, if I get hit in the gut like just keep going and trying to figure it out. Also, my loving partner, like she's really taught me a lot. She always asks for help, and that has really improved my business tenfold, like being able to say, "I can't do this all on my own, I need help." And people, it's amazing what people would do for you if you're somewhat decent.

**[0:19:31.0] WS:** How do you like to give back?

**[0:19:32.8] MS:** I like to give back by mentoring people that are interested in real estate. I have gone from nothing to having something in a short amount of time. It's just improved my life so much, like I have more time to spend with my family and my loved ones. I want to give that to everyone. If you're ever slightly interested in real estate, hit me up. I'll chat with you.

**[0:19:55.9] WS:** Megan, we just have a few minutes left. I know you had something special for the show.

**[0:20:01.4] MS:** Yes, I do. I wrote a real estate song, so I was going to drink a little bit of water because I didn't warm up my voice. So yeah, I wrote a real estate song for you all, and I would love to perform it for you. It's cheesy and corny, but I think it shows that I'm creative, and will continue to do whatever it takes to get the job done.

**[0:20:20.9] WS:** And you're not as introverted as you think.

**[0:20:24.9] MS:** That's true. That's very true. Okay. Well, without further ado, let's do this. Are you going to dance?

**[0:20:49.6] WS:** You don't want to see my dance moves.

**[0:20:51.9] MS:** Wish I could, wish I could, was all I ever knew. Reading books about that or any type of [inaudible 0:21:07.6]. How can I get closer to you? How to spend time with you? I can get close to you. I will spend time with you. They said life is over, can't get it [inaudible 0:21:34.5] but can't you see that real estate, it's worth the wait, worth the wait. Wish I could, wish I could. Really had to change. Broken to a dream job, [inaudible 0:22:04.1]. I can do anything just to get get get a little more time with you you you. I can do anything just to get get get a little more time with you you you. They say life is over, [inaudible 0:22:30.6] but can't you see in real estate, [inaudible 0:22:35.6] worth a wait.

Anyway, the song is just about basically getting started, just doing whatever you can to take that risk. Because for me it's like, the risk of not doing it is working two or three jobs my entire life and never having time for my loved ones, which is what I care about most. And like I said, you can get started with \$4,000 and there's lots of different ways to get started, so just start.

The other thing I have to mention is that, the song was co-produced by Alysia. It's an iPhone app and that's how the licensing works, but of course the Dreamy Capital Team who came up with the lyrics, are awesome. So [inaudible 0:23:30.7] really set it up and I appreciate that so much.

**[0:23:34.3] WS:** Wow! Well Megan, this is show 765 and that's a first. That's a first. You've put some time in there, no doubt and I appreciate you sharing that with the listeners and myself and

it is so hard to get started, right? So hard to get started and I just appreciate you bringing out the risk of not getting started is greater than the risk of what failure you think you might have and getting past that. I appreciate you sharing that. Tell the listeners how they can get in touch with you and learn more about you.

**[0:24:05.1] MS:** Yeah, of course. So my name is Megan Stafford. You can find me on LinkedIn. Our company is Dreamy Capital, like something is super dreamy and awesome, and then you can attain that. But anyway, dreamycapital.com and then we also just did an eBook called *How to Choose a Syndication That Doesn't Suck*. I try to be super transparent, and I go through different organizational LP agreements and how to look out for certain things and wording and what that really means for you. So, yeah.

**[0:24:33.7] WS:** Awesome! That's a wrap, Megan. Thank you so much.

**[0:24:36.5] MS:** Yeah. Thank you. Thanks for having me.

[END OF INTERVIEW]

**[0:24:38.9] 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]

**[0:25:19.5] ANNOUNCER:** Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to

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