

**EPISODE 796**

[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 Dave Holman. Thanks for being on the show, Dave.

**[0:00:32.1] DH:** Thanks for having me, Whitney.

**[0:00:34.0] WS:** Dave never aspired to be a landlord, but he now co-owns 15 buildings from single-family homes to multimillion dollar syndications in the great state of Maine. Dave focuses on adding value by improving energy efficiency and tenant relations through his own company, Katahdin Property Management. Dave also has a track record of working with refugees and new immigrants who come with nothing and achieve the American dream through housing. So Dave, thank you again for your time. I want to thank you also, you told me before that show that you've been listening to the show for about like two years. I'm grateful for that. I'm grateful for all the listeners who have just been with us for a long time or even if you're just starting, we're grateful that you have learned about the show.

But Dave, thank you for your time. I'm looking forward to getting into this a little bit. I know you're talking about energy efficiencies, and placing families of immigrants and things like that. And some of that is like out of what we normally talk about. Just the energy efficiencies, we don't talk about that very much, which I think could be very useful. But then, thinking about

housing people who we may see as a more risk or no credit checks like you mentioned before, before the show — so I'm looking forward to getting into some of those things were I think other landlords if we'd be open to some of that, that could help a lot more families as well, if we knew how to do it properly. But give us a little more about you Dave, and maybe your background and let's jump in.

**[0:01:59.1] DH:** Absolutely. I grew up in Maine, rural, kind of middle-class, upper-mid. Zero involvement with investment real estate or anything like that. Went to college out in Minnesota at Carlton and studied a little bit of architecture, green design and building and Latin America. The Spanish part took me down to Bolivia, where I met the love of my life. We're now married with two kids. I hung around down there, so I spent four years in Bolivia. We started a chain of camping stores together, and suddenly found myself with 10 employees, three retail operations.

When we came back to the US, I thought man, maybe it's time to learn some accounting and econ., so I went to grad school, got my MBA. And went back into the nonprofit sector, because I've seen so much poverty and need in Latin America, so much we can do to help in other places, so I worked for a nonprofit, called Safe Passage, which helps kid leave the Guatemala City Garbage Dump and go to school. Then I kind of graduated up to Bowdoin College where I was fundraising — that was a very interesting experience. Spent five years working with very high net worth individuals, got to meet Reed Hastings and folks like that, and helping kids have money for scholarship and that sort of thing.

But all the while, I started investing in real estate on the side, having learned that your day job, no matter what it is, it's not going to be the most secure way for you to have a retirement and we millennials — our little eerie of Social Security to begin with. I was kind of trying to build my own path and nest egg along the way, and I eventually got to where I was juggling a full-time day job with a W-2 and a full-time real estate business, with 30 plus units and that sort of thing.

So, I made the switch about a year and a half ago to go full-time in real estate and haven't looked back. I loved it. Started my own management company with my best friend from the MBA program, and we've done three syndications now. We're up to about 100 units, and it's been a lot of fun.

**[0:03:55.8] WS:** Congratulations on that success. That's incredible, all the things you've been able to accomplish, and even — I also just want to commend you for the help with the nonprofit as well and helping those kids. Just grateful for that service you've done there. But let's jump in to the energy efficiency part a little bit. Can you give us some examples of that? What that looks like to you and maybe some things that we should be thinking about that you've learned, that's been beneficial to you.

**[0:04:22.8] DH:** When you got the T12 from doing your due diligence, if you look at the expenses that you're given from a property you're going to acquire, it is not [inaudible 0:04:34.4] to put on it to say it's worth — to take it with a grain of salt. Rip it up. It's useless. That's not how you're going to manage the building. And then a big part of that cost is your utility bill, and there are very important strategic ways you need to look at utility bills, especially in climate that are either extremely hot or extremely cold. You're going to be spending a lot of money on heating and cooling. It's probably your biggest expense after taxes.

A lot of people just take what they're given and they don't question it. Okay. If I've got oil boiler in the basement, and oil heat, I'll just keep using that. If it breaks, I'll just replace it with another one because that's what I was given. I'll say, "It's it a thought." Study the technology that's out there. Look at the big picture and find ways that you can save money, and do right by the environment and maybe even make tenants happier

I found a great strategy to use — it's not sexy, it's not a very exciting thing. It's just insulating. Insulating attics, and basements. If you're paying the heating bill, that can be a huge advantage for a landlord. Because a lot of times, especially in northern states, basements are heated to prevent pipes from freezing. I've bought properties where they spend \$4,000 a year in a little four-unit building just heating the basement to keep the pipes from freezing. All you have to do is insulate those basement walls, tighten up the envelope, air seal for \$5,000 or \$10,000 and you can eliminate that cost. You're getting to 50% to 100% return on investment right away from something very basic basement that no one thinks about. So that can be a great strategy.

Looking at the way the heater/cooling is generated, you're saying, "Is that efficient?" Oil and often natural gas heating is not a very efficient way to deliver [inaudible 0:06:16.1] use into a unit right now. Heat pump technology has been increasing a lot. It's gotten better, and better in

recent years. There's a lot of state redate programs that you should look into in your state. There's Federal tax credit as well. It can really make a difference to help your decision-making process if your oil boiler need a couple of thousand of dollars to repair. It's already 15 or 20 years old. You're just throwing good money after that if you're going to reinvest in that system.

Put in heat pumps, in that way, each tenant starts paying their own heating bills because it's on their electric meter. Almost every tenant pays electric in this date, and I think that's pretty common nationally. They'll like it as well because it provides the heating, it dehumidifies, it filters the air. There's a lot of advantages to them. They may not like the transition to paying for their own heat, but you can lower the rent a little bit to compensate for that initially. We've done this many, many times and it's always been a win-win situation.

**[0:07:13.4] WS:** Can you provide - maybe think of an example where you have done that and what was the difference for you all? How long did it take to implement, maybe some roadblocks or some hurdles you had to jump through with tenants or whatnot? But you know, was the -- the after all return on that investment or what was that return?

**[0:07:30.5] DH:** Yeah. That's a great question. The return on investment in heat pumps for me is anywhere from 30% to 60% per year. Because you're going from landlord paying heat to tenant paying heat. And yes, it's a capital investment upfront, but it's like having an individual heater in each unit. It really is. What you need to be careful about, and this just happened to me and it can come back to fight you is, when you have one boiler in a basement heating the whole building, you're 100% reliant on that heat source. If it goes down, you're in deep trouble. Same thing if you just put in one heat pump in one unit, well then at least, the whole building won't lose it all at once.

But one heat pump can go down, as one of mine just did the other day. Luckily, we've installed backup electric base boards in each of the bedrooms of this property. I highly recommend that, electric baseboard. Very cheap to install. It's not highly efficient but it's a great thing to have. If people want to shut their doors at night, they can keep that heater on at a reasonable level. I'll recommend to use the heat pumps for the base load heating because it's highly efficient, much better than an electric baseboard. So they're going to be saving money if they turn their heat

pump up to 70, keep the baseboard down at 65 or 60 or something. They'll never be too chilly in a room, but they're letting the heat pump do all the heavy lifting that they're designed to do.

**[0:08:44.6] WS:** Nice. Any other — while we're on energy efficient, that thought process, is there any other things that are even outside the box, things that maybe the current listeners hasn't thought of that you could just help us to think, "Okay, wow! I haven't thought about replacing that system or doing this."

**[0:09:02.3] DH:** Right. Great question. I highly recommend doing an energy audit on your building during the due diligence process. This will cost anywhere from 200 to maybe a thousand bucks just depending on the size of the building. And it's just like an inspector, having a second inspector come in it truly auditing. When you hear energy, you think of my bills that I will be paying in perpetuity. It depends on how the building's set up. If it already got all the utilities on the tenant, maybe there's less of an incentive that it's the landlord paying significant utility bills.

I've had energy auditor find major structural problems with building that have them find mold, that had them find things the building inspector did not find. Those can lead you to back out of a deal. I've never regretted having an energy audit in a building. I don't do it every single time, because again, once you learn a little bit of this technology, these techniques, you can kind of be looking at the building with those eyes. But especially in the beginning, I think having a professional do those sort of task, on the building, of [inaudible 0:10:01.3] looking at. And they'll give you often a report that breaks down return on investment that says, "Yeah, don't replace the windows." That's like 10 or 20 grand. You're only going to save 300 bucks a year, very long pay back. But oh my gosh, insulate the attic, it cost two grand and you'll save two grand every year. You'd be crazy not to. Things like that can be really helpful for a professional.

**[0:10:23.0] WS:** How do we find that person that can do that energy audit and know that they're qualified to do that?

**[0:10:28.0] DH:** Yeah, just a quick Google search will turn up a bunch in your area. A lot of states provides list of certified energy auditors. Some inspectors who just do regular building inspections are also certified as energy auditors. You may be able to get a [inaudible 0:10:41.2]

where they'll not charge you double the amount and kind of give you folks that sort of information.

**[0:10:48.8] WS:** Nice. Well, no, it's interesting. So many I think landlords, they're buying properties that they don't think about looking at how to increase efficiency or energy efficiency often. And like you said, it could be as easy as insulating the basement or the attic, or billing back tenants, things like that. But moving on to another thing that I haven't heard or talked about really before maybe on the show is leasing to immigrants and the potential of no credit checks. That's not available and a lot of people are going to say, "Well, that's more risk," or "We just don't know about them, so we can't rent to them." Give us a little background on that and help us to think through that.

**[0:11:30.8] DH:** Yeah. Just being Christmas, you know, Happy Holidays to everyone out there. I'm half Jewish, I celebrate Hannukah and Christmas, so I'm double dipping, it's not fair but — to me, it's very important that we as real estate investors sleep well at night. I really admire what you're doing to help with adoption and helping kids. I want my business to do good in the world and be remembered for that. That's more important for me than the profit, which I'm also focusing on.

We had a situation in Maine where a lot of refugees got led over the border in Mexico, and they all decided to come up to Maine because they've heard they're treated pretty well up here. There's a pretty large African-American, direct from Africa, a population that settled in both Louis, Maine and Portland, Maine. So hundreds of people just suddenly came up in the summer, I believe of 2019, I'm sorry. The city didn't have the resources. We didn't have homeless shelters that housed all these people, so we converted a basketball stadium to kind of emergency shelter. It was in the front page of the newspapers and everything.

I had a vacancy at that time and I thought to myself, "What the heck? I'll just call up the city." And I called them and said, "If there's any way they could every pay rent or someone can pay it for them or we could figure this out. I can't run a charity here with my investment properties, with my investors' money. But I can be flexible on who I'm putting in, so is there a way that this could work?" They pass me through a couple officials and we found out, yeah, there is. There's a family from Rwanda, who actually came legally with green cards, who were in a homeless

shelter right now. They speak some English and they need a place. They've got a social worker who's been helping them.

Speaking with that individual, if these people had a case worker, a social worker, you can really talk to them and say, if they needed the rundown in their situation, their family, help you kind of evaluate the sort of criteria. So we were able to place them in a unit. I put out a call for donations on Facebook, and we actually got flooded because people — the want to help other people, they just don't have opportunity to do it directly, very often. Donating money is good and important, but it's not the same as like, I gave just a couch to someone that did not have one and needed one or a bed, or just sheets or blankets, what have you.

We've got pretty much -- in a few days, compiled everything we needed and somehow we had another vacancy so we had two Rwandan families coming in right next to each other in this building. They received their first month of rent from the City of Portland paid to us through the city. The local town, branch of Maine was going to pay through their general assistance fund emergency rent until they can get jobs.

Well, guess what, Whitney? In two months, these couples both had four jobs between them. They were each working two jobs. The wife, the husbands were both working jobs. One of them was staying home to take care of the kids. They stopped receiving assistance in two months. He studied to get his driver's license, he bought a car, he got a vanity plate on his name on it and good work at a local college now. Their kids are in the same day care as mine in. It's just been really gratifying to see what I believe is the American Dream. Coming to this country with nothing and being able to make it.

Housing is key to that. It's Maslow's Hierarchy of Needs, you food, you need shelter. We had a local food pantry that we took them to, showed them how it works. It was just super gratifying. It's not your typical rental, but if you can do that once a year, where you really take someone who needs the help, they deserve the help, they need a chance. Once they get that chance, my gosh, they're going to seize it and make the most of it, it's just an awesome feeling to work with them.

**[0:15:07.5] WS:** I love stories like that, and I wanted to just draw out there a little bit or reiterate. Like you called the city, like you pursued that to say, "Hey, is this an option." You made it clear that, "I can't run a charity, but hey, I'm willing to try to make this happen if you all can help me figure this out." You didn't have all the answers initially, but you had that desire to try to figure it out, and there you go. Congratulations to that family. I love stories like that. They're willing to get in there, find a job, they're paying their way. Man, they'd be great citizens, right, and great residents as well with that kind of work ethic. So that's awesome. Hats off to you.

You even went on Facebook and say, "Hey, here's the situation. Would anybody like to help." That's awesome, and being able to help that family and now they're off and running, so congratulations to them. Dave, what's been the hardest part of that real estate journey but ultimately the syndication for you?

**[0:16:04.0] DH:** Two things, Whitney. One, I think was before I got into real estate, I had this preconceived notion that all landlords are bad and that's like used car sales or something. It doesn't have a great reputation. It was only when I changed my thinking about it saying, "You know what. I can do good in the world by being a landlord." And by the way, "I can make a better return than I've ever got in the stock market."

When that all kind of pushed for me, that there can be redeeming factors to it beyond just the profit motive, that was a big hurdle. I never would have gotten into real estate if I hadn't overcome that prejudice. The second was, I had no money and I couldn't find my first investment property really. So I started partnering with family first, and then with friends, and then friends of friends as you grow as a syndicator. But I saying, "Hey, I'll do all the work." I've studied this hard by listening to shows like yours, Whitney and I'm a long-time listener. I'd recommend everyone subscribe, rate and review because these shows are -- it's like your own free library, right in your pocket that you can learn from and get better at.

Partnering with other people, building teams where I can bring the team building aspect. I'm not bringing the capital usually, but now I'm able to bring some but that comes with time. So yeah, finding ways to solve the money part of the problem when I didn't have it as my own was another big challenge.



**[0:17:26.6] WS:** How did you get over that challenge? What was — couple of tips there quickly.

**[0:17:32.1] DH:** You need to be a trustworthy individual and stick to your word. Do what you're going to say you're going to. And people who know you and like you will believe in you enough to give you their money. I'm sure you've seen that with Life Bridge Capital. I'm seeing it now with Holman Homes. It's starting small. I think Ray Cardon [inaudible 0:17:51.4] is a very fascinating guy to listen to, but I don't think a 40-unit or 100-unit needs to be your first investment. That's right. For a small sliver of people, for me it was a single-family. I walk before I run. Then I did another single-family, then I did a three-unit. It was only after those experiences of like, "Okay. I feel qualified to take on this nine-unit and this million dollar syndication, and this three-million dollar."

Then a law firm with 30 employees, they're one of my tenants, so we have units that — it's not just a regular unit, it's a unit that is very complex. I've grown into it over time step by step.

**[0:18:26.6] WS:** How do you prepare for another downturn?

**[0:18:30.6] DH:** Oh, I've been a Doom's Dayer for a really long time. It's been hard for me to invest all this time, because even in 2016, 2017, I was right on there with you. I was thinking, "Were due for another correction and recession." What I've learned Whitney is you can't time the market, you just have to make good investments for the time you're in. And if you do that slowly and steadily, I truly believe there are great investments all the time in any market for those who really put in the hard work to find them.

So, I think in a recession, in a downturn, which I think 2020 and 2021 could easily be, I need to say it's worse than 2020 in terms of the housing market and rents getting paid and things like that. There's that potential. I'm hope I'm wrong that it doesn't happen — but I think what you got to do is focus on operations, stay low to the ground, don't get out over your fees and focus on tenant relations. When the pandemic hit, we made personal phone calls to each and everyone of our tenant. We split it among ourselves and our management company and you get to check in to see how people are doing. Part of it too, you're learning — we want to see if they still have a job or not, if they're going to need help paying rent or not.

But I would rather pre-empt those problems and get to them early. We were also able to connect to all of our tenants with two different programs that the State of Maine put on to help with rent assistance. Many of them qualified for it. Many of them got \$500 or even \$2,000-assistance check to help them out through it. I think you can partner with your tenants. Don't make it an us-versus-them situation if you possibly can avoid it. Be on their team because they're paying your mortgage. You want them to have income and you want to be preemptive and proactive, so that they're not seeing you as someone who just deserves to not get paid.

**[0:20:15.9] WS:** Dave, I believe anyone that's successful in business has a high-level of self-discipline. How did you gain such a high-level of self-discipline especially

**[0:20:23.5] DH:** Cross-country running. I think it builds character. Sports in general, I really advocate staying active, being involved in sports and athletics. It does such good things for your ability to make goals, pursue them through hard work, and training and practice. Then hopefully achieve them. Even if you don't achieve them, it's okay. Like you're not going to win every game, you're not going to win every race. It builds that discipline of like, "You can knock me down. I'm just going to get right back up." I think that attitude is critical for real estate investing because you're not going to get every deal, every deal is going to be great, not every tenant is going to be wonderful and you really have to be able to handle stress in difficult situations.

**[0:21:05.6] WS:** Do you have a daily habit that you're disciplined about that's helped you achieve success?

**[0:21:09.6] DH:** Unplugging and spending time with my kids. It's not directly productive to the real estate time, but it allows me to keep my focus on the motivation, and to be like, "I'm already living the dream." I'm not waiting until 65 to spend time with my family. That to me is really important. I know some shows and hosts will say like, sleep fours a night and never see your family for days and weeks at a time to earn money in two years, and then you can just retire and drink martinis in the beach.

I don't think that's a healthy way to approach life, and I try to live each day like it could be my last. So I want to just kind of be present in my kids' lives, so that if I keel over dead or get hit by a bus, they won't think, "Dad was out caring about the properties more than he was to them."

**[0:21:53.4] WS:** What's the way you've recently improved your business that we could apply to our business?

**[0:21:58.1] DH:** Hire, delegate, find other people who can take your weaknesses and make it their strength. So I just hired an executive assistant, we've hired another part-time property manager and we've been hiring throughout this pandemic slowly and steadily. I'm very slow to hire until I'm a thousand percent sure that we can sustain that job forever. But I think it's really important not to DIY everything. I'm like the frugal Yankee, it's how I was brought up. Wearing my socks until they had not one, but two or three holes in them, and it's hard for me to let go of that attitude. But the reality is that, you'll get much further in life if you let other people help you. You welcome them onto your team and you give them rules that they're happy with and can help you with.

**[0:22:46.6] WS:** What's the number one thing that's contributed to your success?

**[0:22:49.8] DH:** I think it gets back to trying to always do what I say I'm going to do and trying to just live with integrity. I think if you don't have integrity, you don't have anything. And especially with syndication, a big friend of mine invested with a syndicator who didn't have integrity. There's some fraudulent type of things happening, and he's probably never going to get his money back. And consequently, he'll never invest in another syndication, and we're good friends and we talk. He trust me, but he's just been badly burned. So I think it's really important that — it doesn't matter if you make a million dollars. It doesn't matter if you make one dollar. What matters is that you make your investors whole, you treat their money as more important than your own and you show them that, "Hey, if I got to go work a second job at Domino's to make this payment, like I'll do it. I'm going to come through for you and take this seriously." That to me is really important about integrity factor.

**[0:23:41.2] WS:** What's your best source for meeting new investors right now?

**[0:23:44.2] DH:** Yeah. It's interesting. Where I'm avoiding the indoor, in-person gatherings that used to be the bread and butter. I hosted a meet up that we had lunch together, and that was a great way to meet investors. Now, it's a Zoom meeting. I think that can replace a lot of the in-

person thing that can get you geographically connected with people that work and drive three hours to your meet up, but might be great investors.

I'm kind of old-fashioned. The best marketing is word of mouth. A lot of my investors are coming to me through friends of current investors. If a current investor has a good experience and they start paying see the dividends checks coming in and earning money and it's all going well. They're going to tell their friends and family about it. You don't need to be out sending out letters in marketing to these sort of things.

Then coming on shows like yours, trying to just give free advice, explain who I am, what I'm doing. People can come in the door that way as well.

**[0:24:39.5] WS:** How do you love to give back?

**[0:24:41.0] DH:** I've served on boards of nonprofits and I think giving your time and leadership that you have in an area of expertise. Nonprofits need like people with accounting experience, with real estate experience. Even if you're not ready to write some the big five, six-figure checks. That [inaudible 0:24:57.0] often lacking people with those sort of financial skills, and you can really move the needle if you dedicate yourself to just one nonprofit. Whether it's with adaption, kids. Those are great efforts to help with, that need people in the board room that have experience, that are mature adults and can really help move the needle. That to me is one way.

I've worked with nonprofits so long that I make donations, and what I do is automate it so it's a recurring gift every month that can even put me on the do-not-solicit list. That way, I'm not getting the mailing, they're not wasting time and money on me and they're getting paid every month for an amount that I'm comfortable with at that time. So I would recommend that to people. Don't just make a once a year \$120 dollar gift. Give them 10 bucks a month and set it and forget it.

**[0:25:46.0] WS:** Nice! So Dave, grateful for how you've given back in that way personally, but then also just today, helping us to think through just some energy efficient ways that we should be looking at our units, and even the options of hiring someone to do an energy audit. I think

that's some great advice. You're going to learn about your property before you actually close on it, right? Like you said, maybe some things that everybody else didn't catch because they're looking at different things or different parts of the structure. And things that you need to account for as far as to make it more efficient. But even also, how you reached out and made it happen so an immigrant family or a couple could move into your property, and you gained a couple great tenants through that process.

Dave, thank you again for your time. Tell the listeners how they can get in touch with you and learn more about you.

**[0:26:33.9] DH:** I mean, I'll go out and lend and offer them my personal cellphone. Give me a call. It's 2017-517-5700. If I can't chat right then, leave a message, I'll get back to you. You can reach me on my website, which is [holmanhomes.com](http://holmanhomes.com) or my email, [dave@holmanhomes.com](mailto:dave@holmanhomes.com) and I'd love to chat and get to know you.

**[0:26:52.4] WS:** Awesome. That's a wrap, Dave. Thank you very much,

[END OF INTERVIEW]

**[0:26:56.2] 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]

**[0:27:36.7] 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 invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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