

EPISODE 801**[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 Mark Davenport. Thanks for being on the show, Mark.

[00:00:32] MD: Thank you for having me.

[00:00:33] WS: Mark and his partner, Phoebe, sold their single-family house five years ago and have been on a real estate investment journey since. Moving from duplexes and 60 units to most recently, a 12-storey tower block. It's been a fascinating journey so far, he says.

Mark, thank you for being on the show. I'm looking forward to hearing more about your journey and some things we were talking about before the show and just how you've been aggressive to scale and being willing to take risk and being willingness to take that next step.

I think, it's just so crucial that we hear those things when we're getting started in this business and we understand we can't do it. It's difficult. It is not easy to be willing to take the risk and take the next step. I'm looking forward to hearing how you have done that. Give us a little more about who you are, what you're doing in real estate and then I want you to help us and the listener to be willing to take that next step as well.

[00:01:22] MD: Cool. Yeah. My partner, Phoebe and I, well I'll start with me, I guess. I'm British. I was born and raised in England, but moved to the us to get married. Phoebe and I are married. We found our way to real estate. I was a professional musician in my earlier years and –

[00:01:38] WS: What did you play?

[00:01:40] MD: Drums mainly. I found my way to bass and guitar eventually. The drums are still set up over here. I still love to play. Professionally, I found other ways to get what I wanted. Yeah. I mean, we did the thing of bought a single-family house and renovated it and then went through some life changes after living overseas for a while. We were looking at the single-family home that we owned. It was a nice house at that point. We'd renovated it and we were like, "Ah, we could work the next 30 years to pay a mortgage, but it wasn't something that really appealed to us." We decided to try a different thing. We sold it and invested in a duplex. There was a foreclosure and renovated it, placed a tenant upstairs, lived downstairs and we began hustling, I think, in terms of real estate.

[00:02:33] WS: Nice. Okay, so what was it about – that drew you to real estate though? You're a professional musician. It's not easy to gain that status, I don't think. That took a lot of work and practice. Most of the listeners probably don't know that I'm a drummer as well, but never professional.

[00:02:48] WS: Are you a drummer?

[00:02:49] MD: Yeah. I love playing and have played for a long time, but at church and with different little groups and stuff, but never at a professional level. That's so interesting.

[00:02:57] MD: I love it.

[00:02:58] WS: Some of the listeners probably did not know. Mark, tell me a little about what was it about real estate? I mean, why transition to real estate from being a professional musician and what do you see – what's your, I guess, a vision for that in the future?

[00:03:13] MD: Yeah. Well, as a musician, I was working and earning money, earning an hourly rate, either playing in bands or teaching. Most of what I did was teaching. Yeah, I was doing fine. It was doing okay. Phoebe and I, we started to have kids and it was like, "Ah. This isn't quite what I want." Wanted passive income. We were in the process of renovating our single-family house and I loved it, like installing oak floors and we did some remodeling and taking out a supporting wall in order to rearrange the space. I just loved it. It was so much fun.

It wasn't really that I decided to get into real estate. It was like, "Oh, I enjoy doing projects," and "Oh, if we sell our single-family house, we can get a duplex and the upstairs rent pays the mortgage. We live rent-free. Oh, that's cool." I love to renovate. I guess, we'll just do it that way. How it's worked for us always is it only becomes clear what we've done after we've done it. It's not like, "Oh, yes, Whitney. I have a master plan. Here is my four steps."

After the fact, it's like, "Oh. Oh, there was some strategy there." Yeah, there were some really significant things we did and there was a plan. In the moment, it's organic. It just developed that way and then as we did more deals and got bigger properties, it's like, "Okay. I'm loving this process more." It's not just the renovation I love. I enjoy working with tenants. I like the underwriting. It's interesting networking, meeting people. I just discovered, hey, there's other parts of this that I really love too.

Now, I guess, because I've discovered all these different things, I'm comfortable saying I love real estate. At the beginning, it was just oh, I like swinging a hammer and I want to live rent-free. That was what it was.

[00:04:53] WS: I think it's pretty well said. You're talking about, there wasn't this amazing four-step plan, or whatever, that just pushed you in that direction. Because, I think a lot of people and I think we all are there at some points, like you expect to have this amazing plan. If you're never willing to take the next step, even though you don't have this amazing plan in place, you're never going to get there. You're never going to get to that point, where it's like, okay, like you said. I mean, "Oh, here's the amazing plan. Let's get started."

Well, no. You do have to have some faith in yourself and just your ability to keep pushing forward. You do have to have a plan of some kind, but it's never going to be this amazing thing

that you're probably dreaming of in your head. Mark, can you speak to just aggressively scaling and being willing to take risk? I mean, what that looked like for you.

[00:05:37] MD: Yeah. We were living in Brooklyn, New York at the time and we had developed a duplex and a four-plex in New Hampshire. Then we relocated to Brooklyn, New York. The properties were cash-flowing. We'd renovated them pretty much top to bottom. Tenants were great. It was really good. In many ways, a really great situation. Then I read a book about Elon Musk and I had this epiphany and I was so impressed with just one part of him. There's probably a lot to be said about many parts of him, but I was impressed with one part of it, which was he wasn't nostalgic about the companies he'd started. He was always looking for the next thing and happy to surrender his current position, or his current company, back in the early days, in order to get something new.

I was just like, "Oh, man. These properties we have. They're doing so well. But you know what? They're now worth so much more than what we purchased them for." All that equity is sitting in the house doing something, because the property's cash flowing. Man, if we could reinvest that equity and have the same success that we had with those initial properties at the next level, man, we'd be scaling.

We just decided, I will put one of them on the market. We have nothing to lose. It's already cash-flowing. We'll see if we can get out what we want. Then of course, it sold. Then the other one sold as well. Then we bought two six units and a three-unit, so we went from six to, I don't know what is that, 15 in the course of six months, eight months.

The key for being aggressive for me was appreciating the past, enjoying it, seeing it for a good – if you've developed a situation, you are now in a better situation. Then, also seeing well, if I cash this in, I can make plays from here on out and I can go to the next level. We did that with that particular thing, then we did it again with those 15 units in New Hampshire. We did another property in the process.

Anyway, we had this portfolio in New Hampshire. When we moved to Kansas City, which is where we are now, it was like, "Well, we have this New Hampshire portfolio and it's doing great again, because it's all cash-flowing, no problem." Again, if you take the equity that's in it and sell

it and you're able to realize that and get that money out and then reinvest at the same level as you did before and then you jump.

We did it. We bought a 12-storey tower block and just acquired another six-storey one. It's now 109 units. Really, it's just the idea of oh, you do one thing. You do what you have on your heart to do, I guess, or whatever. Then once you've done that, it's like, cool, that was great. All right, what's next?

[00:08:01] WS: Nice. Now you're at 109 units. Is that what you said?

[00:08:04] MD: Yeah.

[00:08:04] WS: Yeah, congratulations; just being willing to take that step. Most people aren't, or they just never will take that step. I would just encourage the listener right now, just to listen to Mark's story and just realizing, "Wait a minute. There's a big opportunity here." Man, you took that step. What about just getting your wife, or Phoebe onboard as well? Or was she just gung-ho about this decision and moving into real estate and taking these risks as well?

[00:08:27] MD: I don't get her onboard with anything. I mean, that's just not the dynamic of our relationship at all. In fact, I think, probably it'd be better for her to be interviewed and then be asked, how did you get Mark onboard? That's probably the better way for that to go. I mean, from day one, it was like a joint thing. We make decisions together. She shapes me, I shape her.

Initially, it was more me, because there's so much renovation initially with the duplex and the four-plex and even the six, it was more me hands-on doing that. So much of our growth was tied to the physical improvement of the property and how we decided to do that was leverage my time to do it. Now that things have grown, she does so many different things. No, I didn't get her onboard fella. It wasn't to go down that way.

[00:09:13] WS: Well, tell me about the purchasing of this 12-storey block. Tell me a little about that deal and how you moved. I mean, how do you purchase that, coming from smaller properties to getting into that?

[00:09:25] MD: Yeah. Well, I mean, it's a whole story there. I mean, it was February this year. February this year, we'd sold our New Hampshire stuff and we used a 1031 exchange to do that, to defer the capital gains. The resources are there and we're like, "Ah, okay. What can we do?" Saw this building on the MLS, on realtor.com and I was like, "Wow. How is it even possible that you can get a project like this?"

It's in a town, a couple of hours away from where we are. We drove in. Saw the property. We're like, "This is exactly what we want. This exactly represents scale, opportunity to renovate, to improve management. It's in not a small town, but town with a population of about 40,000, so we're very familiar with working in those types of towns. That's where we worked in New Hampshire." It was just a wild ride. It continues to be a wild ride really, because I reached out to all the banks in the area to see if they'll finance the deal.

Of course, COVID is kicking off at this point also. A couple of the banks were up for it and one bank in particular was really keen, so we ended up working with them to underwrite it. The seller was an interesting character. There's lots of stories in the property as to why it's in this position. Yeah, we closed the deal and we got it done. It was a wild ride though. It really was a crazy journey.

[00:10:46] WS: What were a couple things that you learned through that process? I mean, whether it was working with the bank, or working with the seller, or just closing a project of that size?

[00:10:54] MD: Yeah. For me, most of the stuff I learned, most of the significant things, they're all internal things. It's all me learning to not let my fear motivate my actions, or learning not to be anxious about a situation. The biggest thing for me was walking into a bank, or talking with our commercial lender and just being confident and allowing and presenting myself to them. Seeing that as a legitimate thing, because it's all internal for me.

I think, that's one of the reasons why I love to scale is because I'm also improving myself, because I'm afraid now of a 200-unit building. Or maybe I'm not, but that's only because I've done so many of them that I've learned to handle my fears in terms of properties, but it's all internal. It's the anxiety.

It's like, "Oh, what if this happens? What if all the tenants leave? What if I can't underwrite it?" There's just so many – your mind can be this fear factory and it's like, how do you get a grip on that and choose to live a different way? For me, it's all self-management. I guess, there's probably some other things as well. The bigger things are all internal.

[00:12:04] WS: Yeah. No, I'm glad you said that. The bigger things are internal. I've said this numerous times on the show, that people think that I, or our team have some big magical gift, or extreme knowledge from the beginning about whatever, about commercial real estate, or multi-family. I just think more than anything, it's just a willingness to keep going, keep learning, keep pushing forward. I think anyone listening can do what we've done, what you've done. The hardest part is that mental part, like you're talking about from the very beginning and learning.

I love how you said, you learned how not to let your fear motivate your actions. So important. So important that you can learn to think clearly in a time where most people are fearful. It's such a good skill. How did you finance that and why was that lender so interested in this project?

[00:12:51] MD: I had the idea that we would approach local lenders, because it's a local situation. There are obviously banks that are much bigger, have even a footprint across the whole US. We were like, this is a property that is managed and has been managed a certain way, it needs optimization, it needs renovation, it needs lots of the vacancies filled. The local banks have a stake in this.

Surely, there are some local banks who have a vision to see this building and the downtown actually, because this is the biggest building in the city thrive again. That was what it was. It was a bank that the lady who I met with, that we still work with, because they're financing other projects we have. There was a meeting of vision, I guess. The numbers worked. We came in with our down payment and everything. All that stuff is still, you have to tick your boxes.

At the end of the day, I think they were willing to go with us, because of the vision. That to me is incredibly profound, because I'm just driving – we're just driving into this city. We don't know anyone. We've never been there before, but we have a history of developing some real estate,

yes, smaller projects and they've taken a risk with us by doing that. My guess is I mean, you'd have to talk to her, but my guess is that they saw the vision and wanted that for their town.

[00:14:05] WS: Nice. I just think it's incredible, just talking about you painted it. You ultimately painted a vision for them and they could see that vision, wanted it for their town. I think it's incredible. Mark, what's been the hardest part of this journey to commercial real estate in purchasing something like this, whether it was something in the beginning, or something in that deal specifically, what's been the hardest part for you and Phoebe?

[00:14:25] MD: That particular deal was super – We didn't contract until we've done all of our due diligence. We'd inspected the building. We'd gotten a loan commitment. We had no agreement with the sellers. We've done everything, which was risky. Typically, I mean, the contracts and then you do your inspections and everything. You start investing, once you have an agreement to buy it. We did all of that first.

That was something of a challenge. Again, the real challenge was the fear, because I was afraid. I was like, "What if I lose thousands of dollars because this deal doesn't close?" Really, actually, even underneath that, it's a mind game.

[00:15:04] WS: Nice. Well, is there anything that now that you know what you know, you would have done different on that deal?

[00:15:09] MD: I would have enjoyed the process more probably. I would have been a little less difficult to live with, or I'd have been a better friend to other people, perhaps, during the process if I'm not as stressed and not as overwhelmed about what's going on. I think that's the thing for me. My brain is now a little different, because of what I've gone through.

[00:15:30] WS: Yeah. How do you prepare for a potential downturn?

[00:15:32] MD: Wow. There's a question. Almost everything we do is affordable housing. The rents in this building that we just – that we're working, I mean, it's 500 bucks, bills paid. When the downturn happens, our buildings get fuller, because my understanding of the downturn is when things get tough, it's the people who extended themselves a lot with big mortgages for

houses they can't afford, or paying huge amounts for rent that they can't afford. My understanding is when that happens, they have to downsize. They have to scale back.

We've never had a problem filling any of our apartments. We've been doing this since, yeah, a number of years. This is our first downturn though in our – and it's exploded. I'm not really anticipating a problem, but hey, we might have a big problem. We'll see.

[00:16:20] WS: What do you predict to happen over the next six to 12 months in the real estate market?

[00:16:25] MD: I don't know, man. That is a great question. In the market as a whole, I think it's obviously turbulent. We have our fingers on the pulse of New York City a bit, because we used to live there. We're looking at that situation and seeing how property values are dropping. I think I heard a crazy stat on the Grant Cardone Show, or whatever. It was like, there's 20,000 vacancies in New York right now, in apartments. I'm like, "Ooh. That sounds like a big number." Is that a big number? That sounds like a big number. Crazy times.

[00:16:57] WS: It is crazy times. No doubt about it. Yeah, it's a crazy time, especially if you own properties in New York City, they're struggling at the moment. Mark, I believe anyone that's successful in business and real estate has to have a high level of self-discipline. How have you gained such a high level of self-discipline?

[00:17:13] MD: For me, I think it's always come as a byproduct of something that I really wanted, or something that I found really, really valuable. I can't really claim to be a super disciplined individual. I think when I find something I love, or I want, it motivates action and that action is about as big as my desire for the thing itself. I think for me, it was the beginning the real estate journey was about choosing a different lifestyle, having a different career trajectory. It's really a lot bigger than just getting 10% on my investment every year for me. Being disciplined is a byproduct for something else.

[00:17:49] WS: Do you have a daily habit that you're disciplined about, completing your everyday that's helped you achieve success?

[00:17:54] MD: I'm not sure I do. I mean, maybe. There might be something. Phoebe and I sit together almost every morning and just have coffee and talk. That's not a discipline. I like to do it. I don't know. You have to get into it and be like, what do you mean by discipline? Is this, are you beating yourself to make it happen? Or is it something you love? I have lots of rhythms, but I've just stumbled across them, because of passion and desire. Yeah. I don't know if that answers your question.

[00:18:23] WS: No, that's awesome. I'll tell the listener that I ask a lot of guests about their superpower. One thing that Mark wrote was that he listens to his wife. I think that's very valuable advice right there. My wife and I also sit most mornings and drink coffee and sit together and that's a great time for us to catch up and talk about what's happening, so that I can relate to that.

Mark, what's the way you've recently improved your business that we could also apply to our business?

[00:18:49] MD: Yeah. The growth we've had, scaling it so aggressively, it's learning to work with other people, learning to bring other people on and use other people and the skills that they have and the desires that they have for their own lives. Working with contractors who have a desire to improve their skills, or improve their situation. Well, we can work with them, because we need work done and they want to go ahead and do work and social media people, or we just started working with an awesome lady who's helping us with social media. For us, it's about engaging, more about now, engaging with other people and seeing ways to partner, so that our business can grow and theirs can too.

[00:19:25] WS: What's the number one thing that's contributed to your success?

[00:19:29] MD: Ooh, number one thing. Ah, man. I tell you, you've got these questions that are like, "Oh they're so —" Let's say, luck. Luck. Maybe perseverance. Maybe perseverance. Just keep ongoing. Finding a problem, committing to the problem and then finding out how to solve it after I've gotten to a position where I literally have to solve this problem, because I now own this problem. Buying properties that need work, I now own this property. If I can't find that way to do

the work, my property is horrible. Committing to a problem, “Hey, how about that persistence and committing to issues to solve them?”

[00:20:04] WS: And Phoebe's help, right?

[00:20:06] MD: Yes. How do you like to give back?

[00:20:09] MD: I mean, the way we structure our business, we like to try and have that be in the business. The thing itself is set up to be a blessing to anyone who's involved. Work with contractors who want to gain skills. Or if we're looking for new professionals to work with, we won't be necessarily looking for power players to lift us up, but we might be looking for people who have a vision for something that ties in, there's a meeting point. We try and infuse every area of our business with that, so that – I know there's the idea of corporations where the evil big corporation and then they try and massage their egos by having philanthropy on the side, to try and make it be good.

Well, I'd love a business that was good for everyone involved. We're still working on that. It involves listening to people and talking to people, because you have to understand if they're actually being blessed by what you do. We try and fuse that into business, so that our business is the thing that gives back.

[00:21:09] WS: I love that. I love that thought. Mark, grateful for your time today and just interesting. It's such an interesting and motivating story, how you and Phoebe really partnered to make this happen and being willing to take risk, being willing to step out of the box. I mean, take the next steps that most people are not willing to take. I just love how you talked about you learned how not to let your fears motivate your actions, but so you are willing to take the next step maybe, before you have this just amazing plan in place, but to step out, make it happen, buying a 12-storey tower, I just think it's pretty impressive that you all made that happen and growing from a single-family to maybe a few duplexes, to now a 109-unit building and even completed a 1031 exchange to do it. Congratulations to you two. I look forward to seeing your success. Tell the listeners how they can get in touch with you and learn more about you.

[00:22:00] MD: Yeah. Our website for our company is levareproperties.com.
levareproperties.com. You can reach out that way.

[00:22:08] WS: Awesome. That's a wrap, Mark. Thank you very much.

[00:22:11] MD: Thank you for having me.

[END OF INTERVIEW]

[00:22:12] 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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