EPISODE 818

[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]

[0:00:24.2] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is DJ Hume. Thanks for being on the show this morning, DJ.

[0:00:31.2] DH: Thanks for having me, Whitney.

[0:00:33.3] WS: I think DJ is going to inspire many of you who either think you're too young or you can't get started in this business because he purchased his first home at 22 years old and he learned how to redo the bathroom and kitchen with no past experience. Over the next four years, he continued to purchase more single-family rentals, then moved into multifamily at age 26. He has since scaled his portfolio by partnering with likeminded people across the country. And I want us to be able to jump in and learn how he did this.

So, for you, the listener who's in those shoes, I know many of you are — you're into passive investing, or you're that operator that's trying to move from that single family to large multifamily. Maybe you have some mental blocks there that are keeping you from being able to do that or maybe you're just trying to get into commercial real estate, I know DJ is going to help us do that today. But Welcome to the show, DJ, let's dive into your story so we can learn from that and the listener can gain some things they can put into practice today.

[0:01:26.2] DH: Yeah, so like you said, Whitney, I started and bought my first single family at 22. I was working on scaling my business, I thought I was actually just going to buy one property every single year for the next 30 years, and then 30 years from now be set. So, I quickly realized that after a year or two, getting these single families, getting where they need to be, renting them, managing them, was just unsustainable and unscalable. So, that's when I made the switch after a few years into apartment buildings, which turned to be able to basically 10X my portfolio in a matter of a year or two.

[0:01:57.1] WS: Nice, well, what prompted you to get started in real estate? And why did that happen? Especially at 22, let's talk about that for just a moment.

[0:02:06.0] DH: My background as middle class, none of my family had background in real estate. So, it was something that I just kind of came across and really attached to over the years. And probably one of the big pieces was when I was in college, I met one person that — his dad came and I played lacrosse, and he came to all the games and he was always available. He was always there, he had the best life and he had all this money. And he was in real estate. That's what turned me on. I was like, "He could basically do whatever he wanted, when he wanted." I saw that freedom. Whereas, I grew up with my parents working 40 plus hours a week and didn't quite really have a good lifestyle balance. So, that was probably the trigger for me to really focus in on real estate.

[0:02:44.1] WS: Nice. You saw someone who had what you wanted. Ultimately, wanted for yourself. So, were you 20 at that time, or 22? Or what was that time period?

[0:02:54.0] DH: Yeah, I was probably 19, maybe 20, thought I was going to be an accountant or working for some big firm because I was doing all this studying. And so, I started passively learning about real estate, figuring out, reading books, jumping on Bigger Pockets, and just trying to absorb as much as I could.

[0:03:10.7] WS: Nice. Okay, so tell us about the first purchase. Tell us maybe some roadblocks and things you had to overcome, especially at 22. It's different then if you even have an established W-2 job and you're 40 you can buy a house, typically not always. But typically, you're taking a little more seriously. And you have a little more means usually not always to buy, say a single-family home. But at 22, that's not always the case. Tell us about some roadblocks and things you had to work through.

[0:03:36.9] DH: I mean, it was catastrophe. So, basically, I just started my job, I have pretty much no money. I'm making at that point, I think, I started at $35,000 a year. So, although I feel that I'm making a ton of money, because I've never seen this type of paycheck before. I'm still broke. And I still have student loan debt, all those things that everyone comes out with. I ended up finding a house. It was an $80,000 house here in Cincinnati, or technically Dayton, Ohio, in my hometown, and mostly I was buying the house or trying to buy the house, because like most of us, is I got out of school and came back and lived with my parents for about six months. And they couldn't stand me, I couldn't stand them. So, it was mutual.

That was probably what prompted me to get the house and get out of there. And it was something that, I hated the house, but I knew it was a great deal. It was ugly, everything was old. Everything was nasty. And all I saw was work everywhere. But it was a good opportunity. So, I ended up buying that house with very little money down, being able to close on that. Now, the closing process wasn't your typical closing process. I mean, I even had to fight for this deal. Went through the entire process, the appraisals, all things like that, go to the closing table — and what do you know, the seller doesn't show up. No one knows where they're at. The agent or agents trying to call her, she's not answering and she literally ghosted us, I gave away pretty much all the money I had at closing. But yet, I still didn't own a house.

So, about for the next three to four months, I was trying to figure out if I was a homeowner or not. And so, I had to do a lot of work on myself because no one else was helping me. So, I finally actually sent a personal handwritten letter to the address of the house that I was hoping to buy. It actually got forwarded on to wherever she was living then and she actually called me and said that, “Hey, she's really sorry. If we can come today, she would sell the house, but if not, too bad.” So, I had to rally up the troops or the title company and everything like that on Christmas Eve and we drove up to Troy, which was about 45 to 50 minutes, and we closed the deal on Christmas Eve.

[0:05:41.2] WS: Wow. So, what was the biggest issue? It sounds like title company, attorney, something, like they should have had this together before closing day.

[0:05:49.2] DH: Yeah, I mean, all the paperwork was together, they just didn't have the seller's signature. I mean, pretty much everything was done. But we couldn't officially close on it until we had that. And until someone got a hold of her, we're pretty much all in limbo. I look around the room, and they're all looking at me, like this little 22-year-old feeling pretty bad. And they're like, "Well, we've never had this happen before. So, we're not really sure what to do."

[0:06:12.5] WS: Well, okay, so you finally do close. And I appreciate your persistence there and just sharing that story as well. And so, you finally close, I mean, your goal then was to move into that home, right? What was the ultimate goal? Was it to sell it? To rent it out? Or just have a place to live?

[0:06:26.7] DH: Well, I think the goal, Whitney, changed over time. So, the goal was to fix it up. I knew I had a great deal. A mortgage that was 450 bucks, like it was very small, very cheap to live. So, it was to fix it up and make it more of a home. There were a couple opportunities since I was living in and fixing up. I was doing a little bit house hacking and through what I was going back and forth was, I still remember this. I remember I was mowing the lawn. I was like, "Man, if I just pay off this house, I have $60,000, I could live free, mortgage free and I have a great life, and I'd live here forever." As I got more into that, I started to realize that's not the life that I want to live. I don't want to live on a shoestring budget, it would be easy. But I actually want to do something more in my life.

So, I kind of shift gears halfway through and really started to think, "Hey, I want to rent this. I want to get multiple properties." And at that time, I thought it was multiple single families. So, even through the next couple years, my mindset has continued to shift on what my goal is.

[0:07:28.0] WS: Did you receive pushback from family saying, "DJ, this is crazy. You're trying to buy this house. You're only 22." Even the transition from single family now trying to do something larger, are you getting pushed back? What did that look like for you?

[0:07:40.8] DH: I would say this is what I thought was very ironic. But the very first house that I bought family, mom, dad, sister, everyone, they're cheering, they're so happy for me. They're all excited. I'm a homeowner, I did it. When I went and said, "Hey, I'm going to go buy another property, I'm going to rent it." They all laughed at me. They said I was an idiot. They said, I'm going to fail. It was the exact opposite. I thought they were going to be excited for me. So, I would say that I pretty much had to prove every single person that I knew that I trusted, I had to prove them wrong.

[0:08:11.1] WS: I love that. Because most of us have been there. It's like, you're going to be a homeowner, it's the American dream, right? It's what we're all taught for the most part growing up to own your own home. It's just an amazing thing, especially if you're driven enough to do it at 22. But to say you're going to have a rental, well, everybody just has these negative thoughts, right? And they don't want that for this son or a brother or whatever that they love. So, did it work? I mean, obviously, it worked out. Did you buy many single-family homes or what did that look like before let's jump into scaling up into where you're at now?

[0:08:39.8] DH: Yeah. So, I mean, it definitely worked overall. But here's kind of how I position things is I'm a coward. I am afraid of risk. So, I don't go gamble. I don't do any of that stuff. I went and got my second property. And I did all my due diligence, I did a lot of homework to figure it out. And what I actually did on top of that is while I was in the process of closing that, my first rental property, I actually went and got tenants, I signed leases, I got deposits, I had them signed. So basically, I go and close call it like November 1st, I had tenants on there, November 2nd, because I was trying to mitigate my overall risk. And that's how I've approached my entire real estate business, of how can I de-risk my investment in order to get the highest ROI, just because I'm afraid of making a bigger risk. I'm not a developer, I don't do any of those things.

So, I was able to continue that model of de-risking my investment and that went from two properties to three properties to four properties and before you know it, I think I had six or seven single families. And I was like, "This is way too much work. I got to get into this apartment business."

[0:09:42.1] WS: Were you working full time at the same time while managing say six or seven rentals?

[0:09:46.6] DH: Full time, yup.

[0:09:47.7] WS: Nice. So, now it's like wait a minute, you know, this is a lot of work managing these properties. What were your next steps to move into multifamily?

[0:09:54.4] DH: Yeah, so I think the last nail in the coffin was when I started watching maybe a little too much HD TV and thought I could do a flip, while having a full-time job, although if successful, it's very profitable. But I don't think a lot of people realize how much work goes into it and especially time. So, that was probably the last nail in the coffin for me to make that official switch.

Now, before I purchased it, I was looking into multifamily for a year and a half. I was walking properties. I was doing analysis of properties, trying to figure out how it works. I was asking a ton of questions. So, it wasn't that I just flipped a switch and bought a property. There was a lot of work that went involved before I did that. But ironically, it was at this time I was living in Cincinnati downtown. My first apartment building was literally the building right next to me, it was eight units and I stumbled upon it.

[0:10:40.2] WS: Nice. You stumbled upon it. I think it was some purposeful action probably before that, like you talked about, that helped you to get to that point, and probably more than stumble on it. But how do you see scaling now and moving forward? What's your plan of action to help the listener kind of do the same thing that's kind of stuck there? What's your plan moving forward to scale?

[0:10:59.5] DH: Yeah. So, I mean, I think the hardest part is just getting started. When you get one and you get a profitable deal, it gets to be a lot easier to scale. I went from a couple single families to an eight-unit. So, I doubled my portfolio pretty much overnight. After that, my second property was 10 units plus 18 garages. So, let's call that 18 doors. I mean, again, I pretty much doubled my portfolio with very little additional income. So, now where I'm at, I've historically been in the 8s, and then I went to the 10s, and then the 20s, and then even to the 30s. Now, I'm looking at 70 units, 80 units, 90 units, and I'm looking to double my portfolio again and again. And it's a lot easier now that I have a process in place. I have a team in place, I've built a lot of trust. I've put in a lot of networking and ground level work for the last four- or five-years building relationships. So, now being able to scale that business is actually a lot easier.

[0:11:54.1] WS: Nice. Well, tell us a little bit about that team and the process so the listener can do the same.

[0:11:59.4] DH: Yeah, so if we look at our property management team, initially, so I started that myself with my single family, I was managing my own properties. And then as I got more properties, I was able to bring in a property manager to basically take over our software and manage that on a day to day basis. So, that's where it started. Then I brought in a partner that wanted to invest in real estate, but had a construction business. So, I brought him on to start to do all the maintenance, all the CapEx projects, things like that. So, we started to build a relationship. From there, I brought in investors, family, friends, that either were local and saw what I was doing and saw my success, or, you know, maybe lived out in California and heard about the Midwest market.

So, I started bringing in team investors. I started just adding in pieces to the puzzle as I went. And now, we're even scaling that further of bringing in, we have full time team that does off market deals and analyzes deals and bring those to my desk. I didn't all of a sudden have a team. It's been pieces to the puzzle that I slowly added over time.

[0:13:00.6] WS: Great advice. You're finding people who are really skilled in certain areas and bringing them in. And you mentioned, you have a full-time team now. But it didn't start that way. I think initially it's hard to visualize hiring that person and handing those things off. How did you learn to hire? Who's your first hire?

[0:13:17.8] DH: So, my first hire was part time property manager. The way that I believe in hiring is I'm very transparent both with my investors, but I do the same thing with people that I hire, and I believe in, I need to first do the job to figure out the process. So, I'm a process-oriented person. I want to go through it personally, let's find the bugs in the system. And then I want to say this is exactly what you're getting into, I'm going to rely on you to be responsible for this, we're going to make sure you hold accountable. But if you exceed those goals, then we're on a rocket ship. We're going to be growing a lot and you're going to get a lot more on your plate, be able to do some really cool thinga.

So, I first do it myself before I hand it off to someone else. And just like when I look at properties, I'm trying to find a way to kill that deal. I'm trying to find a reason to not invest. Same thing when it comes to hiring someone. I'm trying to find a reason to scare them away, so that they won't partner with me. And if they still can make it through that process, then I know that they're a team member that I want to have for a long time.

[0:14:12.5] WS: Nice. So, other than say property management or maybe an attorney or your broker or realtor, some of those that aren't say directly in your business, who was your first hire? Like an executive assistant or somebody that's analyzing deals for you, who is that person?

[0:14:28.5] DH: So, that was basically someone that all they do is find the deals for me. And then I kind of leverage them as a little bit of an executive assistant to help learn the other business because they're interested in real estate. So, that was them, going to find the deals, looking at deals, doing all the off-market kind of ground research. And then I was teaching them how to analyze a deal preliminary before it actually hits my desk. So, they were the first hire and then we are able to build that from there.

[0:14:51.2] WS: So, somebody that you noticed had maybe some talent but didn't have the skills yet had the desire to learn the business and you're leveraging that to help both of you ultimately?

[0:14:59.8] DH: Yeah, I mean, like, they were very skilled, they were hungry, and they wanted to be successful. They had nothing else and I knew that I can mold them into being great if you have the drive and have a goal.

[0:15:10.2] WS: Nice. DJ, what's been the hardest part of this journey for you from the beginning to where you're at right now?

[0:15:17.4] DH: I would say that the hardest part is, that it takes so much work, right? When we look at real estate, everyone thinks that, “Oh, you bought a piece of real estate, and now you're just sitting back and collect money.” Well, the reality is, is behind the scenes, there's so many things going on on a daily basis, especially when you get to more and more units. So, the hardest thing for me has been balancing. I run now a syndication business, I run a property management company, and I run an education business. So, it's balancing all those different verticals, and making sure that all those are aligned with our end goal, which is ultimately being able to get more real estate, bring in more passive income and educate others. It's making sure that everyone's aligned, that's probably been the most difficult part.

The funnest part of all that is being able to build something, we see challenges. When we see that challenge, we go do research, we find a couple solutions, we fail all the time. But ultimately, the more times we fail, then we're that much closer to succeeding.

[0:16:13.5] WS: Is there something or a software, app, or whatever that helps you to manage, say, two to three businesses at one time?

[0:16:19.8] DH: So, they all run pretty separately. So, they all have their own software to do that. We don't have one specific software that overlays it, mostly because we're too small. I mean, I can't afford if I wanted to get a system, that's probably a couple thousand bucks a month, just to code all that together. When you're scaling up, you have to bootstrap a lot of things, you have to essentially do a lot of the work yourself or do extra work to get to your end goal. So, we usually build our own solution. And then as we see fit, we'll plug in a software solution once we're ready for that.

[0:16:50.6] WS: Nice. How do you prepare for a potential downturn?

[0:16:54.7] DH: It goes back to mitigating the risk overall. So, any investment, you know, I look at it pretty much three different ways. I look at what's the best-case scenario? But more importantly, I always think, what's the worst-case scenario? If we do a downturn, if I lose 20% of my tenants, what does that look like? And my thought process is, if we see a downturn, if I lose, say, 30% of my tenants, occupancies down to 60%, if I can still pay my bills, if I can still operate the property as is, then I'm in a really good position. And I know that there's a lot of people behind me that are probably over leveraged and are going to lose their property before me. So, by mitigating that risk initially, before we even go into due diligence, I feel that we're really set up for whatever happens in the future.

[0:17:37.9] WS: What do you predict is going to happen in the next, say, 6 to 12 months in the real estate market?

[0:17:42.6] DH: It's a big topic, so my thought process, and what I've seen just on the metrics, is multifamily apartments, the rents are stronger than ever. I really feel that if we get hit, multifamily is already built in such a way that I don't think it's going to get hurt too much in comparison to residential market. The way I see it, the people that could get hit, if there's a downturn, if something happens, is going to be residential properties, someone that bought it in the last, say, five years, they probably overpaid for it, and maybe they hit hard times and lost their job. I see those types of properties, those types of assets, going into forbearance, going into foreclosure first. And I really see multifamily, just with multiple doors really being protected in some type of downturn.

[0:18:26.8] WS: What are a couple of daily habits that you have, that have helped you achieve success?

[0:18:32.5] DH: So, I look at it in a couple different ways. I'm always taking care of a few different things. I would say number one, is I try not to procrastinate. If something needs to be done, I just go and get it. I don't want to sit back and think about, "I don't want to do this, I don't want to do that." All that does is negativity and just brings you down. I just try to get all the shitty stuff done in the morning and then I can get on with my day.

So, I have a regiment. I wake up, I have a schedule. I wake up at the same time every day, I try to get all my to-dos done before eight o'clock. I want to get all the checklist stuff, so then I can really focus on my businesses and building the businesses and the game plan for whatever that is. But on top of that, I also want to make sure that I'm taking care of myself, because a lot of us can worry so much about business that we forget about ourselves.

So, every single day, I make sure that I carve out an hour, hour and a half to go on a long run, go hit the gym, that tends to clear my mind, gives me time to think and then, the last part of the day, I'm always giving myself some family time, some me time, just to decompress. So, having those three things gives me a lot of time, a lot of balance. And what I found is when you hit the gym, when you have some me time, and then you're working on businesses, all those tend to work together. Because when I'm not working on my business, I get a time to sit back and think about maybe things that I didn't get to during the work day.

[0:19:55.5] WS: No doubt. I find it so common between successful entrepreneurs just exercising up early, having those to-dos, and even not procrastinating. Let's just do it right now and get that thing done. Then there's a couple things, it gets it done, but then it's off your mind too, right? You're moving forward all the time. That's like a muscle you have to exercise as well, I find. So, what about your best source for meeting new investors right now?

[0:20:17.8] DH: So, I mean, my best source is twofold. I do a lot of networking with brokers, with people in the industry, just telling them what I'm up to what I'm doing and giving them a 30-foot view on what I've been up to. So, that in itself by networking, tends to attract investors just through people talking. But second has been my core investors, I started with four investors with good returns, consistent, talking to them, that's actually led into a lot of other introductions, a lot of people talking about what we've been up to, and I get a lot of referrals from that network. So, it's organically picked up over there.

So, I have two pretty much main channels. I don't do any like outbound trying to market to other people. It's really someone that had to hear it from someone else.

[0:21:03.0] WS: What's the number one thing that's contributed to your success?

[0:21:06.0] DH: I would say it's my mindset. I have the "I will not lose" mindset. And that has to be the number one factor. It doesn't even have to be real estate, it has to do just in life, I have the mindset that I'm going to fail, I'm going to lose, but I'm not going to lose in life. So, I continue to drive and I let one little stumbling block, one little failure, I don't let that stop me reach my end goal.

[0:21:28.7] WS: And how do you like to give back?

[0:21:29.6] DH: So, I started a program called Real Estate University and it's been really focused on finding people that were in my shoes at 22 years old, had no idea what they were doing, didn't want to be in a 9 to 5 job, and they think that real estate would be their outlet to financial freedom, and mostly freedom in their life. So, I really tried to give back by giving advice and mentorship. Anything that I've learned along the way, I want them to learn that, understand that, so they don't have to make those expensive mistakes.

[0:21:57.8] WS: Nice. So, DJ, it's been an honor to meet you and to hear your story. It's so often that I mean, anyone at any age, especially at a younger age like that, you just keep getting knocked down, people don't take you seriously. And eventually so many quit. I'm thankful just to hear your story of persistence, really, and making it happen and being willing to hang in there. Even though family or everybody said, you're crazy when you're going after that first so-called rental, that second home purchase, but you stayed with it. And now you're scaling and your mind's been open to bigger things than what you could have four years ago, I think. And so incredible. Congratulations to you. Tell the listeners how they can get in touch with you and learn more about you.

[0:22:34.2] DH: Yeah, so you can get a hold of me on my Instagram. It's DJ Hume Official. You can find me on YouTube, which is DJ Hume Official. Feel free to follow me on Facebook, again, DJ Hume Official. If you need any advice, you need any help, just have a question, feel free to DM me. I'm happy to help any way I can.

[END OF INTERVIEW]

[0:22:50.6] 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]

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