EPISODE 883

[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 Garrett White. Thanks for being on the show Garrett.

[0:00:32.2] GW: Yeah man, thanks for having me on.

[0:00:34.6] WS: Yeah, honored to have you on the show. Garrett and I met at a conference. I think I remember meeting Garrett because I saw him and I could tell right away he and I had a lot in common but grateful to have you on the show, it's been a few years ago now so it's been encouraging to see his growth and everything he's been able to accomplish in this business in real estate.

We're going to get into that. A little about him, he's a real estate syndicator, consultant, an entrepreneur, apart from White Real Estate Investment Firm which focuses primarily on multi-family and commercial acquisitions in the Carolinas, Garrett owns and operates White Oak Property Group. A national land company that specializes in the acquisition of premier hunting land throughout the US.

In October, Garrett was named one of Charlotte's top 30 under 30 for his work in real estate in business and congratulations on that Garrett, that's awesome. Welcome to the show, I look forward to just hearing a little about your journey into this business, Garrett.

Then, even some mistakes you've seen other syndicators making and whatnot as you've learned this business and even how you've pivoted to grow in other businesses in other ways as well. Get us started a little bit with just your progression into this business.

[0:01:37.1] GW: Yeah, absolutely. For me, it kind of started out. You know, I'm from a small town in Mount Ulla, we got more cows than we do people. And so for me, it was just all about hunting at first, to be honest. It had nothing to do with real estate.

I had such a passion for hunting and I wanted to find ways to spend more time in the woods and less time in the office. And so I met a couple of guys when I was around 20 years old at a gym and man, they just seem to really have it figured out on a day-to-day basis. They had a lot of flexibility, a lot of the time and I got to talking with them.

At first, I actually thought they were in the landscaping business because they're always at these properties mowing. But then come to find out — I determined they were real estate landlords. And so I quickly learned from those guys and tried to become an asset to them and they became a mentor to me. Shortly after, I bought a duplex, my first duplex when I was 20 or 21 years old.

Had some success with that and then from there, the second property, at the time I was actually an intern at Duke Energy and at the time I was only making less than less than $20 an hour. I had already saved up for the first down payment for the duplex. And so this was in 2012, 2013, I was really trying to find more deals and actually didn't have any problem finding the deals. It was just — I was running out of money. Around that time, I met a lady at church who — an elderly lady had lots of money sitting around in a CD. She was frustrated, only getting .25%. I told her, "Hey, let's partner on something. I can pay you several times what you're getting from a CD." She and I became partners, and I bought my second property.

It was a single-family rental and for the first time, I was able to look past the lens of income and look more towards impact and just seeing the difference I could make in the community. That really got my wheels spinning. I was still a kid but I was like, “Man, how can I scale this thing? How can we have more of an impact in the community and help more people, bless more people.”

I recognized the need that most people thought, had the same thought as me like, “Man, I like the flexibility but how can I do that?” That was ultimately the problem we wanted to solve in the marketplace and it’s been several years since then but that’s kind of where we’re at today is still trying to just solve that problem for more people.

[0:04:01.8] WS: Nice, well, tell me a little bit about your focus now in real estate. I know you are focused on multi-family and now you’re also doing some land stuff?

[0:04:10.0] GW: Yeah, I tell our team, you know, we’re entrepreneurs first, investors second. And obviously, where we’re at in the market cycle, we’re in one of the largest bull cycles we’ve had in history. It’s been a little bit tougher to find some deals.

Multi-family is still our primary focus but we’ve also pivoted into other asset types such as land. It’s an asset type just a little bit less sexier on paper. One very unofficial metric we use is going on like BiggerPockets and seeing how many people are talking and how many discussions are around each asset type.

If you look on there, you actually see, you know, in the last few years, multi-family people just love it. And for great reason, you know? The same reason me and you are probably in it, the tax benefits, passive income, bonus depreciation, things like that. Cost segregation, there’s so many advantages but with that has come more demand and the price has risen so we wanted to find other ways that we could be competitive.

I think for us, I was just recognizing that at different parts of the market cycle. It's good to have different tools in your tool belt, so you're never obsolete.

[0:05:22.0] WS: For sure. Well, growing in this business and obviously, meeting tons of other operators, what mistakes do you see just syndicators making either because earlier in their business or just because of the market?

[0:05:34.3] GW: Yeah, I've seen this a good bit, especially from the consulting side with some of the students that I've had is, you know, you get this type-A entrepreneur, that one-switch guy that wants to just go all in right off the bat. The first thing I try to tell them is you know, "Guys and girls, ambition is a great servant but an awful leader." Because it can make you make emotional decisions instead of having that disciplined investor mindset.

One case study I'll share with them right off the bat is, it will go into more of the mistakes I see in this space. Is knowing the numbers is, when you look at a 30-million-dollar portfolio for example, I'm just going to run you through some assumptions, but a 30-million-dollar portfolio where you've got a capital raise or the equity that you've raised is 10 million.

If you take that and you just assume, which this is kind of a unicorn deal but say that whole portfolio has a cash-on-cash of 10% in year one. You're looking at a million dollars of capital to disperse. A standard deal right now, you're seeing like a seven pref. So the first 700,000 goes to your investors. Now you've got 300 to split between the GPs and LPs with, say, a 70/30 split. With that deal structure, the GP's would be getting around $90,000 there and the LPs would be getting 910.

With that deal that I just gave you, that portfolio, 30 million, 75,000 a door, you're looking at 400 units at a 10-million-dollar equity raise, you're looking at 200 investors at 50,000 a pop. You're probably going to have two or three GPs there. When you take $90,000 of income that you've got and now, obviously, I'm not including your acquisition cost or asset management fees, things like that.

You see how tight things can be and those first couple of years until you get full cycle on a deal, or at least further along in a deal. That's one of the mistakes is just not understanding the numbers and wanting to go all in right away.

[0:07:46.9] WS: Yeah, I mean, I also have been wanting to get in as fast as I possibly could. However, we spent so much time working on it too, I mean, years. Like two full-time jobs before we were confident that we could make that leap.

[0:07:58.8] GW: Yeah, that's it. And the story it brings me back too is if anybody's familiar with Duck Dynasty, Phil Robertson, those guys. Phil Robertson talks about it in his early days. He had to fish the river while building the duck call. I think that's a great analogy for us as entrepreneurs and investors in this space.

Until you can build your duck call, your multi-family business is good to have some type of cash flow to live off of.

[0:08:26.7] WS: It's a lot of pressure just to give all that up, right? Not have a plan, not already have some other income in place, especially if you have a family and kids as well. There's some pressure there to have that income. You don't want to be pressured to have to do a deal, right? You don't want to be pressured to have to jump into that deal like Garrett's talking about.

[0:08:44.2] GW: Well, that's it. You hear it a lot, people say the key to real estate is never be forced to sell. I would make an argument now is also, never be forced to buy. I think that's what we're seeing, especially as a syndicator, you know, we have this fiduciary duty to our investors and to our other partners to put everyone else's interest first.

Well, when you've got your family's income and livelihood on the line, it can really blur your vision and make you do some things that maybe you wouldn't normally do or get into deals that maybe you normally wouldn't have just for the acquisition cost.

[0:09:18.5] WS: No doubt about it. Well, let's talk about that a little bit with you Garrett. I know just growing multiple businesses and working full-time and implementing the systems you had to have or teams, habits, those things.

What did that look like for you and you know, growing businesses and working full-time and making all these happen?

[0:09:36.9] GW: Yeah, the big thing has been systems to start with. If you take the acronym SYSTEMS, it breaks down into save yourself stress, time, effort and money. That's what it has mainly been is really getting good systems, really thinking through like your 80/20 principle, knowing what the 20% of the tasks are that will give you 80% of the results, delegating everything else. We really like Fiverr and UpWork for VAs and have actually learned a great bit from you.

You've kind of set a great framework for us on how to choose a great virtual assistant and the types of tasks to delegate but that's been really important for us is just — it's made us a lot more efficient, especially while having a full-time job. It's forced us to look at time differently and think about that so that you know, as you do transition out of your full-time job, you automatically are a lot more effective.

You got a lot more free time to do those high level tasks that you should be doing, the money generating task.

[0:10:39.7] WS: What were some of those tasks for you, Garrett that you first handed off to somebody else? I know there's many people — and I've spoken to many as well and I always say, you need to hire an assistant, you need to hire a virtual assistant. At least to start thinking about the task that you can get off your plate, hand it to somebody else, it just starts to change how you do business and how you think about your time.

What were some of those first tasks that you handed off so you built just the comfort level of working with somebody like that?

[0:11:04.6] GW: Yeah, so really, I'll kind of go the other way. I'll tell you the main task that I wanted to keep and then, basically, everything else we've tried to delegate. In our business, the main things with multi-family syndication for example is, marketing for deals, marketing for dollars, managing deals, managing dollars.

When you break it down like that, the things that have been important for us to keep have been, like, broker relationships, have an ongoing broker relationships, that's something that's personal, it's hard to delegate that. I don't know that you would just because there's only a few brokers in any market anyways, that, you know, that provides 80% of the deals like I've talked about, the 80/20 rule.

Investor relationships, same thing, that's something personal, hard to delegate. Now, some of your back-office stuff as far as, like, Facebook ads, things like that, if you're going the online marketing route for investors, maybe you can delegate some of those things. But I'm just talking about the personal relationship itself. That's something that's hard to delegate and something I don't think you would want to. Finally, underwriting deals. Underwriting deals is — some people like to give that up, at the very least. I'd say, you need to know your numbers. Because your whole business plan's formed off of that, off your underwriting and how you're setting up the deal.

We talked about mistakes before. You asked me before about some of the mistakes where I'm seeing from an underwriting standpoint. One of them being like your reversion cap rate, how you're projecting your exit. If you got a value add deal for example, say a class C deal, 1980s product and you buy it as a value add at a 4 cap. And, you know, the rule of thumb a lot of people are using right now is 10 basis points expansion per year.

On a five-year exit, if you bought it at a four, you're exiting at a four and a half. On a class-C product that's 40, 45 years old. I don't think that's a good way to go. What we've always looked at is like a median historical cap rate. Even if you're buying at a value add, well, your play is to stabilize it. So at the end of your five years, you need to kind of know what the median historical cap rate is on that type of asset for a stabilized deal. And base your exit on that. That would be one thing.

[0:13:24.9] WS: Where do find that information?

[0:13:26.8] GW: Just talking to anybody and everybody, talking to bankers, lenders, talking to your brokers, which— looking at your history and kind of trend. And, you know, we've been in this market since 2015, '16, so kind of getting an idea, based on OMs that we've seen in the past. It's not perfect obviously but I think it at least gives you a better idea just because the thing with the 50 or 10 basis points expansion thing is, if you overpay on the front end on a value add.

Because you realize you can stabilize it, you are assuming there is going to be somebody else that's willing to pay just point five or 50 basis points higher. I am trying to think how to extract. You are assuming somebody is going to be willing to overpay the same way you did.

[0:14:13.4] WS: No, that's something definitely to keep in mind. I'm glad you brought that up and I wanted to back up a little bit. I know we talked a little bit about your getting into the syndication business and you are doing some land stuff. And I wanted to ask you then, you want to pivot towards land.

[0:14:28.0] GW: Yeah, so one thing you know, obviously I talk about less competition — from the BiggerPockets little unofficial way of looking at it. But we like land for a couple of reasons. Number one, okay, so I always want to find a cash business talking about Phil Robertson, how he fished the river, things like that. We wanted to find a cash business while we were looking for multi-family. I've flipped houses before, I've done some things like that.

I found that that was hard to scale. It is also geographically limited because you know the teams and things like that. With land, what we like is I can buy land out in Arizona. I don't have to go and let somebody into the parcel of the property you know? You can drive by it, you can see it, I can do it in any market, people aren't talking about it. The other thing is the knowledge gap there. You can go on Zillow and have a good idea of where you're at as far as comps on a property that you want to sell.

With land, there is not nearly the comps. It's hard to kind of get an idea of what the price is per acre or what have you. There is just a lot more disparity there and a lot more opportunity for someone who is willing to put in the time and understand it. The other thing being, you know, finding your competitive home field advantage. I've talked a little bit in the beginning about hunting, now I'm kind of bringing it full circle. With multi-family I tell people, "I enjoy hunting for deals, dollars, deer, and turkey."

Well, with the land it's kind of the same thing. Now we're doing hunting land. It's just my home field advantage is an area I understand and I believe there is probably — well, I know for a fact there's better land investors than I am and our team but I would encourage anyone to compete with us in the hunting land. Because I am now able to combine two passions, two things that I know a decent amount about, which is obviously the hunting and the real estate.

[0:16:20.3] WS: No, that's awesome. I love land as well and that's very interesting to think about purchasing hunting land. Garrett, what's been the hardest part of just this syndication journey for you or getting into this business?

[0:16:31.0] GW: The hardest thing has just been being patient. You know, seeing, not being the first horse out the gate but just recognizing this is a 30, 40-year game for me. And so just keeping everything at bay and understanding that it is a long-term game. Being patient and not being willing to adjust my underwriting criteria. Focus on other levers to pull and being creative, not just thinking outside the box but pretending there is no box. Like thinking through your deal flow structure and how you're structuring deals.

How you're engineering your capital stack and your cost to capital, seeing if there's any plays there and then what we've talked about with land, just thinking through maybe even other asset classes, asset types, markets like work and you zig when others are zagging.

[0:17:17.9] WS: I love that thought process for sure. And on some of the same notes we've talked about, what about just preparing for a downturn? How do you and your team look at a deal and say, "Okay, you know we're buying this and these are the things that help us be prepared for a potential downturn?"

[0:17:31.2] GW: Yeah, so it starts with your market, understanding your market, making sure you've got some insulation. That's why we really love the Carolinas. We think it's very insulated, lots of people, lots of net migration, population growth, job growth, all of your metrics, the school system is strong at a sub-market level.

That being number one, number two probably be in picking the right asset class like in the past we've looked more at class-C workforce. Now, we're kind of pivoting more towards class-B, you know a little bit stronger tenant base, a little bit better insulated as far as unemployment. We're looking at deals in that space a little bit more. And then the third thing just being in your underwriting really stress-testing your deals. Doing a lot of sensitivity analysis and knowing how long can you go and how long can you stay there.

You know, maybe that means raising a little bit more operating funds on the front-end reserves. Maybe it means doing less of a value add right now, being less to take on like some bridge financing, do more of your long-term stabilize. And focusing more on stabilized deals. I think that helps you de-risk a lot. I think if you can do those things and really just have strict adherence to your underwriting, I think you can protect yours and your investor's interest a lot.

[0:18:49.1] WS: Do you have any predictions, Garrett, just over the next six to 12 months in the real estate market just what you expect or ways you're hedging against maybe what you expect.

[0:18:57.8] GW: I think a lot of it has to do with the Fed. What's the Fed going to do, you know? The saying the market can stay moronic longer than you can stay solvent. I think, and not necessarily that it is moronic, but it's just things are overpriced especially in the asset markets. Looking at stocks, looking at real estate, looking at Bitcoin, crypto currency, things like that but the next six to 12 months will be determined on what the Feds decide to do. But I do think we're destined for some type of correction now. To what degree is hard to say, you know, I don't really know that but from an inflationary standpoint, the money supplies increased but like an industrial output, it's remained pretty flat. Just because, like, from a supply standpoint, businesses haven't been able to open as much but demand has also went down, so that's been pretty flat. Also employment, employments actually went down, which drops wages, which drops prices, so you are kind of seeing more of a deflationary thing there.

The other thing being like your velocity of money, people are holding onto cash right now. They're hoarding cash, so we really haven't seen, like, the inflationary aspect that I would have thought, except in the asset types. People, the money that has stayed, you know a lot of our cost of goods and things like that gets exported. So you don't really see that until later on but you have seen inflationary prices with real estate and things like that. But again, a lot of that has to do with interest rates and the feds.

[0:20:31.0] WS: You know Garrett, no doubt about it. You are someone that has a high level of self-discipline. I love talking about self-discipline and you know, just habits that people have that it's those things that you know, it's the small things over a long period of time that gain so much ground. It is not typically one big thing but do you have any daily habits that you are disciplined about that have helped you achieve success?

[0:20:52.7] GW: Oh yeah. Man, this could be a different podcast. I'm trying to think of which one. On a day-to-day basis, I try to get up at four, 4:30, go ahead and start working out. Do my Bible and devotion, try to take care of the spiritual-physical-mental side first before I start my day. It just gets me in a good place mentally, spiritually, physically, things like that. From there, before I go into my day, I've got — I actually have something on my mirror called like daily disciplines.

I write down things that I track on a weekly basis like my working out, my schedule like that, things that I can track. You know, what you can measure gets done. From there, as far as just, like, daily habits, what's been important to me talking about time basis and time management is — every day, I have certain tasks that I do at a certain time. It's kind of like time chunking. And it's kind of like with what you do. You know, you might have a couple days a month that you do podcasts. You batch all of those tasks together.

So every week, I know exactly what I'm going to be doing in a certain time slot on a certain day. And it never changes, especially with doing land and multi-family and all of that. There are so many tasks to be done. And if you do it like a to-do list, you're always overwhelmed. For me, it's been writing down all of those tasks and then slotting them down in a certain time frame and making that repetitive.

[0:22:24.6] WS: Nice. I love just documenting those things. I think it does lots of things to be able to document it and you see the progress, it gains you some momentum and encourages yourself, at the same time, that you're actually accomplishing something. So thanks for sharing that Garrett. Three more questions quickly before we run out of time but what's your best source for meeting new investors right now?

[0:22:42.9] GW: You know that's kind of changed here in the past because I've always been more of a personal guy. I probably need to do a little bit better job on the online marketing. You know, you've done an absolute fantastic job with your podcast and things like that. I guess now it has been more online but I can probably be more intentional with how I go about that. Probably a little bit more proactive in either having a podcast or having some type of thought leadership platform to grow off of.

[0:23:13.3] WS: What about the number one thing that's contributed to your success?

[0:23:17.2] GW: Probably habits, yeah. Just, you know, they say develop the habits to success and make success a habit. I've always believed that to be true. Finding good mentors to learn from figuring out what their habits are and then emulating their habits to start with and then once you've really figured out their habits, then at that point you can figure out where you want to pivot from there doing those things.

[0:23:44.2] WS: How do you like to give back?

[0:23:46.0] GW: I love to give back my time as far as, like, teaching people real estate. I am so passionate about it and I think it is such a great way to create generational wealth and allow you to do more good in the community. Also, active member of a church, love to do things with that. Those are probably my top two.

[0:24:06.3] WS: Garrett, thank you again for your time and just giving back to us today and walking through your process of getting started and congratulations on getting started at 20, 21 years old. Buying that duplex and then finding an investor and buying the next deal and now doing larger deals and numerous businesses. And just congratulations on your success and really your sticking to those daily habits that have got you there. I just appreciate you sharing those with us. Tell the listeners how they can get in touch with you and learn more about you?

[0:24:33.3] GW: Yeah, absolutely. Our website is whiteinvestors.com. You can also email me at garrett@whiteinvestors.com. I'm on Facebook, Instagram, LinkedIn, all your social media just look up Garrett White. Those will probably be your best ways to reach out.

[END OF INTERVIEW]

[0:24:53.3] 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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