

EPISODE 910

[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 Whitney Sewell: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Conrad Madsen. Thanks for being on the show, Conrad.

0:00:32.2 Conrad Madsen: Thanks for having me Whitney... And I appreciate you inviting me to this forum here today. I'm looking forward to having some fun with you...

0:00:38.2 WS: Yeah, me as well. And a little about Conrad: Innovation, tenacity and servanthood, those are qualities which define Tom Landry, who was Conrad's idol growing up. Those principles now permeate his company Paladin Partners as he drives forward building a one-of-a kind give back platform in Dallas commercial real estate. I look forward to hearing more about that and consistency, recognized by the Dallas business, or he's consistently recognized by the Dallas Business Journal and the CEO Magazine as one of the heavy hitters power brokers in commercial real estate. Conrad specializes in tenant representation, project leasing land and building sales, investment property sales, and corporate services consulting for clients. Conrad, welcome to show, I'm grateful to have you on and you have some massive amount of experience in this industry, and so looking forward to hearing about just your path getting into commercial real estate, must dive into your focus right now.

0:01:32.8 CM: Sure. I know, I appreciate that. Before we get started, Whitney, I just would like to tell you, thank you for your service, first and foremost. To me, a lot of people take for granted the freedoms that this country has because of men like yourself who serve our country, and thank you so much for your service to America, and that means a lot to me. And I love just networking and trying to help veterans in general, 'cause it's a tough gig a lot of those guys go through, and especially after they get back from serving our country, where you and I are so fortunate to live in.

0:02:01.3 WS: No doubt... Well, thank you for that very much, Conrad. And give us a little more about yourself and just show us that path into commercial real estate.

0:02:08.6 CM: Yeah, sure, so I'm a small town guy. I did not grow up in what they would consider the big city here in Dallas, Texas. I actually grew up in deep South Texas, and a little bit of town called Mission, it's right next to a bigger town called McAllen, which some folks have heard of... It's five miles from the Mexican border. You know, growing up was a different life, I didn't grow up with much, and most of my families were just farmers, that's how they all immigrated there way back in the late 1800s and such, but how commercial real estate came to be, it's an interesting path. And my grandmother actually sold real estate growing up, so I was kinda around her selling some homes and things of that nature.

My dad had a manufacturing business, and so I was kinda always inside of what she'd call a warehouse or a plant or what have you, as a kid, so I was kinda always amazed by real estate to a degree, but it was a long path to get there after college. Funny, I noticed that you also served in the police, had to believe for the state of Kentucky, if that's correct.

0:03:14.2 WS: That's right.

0:03:15.0 CM: And what's interesting is my degree is actually in criminal justice. It's just so funny how a lot of people get in this business, they got finance backgrounds and all these other real estate concentrations, and here I am a criminal justice guy, and now I'm practicing real estate on a daily basis, I thought the FBI was gonna be my long-term career path. I had an

internship with them in college, but then I got out of college and I realized, well, I didn't speak a foreign language, I wasn't a CPA or an attorney, so it was like, go get a real job and then come back if you wanna apply.

And so, long story short, I thought I'd go to law school. I ended up working for a law firm just kinda doing remedial stuff, filing documents at the courthouse to get a feel for that while I was studying for the LSAT. Met a guy, who was a recruiter, this is in the dot com era, and he was servicing a little company called Broadcast.com back in the day, that was Mark Cuban's company that he sold to Yahoo for 4 billion dollars. So he's placing all these people making a ton of money in a dot com era, and so I thought, Well, I'll give recruiting a shot, so I did recruiting for about three and a half years, enjoyed it.

I knew it wasn't my long-term game, but it taught me some incredible phone skills, which as you know, Whitney being in real estate, you gotta talk... It's a communication game, and so you gotta talk to people, and recruiting taught me a ton about how to communicate with people by pulling the whole Tom Landry story into commercial real estate. Well, obviously, so I grew up in Tom Landry hometown, which is Mission Texas. A lot of people don't know that. Obviously, Tom was the head coach of the Dallas Cowboys for 29 years. He had 20 straight winning seasons back in the day, but most importantly, Tom was known for his character and who he was as a man and how he carried himself.

A lot of people talk about his wins and successes and Super Bowl titles and how he put the Dallas Cowboys on the map in the 70s, but really it's... You talk to so many people that knew Tom and... Boy, they all say the same thing. Never probably met a better man in my life. And that's pretty powerful. And so, obviously, being a Tom Landry fan, I was a Roger Staubach fan right you know... Captain America was leaving America's team back in the day in the late 70s when I was a small pop, and I saw what Roger did in commercial real estate.

Well, Rogers corporate headquarters was in the same building, or it shared a gym with the same apartment complex that I lived in, and long story short, I got to know some of the brokers by just being at the gym every day, and finally got the courage as one of the guys out for lunch

and went up to their offices afterwards, and I was just in awe 'cause I was like, Oh my God, I can't believe like Roger is probably down the hall here, long story short, a couple of brokers gave me some time... A guy named Scott Collier and a gentleman by the name of Tom McCarthy. Tom really pointed me in the right direction. Staubach didn't have any opportunities for me at the time, but he told me some different firms to call and I could use his name, and you fast forward 20 somewhat years later. And I'm actually... One of my best friends is Connor McCarthy, which is Tom's some... son, and I didn't know Tom or Connor from Adam 20 years ago. It's funny how life works.

0:06:43.9 WS: It's funny, our life works, and even now, different skills that you learn there have helped you obviously to go to the next thing, even if it seemed unrelated, just those skill sets through the phone conversations that you had as a recruiter, now moving into commercial real estate, were so useful, right? So commercial real estate now, you've been in commercial real estate for a number of years now, tell me a little bit about, I guess, speak to that individual who's in that transition right now, maybe they are in the same shoes you were, or they have a different job somewhere but they're looking at commercial real estate. Should they ask a few brokers to go out to lunch or something to ask questions... Who should they be speaking to to ensure that's the right path for them?

0:07:23.5 CM: Yeah, I think that's the biggest thing about breaking into this commercial real estate industry is you kinda know, it's not like you're on job boards and there's just job postings everywhere. If you wanna get into commercial real estate, you gotta pick up, and I tell this to all the college graduates I speak to in front of all the time, I go, don't send them, just email me a resume, if you wanna break into this business, right hand written notes, pick up the phone, cold call the principles of these organizations and tell them that you're interested in getting into commercial real estate, and if you talk to enough people and if you impress enough people, there will be an opportunity that arises for you.

From a brokerage perspective to asset management, to property, man, it really doesn't matter really what asset or what specialty within commercial real estate, it's more of just getting out there and networking, and as you know, it's all about networking.

0:08:23.7 WS: No doubt about it. You know, is there a way though, that you could suggest that someone could stand out, 'cause there's a lot of noise for opportunities in this space, there are a lot of people trying to have those phone calls or reaching out... I like where way you said though, even the handwritten notes and don't give up, right? I mean, keep calling. Keep calling, but is there any ways that you've seen people or maybe that you did that could help you to stand out above the noise?

0:08:48.8 CM: It's all about standing out, as you know, the most successful brokers in this business, they have one common trait and its persistence... Right, there's no two ways around it. Anybody that's successful in this business for the most part, unless they grew up with a silver spoon in our hand, fed deals, most of everybody is just persistence and Persistence wins, and so doing different things, like kids nowadays just will send emails.

They won't pick up the phone so if you pick up the phone and leave messages and you leave me one or two or three messages, I know that you're persistent, and because of that, I will definitely get you on my calendar and if I can't help you, I will always point you in the right direction, because my old deal is, somebody gave me time 20 years ago, and I'll give anybody time nowadays if they wanna break into this industry.

0:09:40.9 WS: I love that. And because I've found that as well, getting into this business, I called, and I put this out often, I heard it go on a podcast, and he was very successful in commercial real estate, he put his phone number out, guess what I called him. We're texting. First, I think... And he was willing to take a call and I was so impressed by that, and he and I are friends to this day, and I put my phone number out on when I'm interviewed on podcasts all the time in our email, all those things. And it's very seldom that anybody reaches out, I might...

I just encourage people to take advantage of that. where Conrad into cars, real estate. It's incredible now that you've been in this long, tell us a little bit about maybe how... Any big changes over your career that really stand out to you, that helps you to get to success and to the level you're at now?

0:10:22.7 CM: Yeah. It's interesting when you go back and you kinda reflect on your commercial real estate career, your first couple of years, you're trying to get every single deal possible to close, you're trying to find deals, you're hunting constantly, and you're hoping to close deals so that you can pay your rent, and you can pay your car payment, and you can buy a girl drink at the bar on the weekend... you know it's tough. That's the hardest part about commercial real estate, as you know is Success doesn't come overnight, and the sales cycle is a long cycle, and so while I've seen some guys have some luck and make good money in year one or year two, it's rare, you gotta get...

There's gotta be a little bit of that luck factor, but I always like to attribute love to... The harder you work, the luckier you get. So a lot of those things go hand-in hand, but... So your first couple of years, you're just trying to tread water, and then you start making some pops and then you're like, Oh, this is pretty good, and then you can finally pay off your student loan debt and all your other debts that you build up over the years, and then you get to the point in your career where you're like, Now that I've built up some money, some capital...

How can I use this? I heard this phrase years ago, and I use it all the time, make money while you sleep, and so how can I use capital to make money while I'm sleeping? And this is one of my favorite phrases that I tell brokers all the time, I said, there's a lot of rich brokers in this business.

There's very few wealthy ones, the wealth, as you know is on the ownership side of the game, there's a quote, I think Andrew Carnegie says that 90% of the world, or maybe it's US millionaires, all came from real estate invest, so you get to the point in your career where you put in your time, you have some capital, now you gotta go put that capital to work, so you start doing Friends and Family deals, you buy little buildings here and there, you lease them up, you flip them, and then you start building it up to the point of going, Okay, well, now I really got some tangible capital now and I've got a success story.

Now, let's go use other people's capital and try to do bigger things, and that's where I'm at in my career now, is working on growing a company, but also doing bigger things, not just investing in small little warehouse or office or land deals, let's go chase large developments

and build the suits and all those type of things, and that's my goal over the next 10 years is really ramp up that side of the business, and so that to me, that's the smartest path for the guy who didn't come from anything or knows nothing about real estate, you start learning the business by working transactions, and if you're smart, you don't over-leverage yourself and you save some of that capital and you go and then you start doing bigger thing.

0:13:19.2 WS: Nice. No, that's some great advice. No doubt about it. And one, normally at the end of every show, I ask people how they give back, but I wanted to give you a chance to to talk about maybe you're a life focus now a little more and one of a kind give back platform on like your bio talks about...

0:13:34.6 CM: So everybody has times in their life where they have these aha moments, and I've had a few of them, and a lot of different things came together in kind of all at once in the last couple of years that really made us reinvent Paladin Partners and kind of what our main purpose, our goal is in life, I think a few things happen, you have children, once you have kids, you see the world differently. Secondly, maybe some stories or people touchy in a certain way that you're like, Wow, I hadn't really thought of that.

And so for me, I was at a broker trip for a company called Hill wood, that's based here in Dallas. If you don't know of hill wood is Hill wood is Ross Perot company, and they do everything. Industrial office buildings, multi-family retail, you name it. All over the country, and I was at their broker trip in Colorado Springs of the broad nor not last summer because of covid, but the summer before, and Ross Perot Senior had passed away about three weeks before and... Well, it's interesting about Ross Sr. is I go up to the Hill woods corporate offices to visit friends of mine that worked up there, and every day you'd almost see Ross almost 90 years old, dressed in a suit, sitting in the same kitchen with everybody there.

I mean, I still going the office every day and grinding, if there's pickup Ross's book, it's a simple, simple book that's called Success and Principles of Ross Perot secrets to success, and principal is a great little bitty book, but it tells you the life story Ross Perot, and it's pretty fabulous, because he's a kid again, who really came from nothing, and boy, you understand

why he built so many successful organizations, but at the dinner on Saturday night, Ross Perot Jr. got up on stage and started talking about his dad for about 45 minutes, and he started telling stories about his dad, about people's lives that he had impacted in a positive manner, and I had always heard a lot of people that Hillwood talk about how Ross really gave back a lot.

And a lot of them are unknown stories, you know stories and nobody had ever even heard of before, but I just finished that dinner that night, just kind of looking at myself, reflecting inward and going, Oh, I've made this great life for myself and my family, be... I haven't done enough for others, and so that was one of the catalysts for kind of the starting to give back platform.

Another one was, there's a man named Tim Segal, Tim used to be the head tennis coach at Texas Tech for about 23 years, played professionally, and I went to Texas Tech, and so I follow a lot of tech-related people, and I started seeing posts on social media about what Tim was going through, and his son had a golf cart accident about five years ago where he flipped over and had severe brain trauma, and so his son, Luke, now, he's in a wheelchair, he can't really talk, and you see these posts and that they're just heart-wrenching to as a father myself to see...

And so I started just thinking, I've gotta really do more, and so what we did at Paladin as we... I started thinking, How do we reinvent our platform to impact other people's lives in a positive manner? And so essentially what we've done starting at the beginning of last year was We donate a percentage of every single fee that we earn back to charitable partnerships, and we do it on the behalf of the client, so it's been a lot of fun and we were about to have our first get back gallerist before the holidays, then covid started spiking, but we're having it now in April, and couldn't be more excited 'cause Tim's gonna be there speaking and we're gonna write a big check and we're gonna have a bunch of silent optional items and we're getting a ton of sponsorships from drives like proldges and Still Water Capital, national title and some of these really big institutional players, so it's gonna be a lot of fun.

0:17:32.0 WS: That's incredible to have that give back philosophy or mentality as We are

pushing forward in our business, it's very important to us as well, and it's just been incredible to see what happens because of that, I wanted to pivot just a little bit 'cause it just has your experience in the length of time in this industry, Conrad, I wanna get your opinion, ask every operator or on people in your shoes, just about being prepared for a downturn and your thoughts on purchasing commercial real estate, thoughts that you have, whether you are debating passively investing in a deal or whether you are working with an operator who's purchasing something, What do you like to see when to know that, You know, what? They're prepared for the worst.

0:18:12.5 CM: Well, what's interesting about this industry, there's always buyers for both time periods, there's the opportunistic buyer who's waiting for the blood in the streets, and then there's the guys that are right now, when we're at what I would consider the peak of the market that are still playing capital at upper three caps, low for CAPS, and it just blows my mind because myself, as you know, as a personal investor that returns just too thin for me.

You always gotta look at price per pound, I think when you really start talking about real estate, like what are you paying... And when I say that, I mean price per square foot, guys in our business understand price per pound. But even if you paid X, are you gonna be okay? If the market took a 20% dip. As you know, what goes up, must come down. Markets are cynical, they're gonna come back down, you're gonna see a correction, for instance, retail right now, but people are still not even buying, they're still waiting... They're waiting for it to get worse, the office market is in a little bit of limbo because of the whole work-for-home world, but then you...

I know you're a multi-family guy, I talk to multi-family guys, data center guys and industrial guys, and the market couldn't be hotter, it's white hot on industrial right now, I can't find land sides fast enough for developers to buy and Dallas Fort Worth right now. And I'm a guy that does deals all over the country, I've done deals in about 125 markets now, but most of my focus is here in DFW, and because of that, I'm just bullish on where we are and where we're located in, you look at... There's almost 400 people a day that moved to Dallas for work a day. A day.

So you as an apartment investor, those people gotta live somewhere... Right, and me as an industrial guy, all the things that they use has to go in a warehouse somewhere, toilet paper, and so... I mean, you name it. And so when you're in an area that's just expanding like DFW, I'm not as worried about bubbles or bust or price per pound as I would be if I was maybe buying stuff and Manhattan right now, right?

When you have a mass exodus out of the city to the suburbs and you got a lot of restaurants have shut down, I can't imagine the term, all that's going in the city like that, or San Francisco and LA are experiencing the same thing on the other coast, every other day you read an article about one of their corporate headquarters moving either to Dallas or Austin...

0:20:54.5 WS: Yeah, no, that's some great insight, just thinking through the market and your experience in the market and how we're buying and what asset class right now on that same line that just your prediction over the next six to 12 months in the real estate market, what do you expect?

0:21:06.9 CM: What's interesting. So I live and breathe the industrial space, and pre-covid, 11% of all sales were online, and once covid happened, we spiked up to about 16%, so we had a 5% growth of online sales due to covid, but now you're starting to see that trickle back down a little bit because people are getting back out to a little bit of normalcy, most of these states are starting to re-open and all those other things, industrial, I think is gonna continue to grow because of the growth of e-commerce in general, you have kids now that are graduating from high school that have had an iPhone their entire life and bought online their entire life.

You know, my parents who are baby boomers are the perfect example of people who were captured during covid because they had never bought online, and then now my parents, after they were forced to are like, Wow, this Amazon deal, like I just click and put it in my car, in a day or two later, it's on my front door step... This is the best thing ever. And I'm like, I've only been telling you for five to seven years, and then you have things like the ghost kitchens and Uber Eats, which my parents got into, they're like, Wow.

Food can be delivered to the house. And you know, it depends upon where interest rates, as you know, it depends upon... I'm a little fearful of the new administration. Are we taking care of American businesses first? I will say a lot of people hate Trump. I mean, there are some things I hate and there's some things I love about them, but what I do love is a capitalistic guy is like low taxes for people, and I like a promotion... A, bringing manufacturing back to the United States.

And if those incentives are not there anymore, are we gonna send more back to China or... I've been writing about it a lot and talking about a lot, I honestly think Mexico is gonna be the biggest beneficiary of covid 19, because we learned for the first time, and this is me on my industrial supply chain in the soap box here, but we learned for the first time you can't depend on another country that's a three-week boat right away that's stuck in a port for another two weeks to get their product unloaded on fulfilling your supply chain needs, we got put in a pickle.

And the beauty of Mexico is within a day's truck drive along a Texas border, your product can be in your distribution center in Dallas-Fort Worth and on to your final customer versus waiting over a month like it would from China, and now that China has had labor rate increases, and they've had a lot of prosperity over the last decade, when you factor in the logistics cost from the Far East now to the United States, Mexico is on par with China now, so I honestly think Mexico is gonna be a huge beneficiary for additional manufacturing along the Texas and Southern border, but then in turn, almost all those guys have their main distribution centers here in the DFW market, so again, I'm just bullish on the future growth of industrial here because that's the final product will be delivered out of a warehouse here in Dallas-Fort Worth...

0:24:28.4 WS: Those are some great insights, Conrad. Unfortunately, we are about out of time, and one more question very quickly, what's the number one thing that's contributed to your success?

0:24:36.0 CM: You know, probably my dad's teachings as a young kid of just the value of hard work, I mean, I was a kid who was feeding cows and digging post holes for fences and burning brush and all those type of things, and you get exposure to that hard lifestyle, and I think it gets ingrained in, if I work at anything hard enough I can be successful at, and I've just tried to take the work ethic that I learned as a kid and transfer it into my business today.

0:25:08.5 WS: Great advice, right there. I appreciate you sharing that Conrad. Grateful for your time today and get to know you a little better personally, and to hear your story and commercial real estate and now your desire to make an impact and give back and how you're doing that, and just some really some basic principles, but that most don't put in place. Just like you learn from Ross Perot or Tom Landry, the PE guys who really stood out to you, even your father through hard work, so I appreciate you sharing those things, tell the listeners how they can get in touch with you and learn more about you.

0:25:37.3 CM: Sure, yeah, I'm big on LinkedIn. You can follow me on LinkedIn, it's just at my last name or my name, which is Conrad Madsen, M-A-D-S-E-N, and you can find me on LinkedIn, I have about 17000 followers or so there on LinkedIn right now, and my website is paladinpartners.com. That's the two best ways to find me.

[END OF INTERVIEW]

[OUTRO]

0:26:01.8 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 for free material and videos to further your success.

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