

EPISODE 933

[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 Deidre Woollard. Thanks for being on the show Deidre.

0:00:32.0 Deidre Woollard: Thank you.

0:00:32.8 WS: And Deidre is an editor at Millionacres, and studies REITS and crowdfunding as ways that all levels of investors can add diversification income to their portfolios at Millionacres. The real estate investing arm of Motley Fool, the team studies a variety of diversification strategies for real estate investors. I know that's something we talk about a lot on the show and 'cause we have lots of passive investors that listen to the show, obviously we work with lots of passive investors.

So the operators need to understand that side of the business just as much, and we're always talking about diversifying our portfolio, what that looks like, how different people are doing it, and we look forward to learning more about Millionacres and how you all are helping investors do this. Deidre, welcome to the show.

0:01:12.1 DW: Thank you so much, I'm excited to be here.

0:01:14.0 WS: Tell me a little about your focus at Millionacres, and maybe give us a little bit about what Millionacres does for investors and let's try to help investors think through that.

0:01:23.6 DW: Yeah, so the main Millionacres.com is our free site, so we publish about 15 articles a day on things that would be of interest to all types of real estate investors, so rental properties, trends that are happening, REITS that we're watching. All sorts of things like that, and then we have two premium services as well, one of which is real estate winners, which is recommendations on REITS and real estate-related stocks, and then Mogul, which includes REITS and real estate-related stocks as well as recommendations on the individual series that are found on platforms as well as direct deals...

0:01:59.1 WS: Okay. Well, let's back up a little bit, and for the listener that I say, 'cause I could ask this question often, is the Whitney, what's the difference in a REIT or syndication or... And even terms like REIT and crowdfunding. Isn't it the same or is it different?

0:02:11.5 DW: There is a lot to know, because even when you talk about REITS, you have equity REITS, and then you have mortgage REITS, and then when you break down equity REITS, You have publicly traded REITS that you buy through a brokerage stock market investments, and you also have private REITS, You have REITS that are not on the stock market that are publicly open, something like Realty Mogul or Fundrise, so there's just so much variety for people to really take advantage of...

0:02:38.7 WS: No doubt about that. It's interesting you talk about a REIT us like... Well, there's these three different kinds. And you know, I want the listener to get too overwhelmed there, but how do they begin to think through which one of the equity, the debt or private REIT, what's gonna be the best path for most investors that you find, or why would they choose one of the over-the other.

0:02:55.8 DW: I think for most people starting out, a publicly traded equity REIT is gonna be the way to go, those mortgage REITS tend to be a little bit more volatile, and we really believe

in buy and hold when it comes to investments and an equity REIT is just a better option that way... And the great thing about that is that even within REITS, there's all kinds of diversification. Right, so in the past year, not the best year for REITS given the pandemic, but you saw this wide variety of how REITS perform.

You have things like data center REITS, and those had a really good year because we were all consuming so much more data, whereas something like a retail REIT or a hotel hospitality REIT maybe didn't have the best year, but then toward the end of the year, once the vaccine started to get announced, you saw more interest in those kind of what they call reopening REITS.

0:03:44.1 WS: Okay. No, that's interesting. And how do you recommend... I know you also have said tons of information, how do most people learn though, about a publicly traded REIT, ensure this is what they need to add to their portfolio?

0:03:54.2 DW: I think there's just a lot of information out there. And the good thing about a publicly traded REIT is that they have to do investor calls, they have to do things like publish a 10K every year and have quarterly earnings calls, so you really get a chance to actually listen to the CEO and the SEC we talk about the company, what they're looking for in the future, so you have that benefit right now of all of that information is out there for you, and of course, we write about different types of REITS every day, plenty of other sites cover it, there's also NAO REIT, the National Association of REITS, and that's a good resource as well.

0:04:32.8 WS: So some prize for investing in the REIT is diversification, right? You're investing in numerous projects... What are some of the cons?

0:04:40.5 DW: I would say some of the cons are you don't have a lot of control, right, so a REIT is just going to make its own decisions and invest in what it invests in, and you don't really have a lot of... You don't have any say in that, so you're sort of along for the ride and you never really know what's going to happen next. So that would be one of the downsides.

0:04:57.9 WS: What did investors expect as far as the plan of that investment on a typical type

of REIT like this, as far as a whole period or expected growth, or how do you all project some of those things?

0:05:10.3 DW: It so much depends on the individual REIT but generally, you wanna hold one for probably at least a few years to go through a couple of cycles and really get the benefit and the growth out of it, as well as the dividends, and that's another thing is that REITS pay off dividends, that's part of the structure of publicly traded REITS. So that's one reason that REITS are really great to hold in a retirement account, and that's something that people should consider as well, is that if you hold them in a retirement account, then it helps your taxes and so that's another thing to keep in mind.

0:05:42.5 WS: So tax benefits, do they pass through to the investor if you're investing through REIT?

0:05:46.0 DW: Yes, exactly.

0:05:48.0 WS: And you mentioned a minute ago, like the REIT may publish a 10K every year. What is that?

0:05:53.8 DW: So with the SEC, they have to publish this annual report filed with the SEC, and you can always look at all of those reports, so the SEC makes all of those publicly available, so any time you're curious about a company, you can look at their 10K, their annual report and all of the numbers are in there as well as any statements that they've made about projected growth or things like that.

0:06:15.2 WS: What about just some tips on assessing a REIT for this past investor that's never invested in a REIT before. Some other things that they should be considering or things they should be looking at to just look at one compared to the other?

0:06:27.5 DW: Well, you wanna try as much as possible when you're comparing reads to compare apples to apples. So if you're comparing a data center REIT and a hospitality REIT,

that's gonna be a little bit challenging because they're such different industries, but a couple of things I like to look at... I like to look at how diversified in terms of location their holdings are, so are they all in one city, so you might have a REIT that's mostly based in New York, for example, and last year would have been a really tough year to hold a REIT that is mostly based on something like New York office space.

So you wanna see what they're holding, where they're holding it, you wanna see what their strategy is for growth and where their income is coming from, because most of it is probably going to be coming from rent from the properties that they own. But it could be coming from other businesses as well.

0:07:12.5 WS: So how much would an investor typically plan to invest in a REIT or is there minimum... Is it 5,000? Is it 100,000 or other... Some that are both.

0:07:22.9 DW: It all depends on the share price, and I would say that you wanna diversify a bit, so you wanna have, I would say probably at least a couple thousand to get started, just that way you can buy maybe a couple of different REITS, maybe start building a little portfolio based on some of the trends that you're seeing, that's one of the great things about investing in REITS, you get to see like, Okay, what trends are we noticing that we feel like are gonna be long-term trends.

Are we seeing movement toward certain areas, for example, one of the things that we've been talking about a lot is movement toward the Sun Belt areas, so we're seeing so much migration towards the Sun Belt, so looking... Maybe REITS that have multi-family in those areas or other things like that, so REITS really give you a chance to kind of invest in the trends that you're observing.

0:08:11.7 WS: And I was just thinking through investing through a REIT and obviously one con... Like we talked about, it's just no control and things like that, there's often... You don't have much control if you're investing passively, however, I just wonder how much is shared about the operators or is there a way for the investor to see like, okay, these are the operators

that we're investing through or anything like that?

0:08:32.1 DW: So would REIT get to see usually they will tell you who some of their main tenants are, and that's another thing to look for... So during the last year, for example, one of the things that I think we all learned is that there's a lot of difference in retail, the difference between malls and essential retail, so the company is the REITS that had tenants like Walgreens or Kroger or things like that, tended to do better than ones that were mall REITS.

So in their investor materials, usually on their website, you should be able to see both where they're investing as well as what their major tenants are and that's an important factor as well.

0:09:07.6 WS: When did you, I guess personally, like when did you learn about REITS and how did you feel comfortable about investing in real estate?

0:09:14.8 DW: I think I started off more investing on the stock market side, and I didn't really learn about REITS to later, and I think that's partly because if you start investing in stocks, you start looking at the top stocks and they have these really big swings and you think like you're kinda get on a rocket ship. Most REITS are... They're not a rocket ship. They are steady good locomotives and REITS over perform the S and P 500 over time, but it takes a long time.

So it took me a while to get invested, get interested in REITS. I came in to real estate the way most people do, like buying a house and looking at it that way, but then in my background, I worked with a lot of real estate agents and brokers, I worked at a couple of brokerages, and that's when I learned that a lot of people were doing a bunch of different ways of investing in real estate investing in commercial, investing in rental investment properties and investing in REITS because they were sort of building out a full portfolio that kind of protected them depending on what happened next.

0:10:13.1 WS: No, it's interesting. I think I need to hear how people learn about something like this, 'cause I hear fear and investors' voices often when they learn about syndication for the first time it's or REITS or whatever. It depends on how you're raised and what you've been

exposed to, I think sometimes, but as far as investors that you all work with, do you all hear investors talk about maybe REITS versus syndication and maybe how they put both of those into their portfolio?

0:10:37.7 DW: Ideally, we want people to feel like they have a really diversified portfolio, and so we do hear people being interested in the syndication, people are always looking for deals, and part of the reason that we developed mobile, our first premium service was because people were looking at crowd funding deals and they weren't really sure about what they were doing at all, it's very interesting, you go on and you see these things.

But you don't really know what you're looking for, and you don't really know who to trust, and so that's kind of where our services evolved, and I think with syndication, that is... that's sort of the most important thing is learning how to evaluate who you're working with.

0:11:16.6 WS: For sure. Yeah, they care. I always say the character of your operator is the number one thing that I would be concerned about. Okay, so thinking through what happened over this past year and just being prepared for any kind of down turn, how do we think through that when we're looking at a REIT?

0:11:32.6 DW: Interesting. A lot of people are saying like, What is a pandemic proof Investment and...

0:11:37.0 WS: Good luck.

0:11:38.0 DW: Right, I feel like you can't ever invest based on the past, I feel history does repeat, but it never repeats the same way, so I look at things that we're always going to need, so housing, for example, we are in a major housing crisis, we are going to need a lot more housing, both multi-family and individual single family, with the things I'm looking at a lot and hearing so much about is build to rent is for single family becoming a huge thing.

So things like that, housing, I've mentioned data centers before industrial is another thing, the

need for warehouse space and logistics centers is just huge growing... That's not going away. So you look at the larger trends. Especially if you're a buy and hold investor, you think, okay, what's happening? We've got these large populations, what are they doing? What stage are they in life and where are they going next?

So I think that's a good way to think about things. You don't wanna make decisions, I think, based on what's happening in the now, and I feel like last year there was a lot of that, and I think that's partly why we saw some of the volatility in the stock market, is that people were making just so many decisions swings over and over based on information in the current moment versus information that is going to last over the long haul.

0:12:57.6 WS: Do you have any predictions, Deidre, just for the real estate market over the next 6 to 12 months?

0:13:02.8 DW: We are in such an odd situation right now on the residential side, it's been... I mean, I've never seen anything like it. I've been studying real estate for decades, and we've had low inventory that is just putting so much pressure on the market. The good news is it's been great for the home builders, and there's a lot of activity in the home building at some point, this market has to break.

And I know that even before the pandemic, people are saying this, we're in this extra innings of this real estate cycle, but at some point there will be a shift here, and I think that that's something we all need to be prepared for, but I think that there will never be a time in which I don't think we're gonna see a slump like we saw the great financial crisis, I don't think we're going to see a huge foreclosure boom. A lot of people have been talking about that, the numbers don't really support that, and also I feel like when you look at what happened then you have so many different players in that space now.

You have the I-buyers like Zillow and Redfin and Open Door, and you have large platforms like invitation homes, buying rental properties, so you've got so many different things happening that you're not gonna see that same cycle again.

0:14:10.0 WS: I meant to ask you earlier and didn't wanna forget what's your preferred asset class to invest with through a REIT or how much control do you have over that? When you're the investor.

0:14:18.8 DW: I'm mostly invested in REITS, I would say that I am probably... Of my entire portfolio, maybe 30% is in real estate, and a lot of that is in REIT.

0:14:28.5 WS: Okay. I mean like, is that strictly multi-family, single family, is that industrial or how much say or control do you have over that?

0:14:35.9 DW: We don't really have say a control on what the individual REIT invest in, but you have say a control over which sectors you choose, so for me, definitely industrial is something that I'm pretty invested in right now, and also multi-family definitely, and a little bit of office too, because I don't believe that the current situation that we're in for office is going to be the future where so much talk about the hybrid workplace... Right?

I feel like we haven't really tested that fully yet, and so I wouldn't be surprised to see some shifting back for people needing more office-based sounds really weird right now, but I think five years from now, we might be in a very different space on how we think about office.

0:15:17.8 WS: Deidre, do you have any daily habits that you are disciplined about that have helped you achieve success?

0:15:22.6 DW: I do wake up and do yoga every day, I also keep an investing journal, and I think that's really important, one of the things that we talk a lot about at the Motley Fool is Taking emotion out of your investing habits, and I think what we see so much of that. So I would say, take your time, make a list, I'm a big list Baker and make pros and cons lists of anything you get invested in, really think about it, don't believe the hype I would get in there and really take your time.

Make your list, make your reasons, keep a good folder of all of those reasons why you invested in something that helps you when things get scary so you can go back and remember why you invested in what you invested in.

0:16:03.6 WS: I think that's great advice. Obviously taking emotions out of it... That's so crucial, right? In an investment like this. But thank you through pros and cons of any investment and writing those things down, I think it's a great tip because when you see them, it helps you to... It's just different, right after you've written it out, especially allows you to come back to it again later, but that can be very, very crucial anyway, that you all are finding a... I guess, what's the best way you all are finding and meeting new investors right now for your all's platform.

0:16:29.5 DW: You mean as far as people getting involved with it?

0:16:32.0 WS: Mm-hmm.

0:16:33.0 DW: I would say what we've certainly learned over the past two years is people have a real interesting opportunity zones, and that's something that we are continuing to try to find, it's very tricky, I think, to find the right investment and have it be in the right place, and that there are a lot of opportunity to zone investments out there because it's a very exciting prospect for people to be able to defer their capital gains and then get the capital gains from in the investment.

But you also have to make sure that the investment itself checks out, and so that's one of the things that our analysts on Millionacres have been really, really looking at, they see so many deals, the dozens of deals, but they only recommend a very, very small amount. So I think that's important for people to understand, and when they're looking at their own syndication too, is that you may have to look at a lot of deals before you find the one that's right. And part of that is a lot of patients too.

And knowing that the right deal is out there, so if it doesn't feel right to you on some level,

honor that in yourself, if there's something... If you feel like maybe the developer doesn't have a big enough track record or you're not entirely sure about the place they're investing in, or their investment thesis, and their rate of return feels a little too good to be true. Be okay with that. Take a look at that. It's always okay to turn down a deal, it's always okay to wait for the next one...

0:17:54.1 WS: For sure. Patience pays off. No doubt about it, we turned down two projects last year that came back to us and we closed them with a 10% discount 'cause we first walked away, so it just paid off right away. A great piece of advice. No doubt about it. What's the number one thing that's contributed to your success?

0:18:10.8 DW: Consistency, just staying with something and being able to write something out when it's difficult, I don't think that anybody really makes consistent money quickly, and in real estate, I think a lot of people are looking for that quick deal, it's like, no, the good body, unfortunately, for people that are impatient is in the waiting. You have to be patient.

0:18:28.9 WS: I love that answer, I had to be patient and consistent, people don't see all that work that you put in, right? Many years before if your business takes off, but how do you like to give back?

0:18:37.7 DW: I'd like to give back. And right now, the biggest thing I'm focused on is affordable housing, I've worked with a couple of different organizations on that, I'm part of Urban Land Institute's housing council. So that's really the area that I'm focused on right now, and figuring out how to support that, whether it's lobbying for affordable housing or things like that, those are really the issues that I'm focused on.

0:18:59.7 WS: Awesome, well Deidre, pleasure to meet you and have you on the show and really just help educate us about REITS and how we should think through maybe having to REIT as part of our portfolio to be better diversified, but tell the listeners how they can get in touch with you and learn more about you and Millionacres.

0:19:14.0 DW: Yeah, so it's millionacres.com, and I also do a podcast, Millionacres Podcast for our interview, a variety of people. That's once a week. And I'm on Twitter at Deidre, D-E-I-D-R-E, So I'm pretty easy to find.

[END OF INTERVIEW]

[OUTRO]

0:19:27.7 ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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