EPISODE 948

[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]

00:00:24.000 --> 00:00:32.000
Whitney Sewell: This is your daily real estate syndication Show. I'm your host Whitney Sewell. Today our guest is Dustin Miles. Thanks for being on the show, Dustin.

00:00:32.000 --> 00:00:34.000
Dustin Miles: Happy to be here.

00:00:34.000 --> 00:01:05.000
WS: Dustin started a candy business at eight years old. That's incredible. His bus driver called him the Candy Man. Today, he has syndicated 11 deals, six of which have gone full cycle. That's a far stretch from the candy business, right? Outside of business, Dustin is on the board of cancer care services, played soccer since he was four, and is an avid runner. He ran one half mile marathon each week for the past 26 weeks earlier this year. He has the goal of running 1/4 in under 60 seconds and 1 mile under 5 minutes. Wow, you are a runner, no doubt about it. But, Dustin welcome to the show. It's interesting you know you were thinking entrepreneurial things even at eight years old. You know, whether it's candy or whatever you were thinking, you know differently probably than many of your peers then. And, it's probably only ground and obviously now you're doing some major things in the real estate business and other areas.

You know, let's talk about a little bit about how you can work from, you know, the Candyman to, you know, to multifamily indicator success story.

00:01:45.000 --> 00:02:37.000

DM: Yeah. You know, so, yeah, I guess I don't know if I was born with it or maybe my dad had a business I don't know if I got it from there but definitely caught the entrepreneurial bug pretty early on. And, you know, between the candy business and then I was, you know, little kid if there was a way to make money I was trying to do it, whether it's mowing lawns or buying and selling baseball cards or through Carnival, that was terrible. But, anyways just kind of put myself out there I guess and then in college I had e-commerce business. So, I went to an engineering school UT Austin hook and horns. And, so I had two backpacks. I had one backpack, was my engineering backpack, and then my other backpack was I didn't…don't know anything about them, but I was selling Pokemon cards around the world at the time. And, I knew I could make money. And so I, you know, was capitalizing on the other opportunity.

00:02:37.000 --> 00:02:45.000

WS: You said you didn't know anything about Pokemon cards which I know, not the first thing either. But, you were doing, you were making money doing it.

00:02:45.000 --> 00:02:59.000

DM: Yeah, yeah, I knew there was money to be made and so I was selling them all across the world. And, so I would, you know, as college kid and my friends would look at me a little weird that half of my apartment was full of Pokemon cards and so it was interesting for sure.

00:03:00.000 --> 00:03:13.000

WS: You were you were seizing the opportunity while it was there, that's for sure. So, you know you had the engineering backpack as well. Maybe you had some other plans with that degree or, you know where you were headed. But, now you're in multifamily real estate. How did you get from that to where you're at now?

00:03:13.000 --> 00:05:34.000

DM: Yeah. So after college, I was flipping houses and did rentals and all that good stuff. And then, I really tried to give the engineering thing, you know, the whole college a try. And out of college, I had an engineering job. And, I had an engineering job for quite a while. And I actually, I went from full time to part time in 2018, so I worked for a large defense contractor. And, you know, is there for a long time and then finally kind of hung it up. Earlier this year, actually. And, you know, kind of my transition was I started syndicating, you know started investing passively almost a decade ago and fortunately the timing was pretty good there as far as pricing and cap rates and all that good stuff. But, you know, got into putting deals together put my first deal together in 2014, and had done 11 of them so I had been kind of slowly building up from there, and yeah so it's been good. I'm happy that I started what I did, you know, I wish obviously, looking back now, I wish I would have bought everything under the sun because, you know, with cap rate compression you really couldn't, couldn't miss. But yeah, that's kind of, you know, the flow, but it was, you know, was really difficult.

You know, it's really difficult to have a full time job, and to do the syndication business. Especially the way I was doing it because right now. Now a lot of people have teams and all that other stuff. You know, when I first started, people didn't partner up. And, you know, that was partnering was not as big of a thing then. And so it was really difficult, you know, I had to wear, you know, all the hats. Underwriting, you know, raising funds just, I mean everything. Yeah, whereas now you'll see teams of, you know, a few people sometimes and they each have their own responsibility so the way this business is really shifted is is pretty interesting and actually I think it's all for the better.

You know, as you mentioned, I grew up playing soccer and I fortunately still able to play today. And so I'm very much a team sport guy. And so this this right now, you know teaming up with people and all that feels very, very comfortable to me and I really enjoy that.

00:05:34.000 --> 00:05:54.000

WS: You mentioned people didn't partner up, you know, back then when you first started in this business. So, what were some of the difficulties that maybe you're working full time, I don't know if you were married then or not, but family, you know. What were a couple things may be that you learn that were unexpected during that time of pushing the business and doing all that?

00:05:55.000 --> 00:08:46.000

DM: Yeah, I mean, I'm divorced now but I had, I was married and have a son and all that. And it was, you know, really, really busy. Just there's a lot going on, you know all the time. And, I mean, challenges were, you know, time and trying to be in three places at one time was difficult. You know I was probably at a networking event. You know, at the time there weren't as many then so which is, which is kind of nice now. I mean, I'm in DFW which is kind of, you know, the mecca of apartment investing, just because there are a few different groups here. But, I mean I could go before Covid, I could go for probably three out of seven days I could be at an apartment investing event that was solely focused on apartment investing. Then it was, it was a few times a month, typically, and, but yeah just really time was, you know, was pretty tight. You know, there weren't as many resources back then, you know. When I first started out, I, it was hard to find people that were in the multifamily game. And I remember, actually, so if I kind of rewind back to 2008 or 9, you know what kind of got me going was I met a guy that that own 22 units, and you know now that's nothing. Now, you go to a conference and people if they don't own a few thousand that's not, you know, cool I guess. But, yeah so I met this guy on 20 units and he heard he purchased them out of state and so for me that is, at the time that was mind boggling. And then I went to, it was, it's lifestyles a month. I went to some of their events and all that and I met different people that own 50, you know, hundred maybe even a few hundred. And then, not too long after that I went to lunch with the guy that owned 10,000 doors. And so, anyways it was it was interesting just that there wasn't as much access to information, the analysis tools was really poor. Then the understanding how my first deal that syndicated was an assumption deal, no one assumed loans. That was thought of, is the worst thing in the world, and no one did it.

And, so there wasn't a lot of information on how to do this and, you know, even though I was plugged into a group I was in some rocks group for a long time, you know, even there and some of the lending resources, people just, they're just wasn't as much information now or then. Now, obviously your podcast and some other podcasts as well and there's lots of YouTube channels. But really just access to information was pretty limited back then and if you were a large group, you probably had a lot more access but kind of the small guy that was, was busy, you know, running around, had a full time job and then trying to do some apartment deals, was definitely challenging.

00:08:46.000 --> 00:09:38.000

WS: No doubt about it, some major challenges there. I've experienced it myself. I didn't start that long ago, I mean 10 years ago doing this. So, you know, there was definitely a lot more opportunity but I would say I relate in a big way to many things you said. One, when you start going to conferences, you start exposing yourself so many other people in the business, you know is when I started meeting people that were buying 100-200 unit properties and only been in the business a year or two,. Like the light went off that "wait a minute, you know what if they can do it I can do it too." Right? You know, and there must be a way. There must be a way, you know, and it's not just after you've been in this business 20 years like I've always told myself, you know, before you can buy an apartment building.

And so, you mentioned that like I think you said like this past year you know you actually went full time and apartments. Is that right? And so, tell me about that thought process and just transitioning from that, you know, so called "secure W-2" to now full time entrepreneur.

00:09:38.000 --> 00:11:06.000

DM: Yeah, I mean I had, you know, had some hurdles along the way. So, you know, I had it built up a decent portfolio and so kinda my, my cash flow, you know, took a hit in 2019. So I had, I had, you know, a decent number of deals and cash flows, was pretty good. So, I was selling the properties. And so, you know which is, which is great. I made money but my cash flow went away. My, you know, consistent cash flow kind of went away. So it was kind of a, you know, since then, been building that back up to, you know. And so 2020 was obviously kind of a slow year but, but yeah it was basically kind of building that back up.

Once I got the cash flow back up, then I felt extremely comfortable kind of stepping out. You know looking back I, you know, probably would have been good to go ahead and just move on but you know, despite the fact that you know I've been in this business for a while and, and there is a certain level of risk, I'm extremely risk averse. And especially financially I mean I, you know, so for me that was, you know, really kind of, that was a big step kind of stepping out. But yeah, it was an interesting transition. It was definitely probably a long time coming, you know a lot so my friends can find me and be like, “Man, you should’ve showed up years ago.” And I probably should have but it, you know, the timing worked out very, very well. And, yeah, so I did.

00:11:06.000 --> 00:11:20.000

WS: Tell me about the mindset shift towards partnerships, you mentioned early on it just wasn't viewed well, you know, in our industry as far as partnerships. But now it's very different, and tell me about how that changed, why that changed and where that's, you know, how that's helped you and your business?

00:11:20.000 --> 00:13:33.000

DM: Yeah, so I think initially, so the first deal that I did, I did partner up on. But again that wasn't like a typical thing, and I, I honestly I partnered up because I, I'm always looking to mitigate risk. And you know, I'm friends with the guy and all that same skinny wolf but I partnered up with him, I want to mitigate my risk. And, I knew he was part of the deal that you know, you had something to lose. That, that you would be, you know, paying attention to it and and all that. So, I did you know, partner up and then actually the after I did my first two deals then I went away from partnering up because honestly I was wanting to leave my job and so when you partner up, you know, your pie gets you know divvied up. And so, so I did a few deals on my own and that was a lot of work and I was very stressful.

And so, I went back to partnering and yeah I really liked the partnering model. And so, some of the, you know, some of the partnering I'd done was basically it was someone that had done their first deals I was kind of, you know, the more experienced person and I’m helping them to get their first deal and all that. And then you know now, today I have, you know, kind of a mainstay. Yeah, I partnered up with different people over the years and so pretty excited to, you know, partnered up with Hayden on a permanent basis and so really excited about that. And just in terms of, you know, teamwork and leverage and things like that, I think a lot of people think that one they either need to start in single family, you know is one thought and then they transition to multifamily or they think they need to start smaller in multifamily, and then kind of build up from there. And what was cool about, you know, my business partner Hayden, was he did single family and all that with his dad in the past but he didn't start it, you know, 25 or 50 or even 100 units, he went from single family to 228 units on his first deal. Now that's not that's not going to be everybody's story but that's just, I think that just illustrates the power of what teamwork can do.

00:13:33.000 --> 00:13:45.000

WS: So powerful, right when you start putting people together and you can stay in your lane and have your focus and things you're really good at it. Tell me about maybe how you're all skillsets are helpful in that partnership. You know, do you have different skill sets or how do you work through things like that?

00:13:45.000 --> 00:15:09.000

DM: Yeah, we yes we do have different skillsets we, you know, as far as morals and just, just how we view life and our goals and all that are similar. But are, you know, we do have different skillsets. So, he has more of a marketing background and he's excellent at that. And then I, you know, I went to engineering school and I like numbers and numbers like me and so I yeah that's just more of, kind of what I brought to the table and, you know, I've done quite a few deals and so you just have a lot of experience. And I've, I've bought deals in different markets and different types of, you know asset classes so kind of bring that as well. And yeah, so that's kinda kind of how we how we work. And then we actually we had a webinar which was interesting. We had a friend of mine and he kind of helps teams and things like that, especially, you know, kind of diagnosing, you know, where people should play in the team and all that. And so we did a webinar, and we both took the disc test and all that and like “oh wow we really are similar.” So, that was kind of a nice reaffirming thing but yeah I'm a, I'm a CS and he's an SC. So, I'm the precisionist and then I can't remember what his label is But anyways, we're just means we're similar in terms of personality and all that.

00:15:09.000 --> 00:15:31.000

WS: You know looking back now, being in the syndication business for a number of years now doing many deals, you know, and thinking through your partnerships and you know you started partner then you said you know what I don't want to split that pie with anyone else. I'm going to do mine, I'm gonna go back to partnerships, you know, and you've grown in that obviously and your business has grown now because of partnerships. What would you have done different, you know, looking back as far as partnerships specifically are concerned.

00:15:31.000 --> 00:16:11.000

DM: Yeah, I would have, you know, partnered up. I think partnering up with, with one, one, you know person or one group, and then just you know as you mentioned earlier just kind of staying in your, in your swim lane and really focusing, I think would have been really helpful. I think that would have been a way for us to scale and all that. I think that, you know, I was in, I was in, you know, some rocks group for a long time and so I think that, especially initially, you know, helped me some.

And so that, you know, that was, you know, a great boost. But yeah, I really think that having a main, mainstay partner and really focusing would have been helpful.

00:16:12.000 --> 00:16:22.000

WS: You know, a few final questions Dustin, you know, especially, I love to hear this from your experience and your attention to detail in the numbers and those things, you know. How do you prepare for downturns?

00:16:22.000 --> 00:19:22.000

DM: Yeah, so we stress test, the deals obviously. Everybody does that and you know, everybody says “oh my underlying conservative blah blah blah.” And, but yeah really the end of the day, we really, really focus on location.

You can put all this buying into property. You can do, you can say you're going to move it from a C to B or B to an A. But at the end of the day you can't change your location, you can't change your schools, you can't change your neighbors, you can't change the submarket, unless you buy the submarket and there's a few groups that have basically bought us a market, you know, back during the recession they did change that submarket but that's few and far between. So, we really, really hone in on that location. And so we're looking at you know, what did this area look like during the recession? What does this look like during Covid? I think, you know, I think Covid, it was a great test, a great stress test for you know what a property is going to look like under under certain conditions. So we're, we're looking at a number of factors. And I invest passively with other people.

But, so what I look at is kind of a worst case scenario, okay what is their T3 income? If they can't do any better than the T3 on the income side, what is that cash flow look like? You're one. And so if I like that number, then I move forward. If I don't, so that's kind of a, you know, something I kind of look at, and then one thing the live people a lot of people throughout the debt service coverage ratio DSCR , “oh this is great.” No, here's all the cash flow but what is all that look like once your IO falls off. And, you know, I've seen some deals where the IO falls off and, and that cash flow looks pretty dismal.

And so we look at that as well. We want to make sure that you know if we do end up holding this you know longer term past that that IO period that we're still in a good spot. But I really believe at the end of the day, and I've seen assets where I've seen multiple management companies manage that same property and that property not succeed. And that's because you can't change the submarket you can't. So, so I we really, really hone in on that submarket we do a tremendous amount of research. So we're buying on the, on the newer end of the, of the spectrum and that's also risk mitigation plan for us we, we don't have to worry about 50 year old pie, 50 year old, you know, chillers and boilers and all that stuff. And that's just another you know risk mitigation.

So yeah, and then at least for the markets that we're looking for, are looking in, whether you buy A, B, or C the cap rates are all off each other so that's also kind of an indication it's like well if my returns relatively the same. I'm gonna go buy new all day long.

00:19:22.000 --> 00:19:33.000

WS: Any other metrics as far as stress testing, like you mentioned or even, you know with you, your experience in passive investing and also underwriting and just that attention to detail, like I mentioned, what about just reserves? How do you look at that?

00:19:33.000 --> 00:20:53.000

DM: Uh, yeah, yeah i want i want to see that, I've been through some deals that were challenging and tougher and personally I'd like to have plenty of cash reserve when I'm doing a deal. And I like to see, you know, the deals that I get involved in, especially when, when, you know, things are the, I guess there's life into the tunnel so to speak on the whole covert thing for the most part around the country right now. But, you know, last summer and fall that was not necessarily the case there was a lot of, you know, what if, what if what if. And so within the deal that we bought in the fall we had, we have quite a few reserves you know. Quite a bit of cash and reserves just in just in case you know things did kind of, you know, not go the way we're planning it to happen but you know because they're in the fall, you had not only was Covid, you know, maybe going to go away. The vaccines were starting to be kind of rolled out but then you also had, you know, the presidential election was what it was and, and there's always kind of fears over oh what's going to happen if it's new president, blah, blah, blah.

So there is a lot of uncertainty and so you know when there's uncertainty and all that, you know, and just in general we want to have, have plenty of cash reserves.

00:20:53.000 --> 00:21:23.000

WS: No doubt about it. You mentioned interesting point a minute ago. You said like you've, you've been in the market long enough. You watch numerous property management companies with the same property and can't seem to bring this property up, right? It can't seem to help it to perform better. I think that's need to think about, right? The location is so important that it's not just the management; it's not just poor management, right? Always, it's sometimes it's just the location. Is there a resource that you have that helps you to see maybe who older management was or anything like that?

00:21:23.000 --> 00:21:56.000

DM: I don't. That would be cool if there was. But no I don't. It was just, yeah just I guess having been in the market for a little bit and you know just, I was part, I was a passive investor in the deal and so I saw multiple people, you know, kind of come through there and the results for, you know, relative. It's not like they were changed out every few months I mean, every management company got at least a year or two in and, and then you know swapped out so I don't have a resource for that but would be that would be very interesting.

00:21:56.000 --> 00:22:08.000

WS: Yeah, no, I just thought it was a neat fact to think about, you know, especially if you if you got experience in a market for a number of years you're just going to start to know those things or see those things over time, right? What about any predictions that you have just for the real estate market over the next six to 12 months?

00:22:08.000 --> 00:24:21.000

DM: Yeah. So, pricing heated up a lot quicker than I thought it was going to this year, you know, basically it at least in Texas, and I can only speak from that perspective. You know, I was expecting to have more of a price break, so we we bought a deal in the fall, I think we got a heck of a deal, and you know we, we were told from brokers that we could turn around just flip it and sell it for, you know, a few million more right now.

So, I was expecting to have that pricing discount at least somewhat for a little bit longer but that is two news. We had some winter storms here in Texas in February as soon as that went away in that February March timeframe, pricing has been on fire. Lots and lots of people, you know if are the, the bids are getting crazy. So, as far as, you know, I'm very bullish. So we look in the Texas triangle, so it's DFW Houston, Austin, San Antonio, and just very bullish on, on the area, and, you know, I don't know if I have any necessarily predictions over the next six to 12 months. I think at least Texas, I think will continue to do well. It'll be interesting to see whether some of the people buying stuff they're really aggressive right now. Whether you know the that ends up you know going well for them or not but I think demands going to remain to be high we're, you know. All three of those metros are can compete with any other Metro in the country as far as population, job grows. So I think everything will just keep, keep rolling. Everything I've read on interest rates is that they're supposed to be low for the next you know three to five years depending upon which you know who you listen to. So, you know, as long as interest rates stay low and there's not too much of, it as long as the markets are liquid and you can obtain financing I think things will continue to flow well.

If for whatever reason that you know the lending does seize up or anything like that that's when you, that's what happened in 2008-2009, when there's no liquidity in the market and that's when you start seeing stuff, take a dive.

00:24:21.000 --> 00:24:24.000
WS: What's your best source for meeting new investors right now?

00:24:24.000 --> 00:24:59.000
DM: Right now, it's online, we have networking every two weeks. You know, some people are a little more aggressive and I'll say aggressive but yeah they're having large meet ups and all that. We haven't done that. We're, we're doing we're going to start doing some small dinners, you know, dozen people or so. We've been doing hiking with investors, just kind of a, you know, fun thing get outside all that. But it's my mainly been online right now and you know, I'm fine with going to network and all that. But, a lot of events are just starting to open up right now in DFW.

00:24:59.000 --> 00:25:03.000
WS: What about just the number one thing that's contributed to your success?

00:25:03.000 --> 00:26:13.000
DM: I would say mindset would be number one and in all kind of give…there are two or three thoughts on that. So, the first thing is you gotta believe you can do it if, you know, why, why is anybody else going to believe in you, if you can't believe in yourself. Two, I am a huge proponent of whatever you're wanting to do in life, whether it's multifamily or, I like to run I

hired a coach. So, I'm a huge believer in hiring coach or going to partner up with people that are doing what you want or can do what you want to do. And so whether it's being able to swim or running or multifamily, I've partnered up and I've hired coaches that's kind of, you know, part, there's only you know there's really only a few recipes for success I think that's one of them. And then the other one is it's the Jim Rome quote of you're the average of the five people you hang around. So, you know, go if you want to do multifamily go hang around multifamily people. If you want to go, you know, be a runner go hang around runners. If you want to be a really good soccer player you're hanging around soccer players, not, it's not rocket science.

00:26:13.000 --> 00:26:14.000
WS: And how do you like to give back?

00:25:14.000 --> 00:27:49.000
DM: I'm on the board of cancer care services, and so they're based in Fort Worth, and, you know, I am looking for other opportunities to give back but that's kind of the main, main one. So we recently formed a partnership with a few apartment complexes, and so cancer care services if people have cancer and they're in need of resources, not only financial but you know, through counseling and just kind of other resources as well. They can be a resource for the tenants. So we just kind of formed a partnership with a few apartment complexes, and turns out. I mean, we wish they didn't need our services, but these complexes do have a few residents that do that are battling cancer and could use the services and so we're excited that that we're able to help out and all that. So we're going to continue kind of rolling that out. More so and more so and so really excited about that and just really excited and grateful that these apartment owners are really receptive to this, it's a, in my opinion, it's a it's a win, win, win all around. It helps the tenants, obviously, it helps the apartment owners because the cancer care is going to, you know, potentially help them get, get more, more there, you know, continue to get their rent payments.

And then it's really it's a win for the community because no one likes evictions. They're terrible. And so it's just, it's a good thing all around. And so we're looking to do more of that looking at partner up more.

00:27:49.000 --> 00:28:20.000

WS: Awesome. Well Dustin, grateful to have you on the show and just personally get to know you a little better, hear more about your story, you know just difficulties of working full time, syndicating deals, working with investors, family all those things. I was doing the same thing. Definitely not easy but you got a push through right until you finally make that shift from W-2 to the full time. And just appreciate you sharing those things, even to stress testing of location, and just numerous things that you shared. How can the listeners get in touch with you and learn more about you?

00:28:20.000 --> 00:28:50.000

DM: Yeah, probably the best way, so you're more than welcome to add me on Instagram. I think Dustin dot Miles. My email is Dustin at momentum multifamily dot com or our website just momentum multifamily dot com. if you follow me on Instagram, you're going to see multifamily; you're going to see working out hiking, and my son. That's it. So…

00:28:50.000

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.

[END]