

EPISODE 960

[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]

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Whitney Sewell : This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today we'll have two guests. It's incredible were they're calling in or zooming in from today but I will let them get in lets discuss this. But it's just mean incredible conversation hearing how they have had gone to this deal, syndicating a deal when they are so far away makes you alleviate your excuses. You know, do away with your excuses, when you're right here locals. That is Michael Barnhart and Suzy Sevier. I hope I'm saying that correctly Suzy. But Suzy and Michael are the founder of Adventures Real Estate Investors.

Suzy is head of Investor Relations and Marketing while Michael is head of acquisitions. Together they specialize in strategically targeting core plus in value added commercial multifamily real estate investment opportunities to offer lucrative returns to their investors. Through the implementations of a business model that provides value to both residence and local community. The most recent acquisition was a value at 88 unit apartment community in Tulsa Oklahoma. Michael, Suzy welcome to the show. First, tell the listeners where you at today, where you live?

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Michael Barnhart: Thank you so much. It's a pleasure on the show, and it actually come full circle. Because like last year, you actually spoke about syndication, multifamily syndication, and we have live Q and A. And you're the one who planted that seed in our mind, "you don't have to

start in single family, you can start with multifamily.” So now it's come full circle on your show it is awesome, but we are calling in from Cambridge, England right now.

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WS: Awesome. Well, I appreciate. Appreciate the kind words I'm glad I could play a part in that. But, you know, get us started a little bit about you know back up a little bit with that story you know, that you just begin with why real estate ,why syndication and how you know let's get to that first deal.

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Susie Sevier: Yeah, absolutely. So everything actually started because of Covid. So for the first lockdown over here, it was a little over 100 days. And during that time, like nobody was working and my phone, I don't have a TV, so we actually started a mini book club and through that mini book club we read, multiple streams of income. And in that book Robert Allen talks about real estate investing and Michael and I just kind of looked at each other like, Okay, this is something we have to do, you know, and because everything went virtual, it gave us a great way to start networking and going to conferences and having those conversations with brokers and having those conversations with like potential team members, and that's really like the root of the beginning.

But I guess even just to like fast forward a bit to get to, like the 88 deal in Tulsa. The biggest part of what we were missing was a boots on the ground. And so, through just posting on social media and letting people know like hey, this is what we need because like that's a big part of the community. One of my gals, old classmates reached out and had said like, Hey, I am interested in real estate investing we should chat. And after that conversation happened and after we found out the market we were like, Oh my gosh. We have our boots on the ground. Like, we are going to be successful, you know, and from there we just started looking at properties and submitting LOIs, because Michael was doing the acquisitions and the broker relations and again because everything was virtual brokers were much more open to having these conversations over the phone or over zoom to get to know us better.

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WS: So I created an opportunity for you all, I mean covid did you. Just the way it was accepted, more so just to meet over zoom as opposed to having to having to be in person. Tell me, are

you are you from England, have you all live in the States, or tell me about you know how long you've been there? A little bit of that.

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MB: Yes, I'm still active duty Air Force.

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WS: Thank you for your service by the way.

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MB: Thanks. We appreciate your service as well. So, yeah, we are in Colorado before coming to England and I was teaching at the Air Force Academy. They want me to continue teaching so to send me to get a PhD. For some reason, now I'm over here getting a PhD and the same time, you know, at once I'm done over here, this is like a three, three and a half year gig and then I'll go back to the academy and continue teaching kind of finish up my military career there. So I have about little around seven years left. And so, after that we're going to you know transition to real estate full time. And then Suzy also.

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SS: Yeah, so I am a program manager over here for a biotech company. But like through real estate investing and seeing like everything that provides like all the great benefits, fingers crossed that I get to go full time in August, so it's very exciting.

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WS: Nice, very nice that is exciting. Tell me a little bit about, because I get this question often you know getting started, you know, being overseas for a while I mean that's a whole other set of limitations, there are hurdles that you all had to cross, but working full time getting to the first deal. Tell me a little bit about how you structured your time? How you know, some key things that you had to put in place to manage your time and maybe time block are structured important things that you had to accomplish getting to that deal?

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SS: Yeah, that's a great question and so one of the biggest things actually is the time difference right so like we are ahead of even like California and such by eight hours. So by the time it was

5pm here I was 9am there. So we still had like five or six o'clock on you know to 10 or 11 to still talk to people and go to those networking events and get so much done.

So that was the biggest, I think, like grace that allowed us to move forward and I mean we're very much morning people so like we would take advantage of the mornings to get work done and then take advantage of after work just to catch everybody to also get work done. But something that we also implement very well is time blocking. We just found that like when we find times to talk to people or go to networking events or write blog articles and such that that has really helped as well.

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WS: Is there a tip around time blocking you can add you know that's that. I mean it's a it's a skill that you develop right and it's a habit you have to almost create, and it's difficult at first to be that structured with your time that's so important. Any tips around making that happen?

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MB: I think the biggest thing is, you just have to be disciplined with your time. Like your time is the most valuable resource and people tend to waste that more than anything. And so, you just have to realize that is it is your most valuable asset that you have to give. And you have to be very disciplined and very diligent at like time blocking things right and then also prioritizing certain things are very other things.

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SS: And I think another just tip I guess there's two is that to actually give yourself the correct amount of time that is needed. So although you might put like oh I only need a half hour to write this blog article, like there you actually might need an hour. So put in that hour so that your time is allocated for. Yes, so you get it done in like 45-50 minutes, like, that's just awesome that you have an extra 10 minutes, maybe like put something else in right away. And then another thing is figuring out, like when your green zone is and what I mean by that is like when you are at like the peak of your creativity so if that's in the morning, then I would try to time block some of your most prioritized times at the morning you know if that's in the afternoon, do it there but that's just one of the most creativity will flow.

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WS: That's a great tip right there. Well, and I love the green zone I love that terminology term for it because I found that also I love morning time being up early. I've always thought also being an Eastern Time is a plus, because I'm ahead of the West Coast, you know, I bet you all are much further ahead. But, you know, let's dive into getting to that first deal you, you knew you had to have boots on the ground, you reached out on social media. So you're putting yourself out there right you're going to these events, you find an old school made I think you said that that reached out said hey you know I'm looking to get into real estate as well. And then the markets worked out, tell me some other things that had to happen to get to that deal.

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MB: I think the biggest thing that had to happen was just finding a mentor for us like it says it was my, you know, our first acquisition multifamily acquisition like we want to make sure that it was right, especially since we're raising so much money from our investors and make sure that all the numbers are correct and things like that, especially for the market.

The biggest thing that, that, you know, the driver behind our success was probably finding a mentor, that was in the specific market in this specific sub markets that we were looking at and he had assets in that area right. It was just an organic mentor that we found just through networking and things like that, like, Suzy was mentioning we networked a bunch because everything went virtual and ran across this this gentleman. And, and I just kind of kept in touch with them kind of developed a relationship, and then ask them, Hey, what do I look at your monitor right and can we meet like once a week, and chat. Look, I'm underwriting you know look at the assets I'm looking at. You've seen them all because you're also looking in the same area right. So let me know what you think. He was looking for limit bigger deals, you know, 150 plus. We're in the range of, you know, 75 to 125. And so, you know, we were not in direct competition so he was more than happy to help out however he could and then, you know, in return he would come on the general partnership team and that's kind of how he would make his money back if you will.

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WS: Wow, okay. So tell me, what were a couple things about him, or that that said okay this guy could be a mentor for us and he said he's in the same markets he's doing larger deals those things but anything else that said you know what this is a good fit. And then also, was there any kind of commitment from your side financially or time or work or anything like that?

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MB: So I think, you know, the other thing after just chatting with him back and forth via emails and chatting on zoom and stuff like that like I knew he was somebody that I aspire to be just like I know like this is several years ahead of me. I want to be exactly where he's at. So I think, you know, aligning yourself with somebody if you don't, if you don't see your yourself and your mentor shares in the next X number of years, then that's not the right mentor for you. Right. I think that's key as well and then making sure that you not only do you aspire to be like them how they are how successful they are in real estate but also how they carry themselves, and how also they portray themselves to everybody else right like you have to make sure that those other values fall in line as well. So I think that's huge.

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WS: That's, that's, that's such good advice right there and thinking about who that mentor is. I don't think most people see it that way, that you know and think about it you know I want to be where this person is, and even to the point you know how they represent themselves I find that so important as well.

I often tell a story about how when I was a police officer, you know, I knew that, how shiny my buttons work could save my life. And that seems silly to most people but you know like professional criminals know to look for those things for slouchy officers, right in, or, you know, officers that aren't squared away I call it so. But you know, in our business, I find investors brokers, all those people are the same you know it's saying, Well, how are you presenting yourself and so finding that mentor that presents themselves the way you want to is very important.

What was your commitment and you know I've given \$1 amount or anything but I just mean, how did you commit it was a financially was at my work or was it just by him partnering with you?

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MB: So I tried to add value back to him however, I could, whether that was, you know, finding someone's website to fix or like hey providing value. However, I could you know wherever I thought I saw an opportunity to add value back to him, I would. But he didn't require any monetary contribution or anything like that. He just has given up his time he you know he saw

the big picture, you know, you know when he was in my shoes, he had a mentor to look up to and now he's doing the same looking, looking back, as he still climbing up right. So, looking back and helping me up, as he's still looking for. So, that was huge, and like I said he would come on, as a member of the general partnership team, and then get equity in the deal and that's kind of how he would he would end up getting, you know paid back for his time if you will.

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WS: No, that's awesome. That's, that's a great partnership there. Tell me, steps to getting that first deal or how did you find it?

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MB: So we found it. Just by networking with, with a bunch of brokers, we actually this one broker in particular, we had submitted allies with him, previously he knew the team that we had built, he actually did a couple transactions with my mentor in two other deals. And so he knew that, you know, we have a strong team we can close on an asset. And so when we submit an ally on this specific property he knew that we were strong buyers, and he represented us well to the seller or to the seller.

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WS: So he knew you were a strong buyer because of really your relationship with your mentor is that what it was?

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MB: That's correct. And also I provided you know, an entire cover letter that had all of our bios, what we've done previously professionally, and all the real estate we've owned combined, right? And then also submitted that whole package together, so we knew he knew that not only can we close but we're also professional in and representing ourselves that way,

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SS: And even a big thing about the cover letter is that we wrote that like what lender we had been in contact with what property manager we were going to go with you know and that's huge too because they could see like oh they've already done like the background work they're not going to go into this LOI scrambling to get all those other, I guess people to be become a part of our team.

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WS: Love that right there, another great tip, you're showing them you've done your due diligence, right? You've shown them you've built your team, not only just a mentor that person already knew, which was. It's such a great thing, but then also you have your, you've spoken to your lender you spoken to these people that's going to, it's going to require speaking to them to get the deal done but you've already done it. So congratulations there, tell me some challenges from being overseas, you know to get this deal closed.

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SS: I don't know if these are challenges necessarily of being overseas I mean I guess one big one was that when like our lender wanted paperwork at 5pm and it was like midnight for us so I guess that was a challenge because some nights, it was like okay do we stay up late because we know the lender is going to reach out? Or do we just like wake up in the morning and do it all? But I think actually one of our biggest challenges was not knowing how much paper work actually goes into the lender. So like us being over here I just kept coming and it kept coming, and it kept coming but at that time. Like I said, like the time difference really does not matter it's like, well, that's really cool that you're five hours ahead of the East Coast, but we're going to have to do this together. You know, and so I guess like innocence, the time difference is really helpful, except for when it comes to your lender paperwork because they want it really fast.

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WS: Anything around the deal, I guess, give us a little more details about the business plan, you know just how long you plan to hold this, what is the plan for this this deal?

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MB: So, this deal. So this is a stabilized asset when we purchased it. So, we're able to get agency debt on it so we got to Freddie Mac small balance loan on that. Which is great, you now, having an agency experience from the first deal, basically, and 88 units. So a majority of the units are these one ones. So, one bedroom and one bath. And, 48 of the 88 makeup this this unit type. With that, we are going to be actually adding washer and dryer connections, and then actually adding stackable washer dryers each one. And we were able to achieve an \$85 rent premium because of that. The two ones, the two bedrooms, also had the connections, however, majority units didn't actually have washer dryers and people who typically live in apartment communities, especially in two bedroom apartments. Don't, aren't typically carrying around you

know washer and dryers with them so we're actually going to add washing and drying into those units and be able to achieve around a \$50 rent increase that,

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WS: How did you all raise some money? How much do you have to raise?

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SS: Yeah, the raise was \$1.75 million. And how we raised that was that we brought somebody else on to help with due diligence and capital raising. But, one of the biggest things was that we found out that our friends and family we're not going to be the people who were like part of our capital raising. So, what we did was literally network and it felt like it was 24 /7 we were having, like 20 to 25 investor calls a week, because we knew that we had to have that ongoing in order to be able to ask people right? Because especially with it being our first one like you actually have no idea if people will want to like take that leap with you. But in the end they definitely did and that was great.

But, yeah, it was just networking, a lot we probably had like 600 calls and like three or four months. So we were definitely like trying to go above and beyond to just make sure that our name was out there and that people knew who we were and a big thing about that too was like consistency right so like showing up at meet ups, showing up at conferences, and like reaching out to the people we had talked to like hey it's really great to see you, you know, just to be like in the back of their mind at all times.

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WS: Nice. You know, I want to ask a couple questions about that, but, yes, you never know, you know, the first deal even the second deal sometimes like are we going to be able to raise some money. Is it going to come in and say you know until you've done a few deals and so you can gain some confidence have a better understanding of your investor base, but you mentioned having 25 investor calls a week, and 600 calls in four months, that's, I mean that's a high level of calls I feel like it for most experienced investors, or you know, syndicators and much, much less somebody that's getting their first deal. Tell me about how you generated that number of investor calls? I know that's what the listener right now thinking that "wait a minute, you know, how can I do that?"

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SS: Yeah, so our little secret was that, like, when we attended virtual conferences you know some people would make a spreadsheet and be like, “Hey, this is my name, this is my LinkedIn, this is how I'm active in the space this is how you can get ahold of me.” And what we were noticing was that people actually weren't reaching out so we started reaching out to everyone. And then, also during meet ups right like we would screenshot the picture and then follow up on LinkedIn. It's just that follow up that people really need and so that's how we got all the calls we just made sure that in every space that we were in if we saw a new person we were like, Hello Let's be friends.

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WS: Cool. So you we're looking for people. I just want to hear like things like that because you all were like going out there making it happen. You know, I mean you were doing things like that anything else that helped you to nurture those relationships. So you would reach out where you all doing that yourself or did you have a virtual assistant helping you?

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MB: We read it, we are doing it ourselves. We just recently hired some VAs but now we're kind of setting up the back end of the business where we have lead magnets that kind of help drive those and nurture those customers as they come in as potential investors.

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SS: Yeah, and even just for us and like the first time because there are so many different responses right because we would ask like hey what are your investing goals for the year what markets are you interested in, like, a VA would not really know how to respond to that so that was just something that we thought we should definitely take control of.

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MB: Yeah, just like I say it's kind of like our queen bee role, if you will, like that is the number one thing in real estate syndication it's like the business is raising money, right, and so we knew that that was our number one priority that's number one goal is to get investors on board with us.

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WS: So, we're getting to this point knowing what you know now is there anything you would have done differently?

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SS: I think it's just asking deeper questions. And so just to explain that you know like you could take it in any space of life like it, asking the lender on first like how much time do you think you'll need for me how much paperwork is actually required right? Because again we went in not knowing that, like asking your partners even that you bring on because so many times you get the question like, well, how much money do you think you can raise? And you get a response, but after that nobody asks, like, well, why do you think that right like have you been in constant communication with them like, what are you doing to actually know that that's the amount you can raise.

I think a big one to even as like asking somebody else's why or like what drives them, because then you can see like well the partnership apps, actually work, right? Because if somebody has like a complete different thought process and Michael and I have but like we all want to have real see at the end I could definitely create a conflict so I definitely think just asking deeper questions which we have gotten much better right now.

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WS: Yeah, so that's so important questions are key to getting answers right? How do you all and maybe you know you can give an example this specific deal, how do you all prepare for a downturn?

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MB: So, the biggest thing for us was the number. So, several different things. So I look for three things and underwriting deals. Number one is that it's cash flow from day one. Number two, we're looking for deals that about 40 to 50% of the returns actually come from cash flow. So we're not banking too much on the upside. And number three, looking for stabilize assets, we can get long term low rate financing.

And so for this specific deal the way that we protected our investors from a downturn, was we got a five year hybrid loan. So what that means is if for five years it's fixed. And then for 15 years is floating, so as a 20 year total loan. So it's five years to a fixed period. And then after

that, you're just floating, how's it going to increase it can only increase 1% per year for the cap up to 5%. So, that allowed us to really preserve our investors capital so even though a business plan on this was five to seven years, you know, if we reach you know your 6, 7, 8, 9 and it doesn't make sense to sell yet because it's not in the best interest of our investors we can actually hold on to that asset for as long as we need up to 20 years right? And in that 20th year period, there's going to be you know the markets going to turn around at some point right. Looking at the past data for sure. I think that's the biggest way that we protect your ambitions capital in this specific deal.

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

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MB: That's good. So I just saw that Freddie and Mac is reduced or their interest rates again after they came up. Last month, and now they're, they're heading back down. So I think, you know that I think they increase because of the potential, you know with the stimulus to \$1.9 trillion. But I think there's a tsunami of liquidity that's coming. I'm not really sure you know how that tsunami is going to be receptive on side. As far as interest rate goes but I would i would predict in the next 12 months interest rates will probably be same if not lower than they are now.

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WS: What about any daily habits that you all have that you're disciplined about that has helped you achieve success?

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SS: I think our whole entire like day is a daily habit. But you know like we wake up, like at the same time every day, we read and then we journal, and then we meditate, you know, then we go into like working out. So I mean, again, I guess the habit is time blocking because we've made enough time and we put all of that in our planner right? Like, we write down when we're going to wake up rewrite down when we're going to read we write down one more journaling and meditating. And so just seeing that whole entire day be filled with like the stuff that we need to do to be successful, that's really what has helped us be successful.

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MB: Yeah, I think discipline comes into a lot, you know, like if you're not disciplined enough to wake up every single day at the same time and get the same things done every single day that you need to get done, and time block that time off, like how are you going to be disciplined enough to run a multimillion dollar company right?

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WS: That's a good kick in the pants right there you know, you're not disciplined enough to get out of the bed, how are you going to be disciplined enough to run a multimillion dollar business. I like that. What's your best source for meeting new investors right now?

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SS: Definitely meet ups and conferences, but our next newest best sources that we're going to launch a podcast and it will have been launched when this airs so definitely go check that out. It's the adventures of a real estate investor.

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WS: Nice, very nice. I tell me about the number one thing that's contributed to your success.

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MB: Everything going virtual because of Covid. That's a silver lining because of Covid and I think that's, that's the number one thing that contributed to our success for sure.

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WS: How do you like to give back?

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SS: So right now, just because of all the Covid restrictions in place, we are doing a lot of virtual mentoring, but definitely before this we were on site like volunteering through with different organizations and charities. And so, once all of that starts again we'll go back to that but definitely just mentoring people along the way, if anybody ever reached out to us like have that initial conversation at the beginning, we always take that, like zoom call just because we remember that we were those people as one time at one time as well.

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WS: I meant to ask you also you're attending these meet ups. How are you finding the meetups that you want to attend?

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SS: Like meetup.com, I mean I feel like I'm like a shark for these things so I'm looking at meetup.com I'm putting in real estate investing I'm putting in like passive investing you know I'm trying to find those keywords on what would be on meet up. Because I like met these people you also find events on Facebook, you'll find events on LinkedIn. So it's just searching every avenue that you had and like thinking about the keywords that people would put in into like the meet up name to find it that way.

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WS: Nice well, Michael, Suzy, it's been an absolute pleasure to meet you both and thank you for your kind words as well it's great that you heard me speak a year ago and it's just amazing to see where you're at now, you know, and thankful I could play just a teeny little part in that somewhere. But just congratulations to your hard work, right, there's no doubt that it takes dedication the time blocking, the due diligence, the discipline to get there. And most people I think underestimate that in a big way. Some people end up getting frustrated or quit you know, getting out of the bed, you know every day like you talked about but you have to be motivated and as motivated as Michael and Suzy, congratulations again. And tell the listeners where they how they can get in touch with you and learn more about you?

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MB: Yeah, thanks for asking Whitney. So, actually, because during our last deal, we kind of Susan I thoroughly documented each step that we took know from pre submission all the way through closing and take over. And, you know, you know we still have that information down into a checklist, and we want to share that checklist with your listeners now and so if they want to head over to adventurousrei.com/checklist they can download that checklist for free there.

[END OF INTERVIEW]

[OUTRO]

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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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