

**EPISODE 993**

[INTRODUCTION]

**00:00:00.0 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.

**00:00:24.000**

**Whitney Sewell:** This is your daily real estate syndication show. We are introducing a new segment called The Real Estate Syndication Show Highlights, where we're bringing you a look back at episodes focused on a specific topic that we believe added a lot of value to you in your syndication journey.

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[INTERVIEW 1]

**00:00:24.000**

**Whitney Sewell:** Our guest is Zach Haptonstall. Thanks for being on the show, Zach.

**00:00:52.000**

**Zach Haptonstall:** Hey, Whitney, thanks for having me on. I really appreciate it. It's an honor.

**00:00:55.000**

**WS:** Zach, wait it a minute, five deals under contract right now, and all these off-market, give us some tips about how you've done that, right. And I think that would be... Like everybody listening, right? I was like, Wait a minute, how have you done that? How have you gotten that in that many assets under contract right now?

**0:01:14.9**

**ZH:** Yeah, it's a good question. A part of it, and I'll talk to this as a second part of this answer is spacing it out, so if I forget when you're mind me, it's kind of space since we have long escrow and we've strategically been able to space these, but as far as the broker interaction... So I'm constantly trying to have some interaction with brokers every week.

Okay, so even if there's a deal that I know we don't wanna go pursue, I know it's a crappy deal or it's not a good area, whatever, I will... I haven't seen that broker in a while, or I have never met them, I'll reach out to him and say, hey, can I go to this deal with you and I'll review the offering memorandum. I'll have some high-level knowledge of it, and when we're going through the tour, I'm gonna show that broker respect by acting interested.

Okay, so I'm gonna go in there and I'm gonna be asking questions, I'm gonna be taking notes, taking pictures, and I may even ask hypothetical questions that I would know the answer to in order to demonstrate that I've looked into it. And these are all things that you can do to build rapport with the broker, because brokers are busy, they don't want people to waste their time in general, but you can't think that way because they wanna generate tours for their selves.

So you need to constantly be cranking tours and asking intelligent questions, and then tell a little bit about yourself, and then at the end of the tour, I'll always try to break into them and try to say, okay, what are the terms? What does it take to win this deal, etcetera, so that they get an idea of who you are, where's your equity coming from, what's your criteria. And you can constantly stay in front of them, and then within a couple of days, just give that broker feedback, they're used to hearing no, and I think so many people are afraid of...

'Cause I always terrifying when I started reaching out to brokers and then calling them and saying, I don't wanna pursue this deal because you feel done or you feel like you don't belong, but you can't think that way, the broker just wanna have feedback, so they know that you're not wasting their time. So, I mean, that's a big thing, is just constantly reaching out to the brokers and staying in front of them.

And I think a big part of it just being humble, being respectful and being responsive, 'cause you've been surprised how many of our competitors that I know... I know a lot of these buyers and sellers, and they're just rude or they have egos with the broker, and it's crazy because to me, the brokers are the goal that represents your deal flow, and so... Yeah, I think it's really standing in front of

the brokers, and when you get to do in our contract is performing be an over-communicator.

They understand that there's issues that come up, you say, hey, this happened, I'm gonna have to exercise my 30-day extension, I'm telling you earlier rather than when we get close to closing, just all those little things really build up and they build trust and credibility because these brokers are not... They're not big bad people, like they can be perceived to be, they're just... a lot of them are defensive because they're constantly getting burned, and it's a tough business to be in, so if you can be transparent and honest with them and you perform and close deals, that's the key, Whitney, is that then it's closing deal with them. Get in credibility, and then it's staying in front of them, staying relevant because then they trust you and then be given you deal flow, which is what we've been able to do.

**0:03:59.2**

**WS:** Nice. Is there an example where it was a new broker, you met them for the first time and you were able to close a deal off market? I mean, you reach any of these with the first time relationship?

**0:04:08.2**

**ZH:** Yeah, we closed the deal in September. And this kind of speaks to what you're doing with you with the thought leadership and just getting exposure... I don't have a podcast, but what we were doing is we were doing a meet-up in 2019, we did it, and we were actually renting a conference room from one of the brokers, one of the larger brokers buildings. Okay, so we would have our meet-up there, and I was small to none deal, they didn't take me seriously.

But I would see the brokers, I've got this particular brokerage when we're doing our meet-up, and they would hear about me, I interact with them every now and then... And so they knew what we were doing and they start to see you buy their deals, well then in September, I try... This was in last summer, we close in September, sure enough, this broker brings me an off-market deal, and we had never worked on a deal together, but he kind of heard of us, he had seen me be interacted, and so any way you can get exposure, whether it's through podcasts, or videos, or going to networking events.

It just gets your name out there. And you never know what happens. So that's an example, we're never gonna deal with them and they brought us on off market too.

**0:05:06.7**

**WS:** Nice. Well, I just think that's an often misconception as well, right? Well, we've never done a deal together, they're never gonna bring me an off-market deal, if that's why I just wondered, and a lot of us has heard many of those things before, but we still don't do them, right? We don't think about, are you reaching out every week and even though I like tip about going on that property tour, even though you think it's not a deal that you're interested in, and maybe you already know enough about the market or the deal that you say, You know what?

It's just not for me. I would say if you do it enough, there may even be a time where you think, Oh, you know what, I was wrong about this deal, we are interested, you know as well.

**0:05:38.9**

**ZH:** That's true... You changed your mind. Yeah, when you look deeper into it...

**0:05:40.3**

**WS:** Yeah, so you want me to remind you about spacing it out...

**0:05:43.5**

**ZH:** Yeah, yeah, thanks Whitney, thanks... So, one thing is, is like we've been able to space these out just kind of by chance, so we are not a money raising machine by any means, okay? And so we need to be spacing these things out to doing one raise a month at the most, and so we were fortunate that we've been able to get 60 day escrows with a 30-day extension on most of these, and a couple of them, the seller wants to do at 10-31...

Okay, so they build in at least two 30-day extensions, one of them has two 45-day extensions that either buyer or seller can exercise, we negotiate that in the contract, and they're probably thinking, we wanna close sooner rather than later, and they're saying, Well, we wanna have these extensions available in case you wanna do a 1031 exchange. Well, what we do is we kind of flip it on them and we say, okay, we know that these guys could extend this thing out to a 120 day escrow.

Four months or whatever, and so for timing purposes, we're gonna just exercise both those extensions and we go under contract and bring it out there so that we know we're closing in June, and now we have two months where we can fill other deals. Okay, so if I get a deal, it's a 60-day Escrow. We're gonna syndicate that one now go out to our investors this month and close that 60

days from now, and then we'll worry about the next one next month.

So we've been able to space these things out through extensions and just through chance, where we're just going on to our investors once a month, raise the money close and then rinse and repeat and go through it. And so that's helped a lot. And I think part of that too is just communication with the broker and being honest with them and saying, Listen, I got these other deals in our contract, is it okay if... Are they okay with a June closing or You know what, May closing, you know... And that's helped a lot. And so that's been part of it too.

[INTERVIEW 2]

**00:07:26.000**

**Whitney Sewell:** Our guest is Chris Solerno. Thanks for being on the show, Cris.

**00:07:30.000**

**Chris Solerno:** Thanks Whitney so much for having me.

**00:07:31.0**

**WS:** Let's jump into that off-market deal, tell us about that, tell us even how you... Why did they bring it to you? And you... Did you... You already have this relationship with this broker, way before I assume to you give us some little details there so the listener can also find those off-market deals.

**0:07:45.4**

**CS:** Yeah, very much so. If you've heard me on podcasts or heard me on the first episode, I've been on with Whitney, my background, I used to be a residential broker, and I always stress on that if you follow me, you'll hear me stress on it, that's how I build great relationships with brokers... is we have that connection. I've never met a broker, unless they own the whole brokerage, that they wanna be a broker for the rest of their life.

They normally wanna get into the ownership and create their own company, so we see eye to eye and we were able to build that very strong connection, as I used to be a broker, I kind of understand the transaction from the brokerage side and they understand that and see that, so that relationship... I've built great relationships with the brokers here in the Carolinas, and that one was built over time, and when we were talking about deals throughout the Greenville, South

Carolina market multiple times.

And then that's when he brought me this deal saying, this is a seller that he knows that his reputation was not as good as I thought it was after and in the middle of the transaction, but he brought it to us and this seller owned around 30 properties and he wanted to sell because he hit his time to exit. I also found out during the transaction process is he had a crowdfunding platform that brought equity to the deal, and he was around six months behind on giving them back the equity.

So he was really eager to sell, and so that just made it sweeter for us. That deal was a 506 C. We were able to purchase it around 30 to 35,000 per door, less than the market at the moment, so... Yeah, so it was all through broker relationships.

**0:09:20.0**

**WS:** Nice, I just can't stress that enough. I pretty much almost all of our deals have come through those types of relationships on market, off-market, mostly off, but because of the time spent in building that relationship, give us some details about the deal and obviously give us some timelines too, because everybody's familiar with the pandemic that happened and let's get in some of the difficulties in ways you overcame...

**0:09:41.3**

**CS:** Yeah, so we went under PSA at the beginning of October. And so that was a very exciting time because one month we had Thanksgiving after that, Christmas, New Years. And so, it was 144 units in Greenville, Carolina, 506 C. So, it was only open to accredited investors, it's about an hour and 40 minutes west of Charlotte, so it's right there on 85, so it's a nice drive in the middle of Charlotte in Atlanta, and I went out, took a look at the asset we had due diligence process, all that.

Some of the big things that popped up through the due diligence process was collections, the great thing is, is we underwrote very conservatively for that... And that's what was another attractive piece about this asset is the collection, and I knew the seller owned his own property management company, which he was not aggressive enough, and they were very laid back and relaxed.

Which it can be good things on both angles, if you see it, we saw it from an angle, if we can get a professional property manager in place who's aggressive to change things around very quickly, which we did, and we knew the first three to four months are going to be poised for a lot of hands-on with the property management team and with the on-site team. From there, we were rolling into Thanksgiving and definitely the election as well.

Thanksgiving the election, New Years, we actually close this deal, December 29th, we had a handful of investors that just invested mainly for the tax benefits, so we were adamant to work with Freddie, Freddie really put us through the ringer with pushing back the closing, but we were able to close on the 29th, but we did have a handful of investors that really wanted to see how the election was going to pan out, they wanted to see who was going to be the next president of the United States.

How would that affect the market and their thoughts. So for the first couple of weeks raising capital, it was very quiet, because when we just kept getting about the election and we had those trusted investors who really doesn't even look at the election, they don't even focus on it... That is committed, but those that really had a major presence in the politic world, they were hesitant to, but after we got through the election, we had those investors that felt confident.

They did fully commit their soft commitment, and we were able to fully raise close to 7 million dollars through the election, covid and the holidays, which was very challenging. I would not lie to you. Very challenging. A lot of those hurdles. But we were able to accomplish it.

**0:12:10.1**

**WS:** Yeah, let's jump in there just a little bit, I wanted to back up to... You said the collection side of the deal, it was attractive... What do you mean by that?

**0:12:16.3**

**CS:** It was attractive because we were buying at such low rate, around 30 to 35,000 per unit below, and we knew that the collections were a slight, a bit of an issue and we underwrote for that, and what was attractive about it is that we knew going in with our property manager that we would be able to turn things around very, very quickly. And so once we acquired the property, we actually do another full unit walk-through, once we acquire each asset to share, the seller didn't lie or mislead us on anything.

And in this reason the seller did mislead us, there were actually 18 units vacant compared to eight that when we first did our walk-through prior to closing, which was fine because we underwrote for that, so that wasn't something that I was freaking out about because we have that in our underwriting, but with those individuals who were behind on collections, we were able to move them out very quickly, because we came in with a very strong presence that where we need business.

We're not gonna sit here and walk around, we're not gonna sit here and let you not pay, we're gonna go ahead and push you to pay, we're gonna push you to find a local assistance, and in the state of South Carolina, you were able to evict... So we started that eviction process. And when we did that, a lot of people moved out. Well, what happened? Well, the rents were already substantially below market, so just on the classic units, we were achieving 125 dollar rent premiums with the light renovated units.

Our property manager feels that we're gonna be able to achieve another 125 on top of that 125 for classic units. So, we really wanted them to get out so we can get those grit premiums early on, because that's going to make sure we're above or performance on year one, so that's why it looked so attractive to us for that particular asset.

**0:14:05.1**

**WS:** Wow, no, that's awesome. It's great you could evict as well for those that are not paying so many states. Still can't, you mentioned during that time, obviously, holidays are always a thing, that's like me, Should we really go out... This deal right now, it's like, Thanksgiving is next week, or Christmas is next week, all those things. Should we really go out on it, 'cause investors minds or they're thinking about traveling or think about seeing family and always... They always wonder.

And so you all did, and you said you mentioned the first couple of weeks were quiet and they could be quiet often during holidays anyway, but much less during a pandemic and the election, the way that was going at that time, I mean just the unknowns all together I just had a lot of people on edge and still are, especially at that time, walks some of the capital raising struggles, 'cause that's starting to get a little tense, you've... You've been at it a couple of weeks. It's quiet and we see lot...



I don't know how many millions you had at that time, but the left to raise, and then what were you doing to get that capital in?

**0:15:09.1**

**CS:** It was really going deep with the relationships that I've had, and in first, I have a TV right here behind my two screens, because I like to look at the market, I like to find out what's going on, I know this is going out later, but today the feds are talking to the house and the Congress about what's going on in the market. So, I like to be well educated on them because it helps having those conversations with investors, especially during a time of a historical presidential election where people were very hesitant and wanted to see what the outcome was.

So, I may try educated myself on what was going on in the politic world, and then that helped me tremendously going deep with those conversations with our trusted investors to help educate them that say, if Biden does get him. Do you plan to not invest for the next four years, do you plan to just sit on the sideline and then just go back to them and show them how resilient multi-family was, and thankfully, Greenville South Carolina was ranked the number one place to move during Covid.

So that helped tremendously when speaking to investors, but it helped educate them deeper on multi-family, why I got into multi-family, why it's so strong, why we're going to see and be poised for a very strong recovery and the market itself of Greenville being ranked so highly... And then at that time, we had multiple articles come out of BMW mission and Greenville city proposing hundreds of millions, even a billion dollar renovation and expansion to their businesses, so that helped tremendously, and I just circle that back around to just help educating those investors deeper with the property with the location and our business strategy help tremendously for us to fully successfully raise close to seven million.

[END OF INTERVIEW]

**00:17:01.0**

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lifebridgecapital.com/podcast and click the feedback button. Let us know how we can add value to you. Thank you and talk to you tomorrow.

[OUTRO]

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