

EPISODE 1062

[INTRODUCTION]

[00:00:00] 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]

[0:00:01.6] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Denise Piazza. She is a founding partner of Main Line Capital Advisors. She's been investing in real estate for close to 10 years in a variety of real estate asset classes as both active and passive investing, so her experience with multiple asset classes led to her passion for investing in multi-family and educating professionals on the benefits of diversifying their portfolio with assets that provide strong predictable returns, Denise and her partner also run a monthly real estate investing Meetup group in Wayne, Pennsylvania. So Denise goes into detail, just going from LP to GP or passive to active, which is why many folks want to do as she outlines how she picked a mentor or why that was important to her, and actually a different twist on a mentor than I've heard most people say, which seemed to make a lot of sense, but I encourage you to listen to that, but also just accelerating the path from passive to active and raising capital for her first multi-family deal, also how she communicates with investors some challenges she had from a bag and she just provided a ton of value in getting that first deal done and raising money and working with investors.

[0:01:38.1] WS: I hope you enjoy the show. Denise, welcome to the show. I'm excited about this conversation, you're very shared, you're a big listener, and I'm grateful, but I want to jump and say you've had lots of success in raising capital and those relationships with investors that I know many of the listeners are gonna take a ton of value from this interview today and learning from how you've been successful, but give us a little your background before we jump into that and maybe a few things that were helpful and being successful very quickly in this business.

[0:02:06.2] DP: Sure, thank you so much for having me. With me, I really appreciate it. My background is that I started working with real estate about 20 years ago, while I was employed with

the CPA firm. I had a lot of exposure to accounting and tax for various real estate businesses and folks who invested in real estate, so I got a lot of good exposure from that position, but then after a few years, I went to go work for a few large Fortune 100 companies, doing some accounting and finance work in those organizations, and luckily for me, the company that I worked for was growing very quickly, I had to swim in many different lanes in my position and just had the opportunity to work on millions of dollars of acquisitions, capital projects, joint ventures, valuations, other large transactions, and then I'd say about 10 years ago, amidst all that chaos in my career, my husband and I, we started investing in real estate, we've invested both actively and passively across multiple asset classes, single family, commercial retail space, office space type net leases, and then ultimately multi-family, and then all of this in addition to our more traditional investments as well, and so through these experiences, I think we really developed our passion for multi-family investing, being CPAs, we love the tax benefits in competes on to some of the more traditional investments that we had, and then not too long ago, I decided to pursue being more active in the multi-family space, given all of my experience and how passionate I was about the benefits of folks diversifying, researching different markets and underwriting deals, and happy to report that we're now under contract, does it to GP on a 400 unit property within just a short period of time to deciding to become general partners in addition to being limited partners on our deals.

[0:04:03.6] WS: Awesome, well, I wanna talk a little bit about your path from LP to GP in a moment, but I wanna back up some because you've had early success raising money and working with investors, and again, I know that we can all benefit from... Did you have any kind of mentors, anybody that helped you through that process and learning this business and growing to the point you're at now?

[0:04:22.7] DP: Yes, I would say one of the most important aspects that accelerated my success in playing a role in as a co-GP is my mentorship, so before I decided to make the transition from passive active, I actually interviewed six different mentorship programs, trying to get to know the folks who run the program, and then also try to find people who were within the program for me, a lot of folks talk about when you form partnerships in this business and you're working with team members, make sure you find people with complementary skill sets... I would actually take that one step further with me, and I would say Make sure that when you're finding the right mentor when you're entering the space, try to find someone whose greatest strengths are complementary skills to what you have to offer, so where I focus my mentorship program is with individuals whose greatest attributes are in construction and asset management, because given my background, those are just areas that I didn't have as much experience in myself, and so I wanted to make it a

point to learn from their experience, so... Yeah, so that was my very big contributor to my success.

[0:05:39.1] WS: Interesting, I don't know that I've heard many people say that if anyone... Now I can find your mentor with complementary skill sets, that's a neat dynamic to think about, Hey, that's where my weaknesses are, why don't I find this mentor that's an expert in that part of the business to help you in that area? It's incredible, and you interview six different mentors and numerous people in those programs, I think it's great due diligence. I did the same thing many years ago, I've had numerous mentors for different things, right, at first it's like, Oh, did I really spend this money on a mentor? I do, I really wanna do this. And many years ago, I was seeing so much money for my wife and I to contemplate giving to someone, but I couldn't imagine it any other way. Now, hey, let's beat this process up and let's get somebody on our side that's been there and done that gives you so much confidence. That is awesome. And what about us move into that first deal, or actually, let's go back a little bit though, and talk about the path from LP to GP, and then let's go into the first deal, so why go from investing passively to becoming a part of the general partnership or active side. Why do that?

[0:06:38.6] DP: Well, I think it was so my experience and passively investing, it started with me becoming extremely passionate about the underwriting aspect associated with deals, so with my background being a CPA and my husband being a CPA, and by the way, we do always joke that if anyone has any problems, falling asleep at night. They can please feel free to call us and we'll tell you all about our day, so both of us being very financial oriented, that's just similar to a lot of LPs, they go and they focus directly on the returns and the metrics, the projections, and so I have valuation experience in my background, I have financial models in my background, so I try to do a lot more due diligence when investing with different syndicators. I always made it a point to not invest with someone until I had the opportunity to review their model and review some of the more key assumptions associated with those deals, and then I just became so passionate about it that I ended up... Even though I had the background in financial models, there's obviously some more nuances when it comes multifamily investing that I wanted to understand, so I got really focused.

[0:07:53.2] DP: I've read several different books about the syndication process and then about financial models and different assumptions when investing in commercial real estate, and then I even went so far as to find a one-on-one mentor that would walk through underwriting with this with me, just so that first of all, it was someone in the industry that I had a lot of respect for and working with them, and then also so that when I did eventually make that transition and become a general partner, the most important thing to me is protecting other people's money and so I think you really

have to understand how to underwrite deals, so that whole interest in underwriting and interest in the financial aspect of deals is really what triggered it for me and thought, I wanna do this and I wanna do it the right way.

[0:08:42.8] WS: That's incredible. You need to mentor. Right, and it's ETO to like you're in your husband's background as a CPA when you all are gonna be all in the numbers, right, and you're gonna understand that you're probably gonna have more understanding than most just coming into the business, or it's gonna become easier maybe because of all the work you already do and just numbers and financial planning and thinking through strategy and things like that, it's a great place in the business for you to shine, but already because of your background, and so there's no doubt they can see why you would dive into that section of the business and be passionate about it. Is there any ways that anything that's helped you accelerate that transition from passive to active... Anything that's helped.

[0:09:22.8] DP: Sure, first of all, I'd say just my passive investing experience across multiple different asset classes and taking the time to develop my passion for multifamily, so I've now invested in close to 1200 doors as a limited partner, I use those experience to figure it out what I liked and what I didn't like about working with different operators, I also use the experience to learn best habits in terms of communications with investors and experience in different markets and diversifying myself, as I said, I had that experience with financial models through my corporate roles, but in understanding the nuances to multi-family assets, I really made that one of my main goals in deciding to make that transition, and I think that really helped accelerate that transition, another step that I took, as I mentioned as well, is really finding the right mentor, one that if at all possible, you can find that has complementary skill sets to yours, and that's their greatest strength and greatest attribute that they can bring to your background. And then I also went with a mentor with not quite as large of a group, so I've been able to make some incredible connections with folks in that team and try to lead with my value-add to wherever they are in their process and wherever their experience takes them, I know can do what I can do to help contribute to their success as well, and then truthfully, I would say the main thing that has contributed to accelerating my role as a co-GP would be my discipline and my sacrifice, so being an active operator for multifamily deals, as you know, is a lot of work, you have to be extremely disciplined in your approach and effectively using your time, so I like to think this is an area that I excel in just because of the example that my parents had set for me growing up in qualities that they instilled in me, and then the last, the fourth piece I would say is really just network. Network, until you're so exhausted that you can't network anymore. It's so critical because it opens up so many doors through networking with other

individuals, I host a monthly real estate investing meet-up, I attend conferences, I am constantly reaching out to other syndicators, and as you know, there's so many folks in this space that are incredibly generous with wanting to share their experiences, so it really provides a great opportunity for you to learn from other people's experiences.

[0:12:00.2] WS: Those are some great tips. No doubt about it. And like you just said to you, there's so many people in this industry, I've been so generous with me as well over many years and just shared in a mastermind and talking about different things that we've learned, and it's just great, it's a great industry. And you have to put yourself out there, keep networking, right? To meet those people like you're talking about and make those connections is so crucial to moving forward, and especially accelerating like You... Dale's talk about that first multi-family deal a little bit, and raising capital for that first deal, often times people are scared to death of raising money for that first deal, and just how you have no credibility and nobody knows you are all those things. How did you do that?

[0:12:41.7] DP: Well, I would say personally, I like to think that, especially with the first write, even though most folks are intimidated, that's the area that I was most excited for, because I feel I would invest or I won't be a part of any deal until I feel great about the underwriting, the team, and the market, and so that's where I sort of hear my focus in trying to raise capital, is I explain to folks my experience and passively investing in the three areas that I would vet prior to investing in a deal, and how important each of those aspects are, so that's allowed me just having that passive investing experience, it's allowed me to really sharpen those skill sets and to be able to empathize with folks that I've been in the same situation several times across several different classes that they're in, and able to walk them through each of those scenarios. And then another aspect that I think allowed me to do so well with the first capital rate that I did is just the transparency that I have with all of my investors, I talk about what I've done in the past, where I'd like to go with my role as a GP on the deal, and then also explain to them, Make sure you always explain to folks the risks that you perceive to be associated with the deal, not just why they should invest in it, but also be very transparent as to any risks that you see and what your team is doing to mitigate those risks, and I think that really goes a long way with people because they're already thinking about 20 different risks and you might bring up a risk that they hadn't considered.

[0:14:22.3] DP: But again, I think it's all about being transparent and making sure that you can pivot your discussions and your ability to walk them through the deal, depending on their level of experience as well. So when it comes to new investors, I like to think initially, when I started

investing, I didn't have much background or have the time to invest in learning all of the nuances, so I walk them through it, I'm happy to walk them through investor presentations, waterfalls, anything that they might be intimidated to ask questions about in a larger group, and then for the more seasoned investors, I like to think that I can anticipate many other questions, and I'm intimately familiar with the underwriting, and I think being intimately familiar with the underwriting, the market and the team, and feeling good about it. It just comes through when you're talking through your first deal.

[0:15:17.2] WS: Great advice, great advice, just big transparent, be transparent with your investors, it says a lot about yourself, they can sense really if you're being very transparent or not, especially you talk about... Explain the risks, and I think that's important, but you also said which something everybody should be ready to do, but tell them what you're doing to mitigate those risks as well, to be prepared, obviously, if you share risk with them, what do you think they're gonna ask... Which I would ask as well. Right, and so you wanna be ready to share with them... Yeah, these are the risks. I said, why, we're still willing to pursue this deal, even though these risks exist, and this is we're doing to mitigate this risk. For sure. And so how did you have the confidence to move into that first deal... I know you had a mentor, I'm sure you were educating yourself, anything else that helped you to move towards that project?

[0:16:01.5] DP: Again, I think that the years of experience that other co-GPs have on this deal, the market that we were in, and again, just leaning on and explaining to folks how my mentor, prior to my experience in acting as a co-GP, just like many other passive investors, focus on the financial metrics, and my mentors have been so incredible in helping me to realize the importance of the team and just the operations and the post-acquisition process, and I felt more comfortable in this deal that... In any deal that I've invested in in the past, because of that team that I get to work with, so I think that really helped build my confidence and know that I was making the decision, not only for myself, but for my investors, and I wanna bring my investors along with me on all of my future deals, obviously, but I would like for them to refer other investors, so I think focusing on that excellence in customer service, and then also, just as I said, being extremely confident in the team that you get to work with and their previous success and ability to operate assets complements, as I said, the skills that I already bring to the deal.

[0:17:23.2] WS: What would you say has been your biggest challenge? Going from LP to GP.

0:17:27.3 DP: I would say the two biggest challenges I'm sure experienced early on is one, just the

barriers to entry in this industry. So I think how I've accomplished overcoming that is to finding the right mentor, as I mentioned, one, with a strength that complement your skill set, and then the other biggest challenge, I would say, is finding a good deal... So we all know how red hot this market has been, but I will not invest with someone who does a deal just to do a deal, it's okay not to grow as quickly, because when it comes down to it, this business and this industry is all about reputation, so protecting your reputation is the most important aspect of this business, and it makes it even more important not to do a deal just to do a deal and make sure that you're diligent in finding good deals and the right deal.

[0:18:24.0] WS: For sure. Patience is key. No doubt about it. What about, is there anything you would have done differently? Just knowing what you know now.

[0:18:31.4] DP: I would say that I would start networking with brokers right away because it takes a lot of time to build up those relationships and get extremely creative, and how you network with brokers, how you communicate with them. Don't be afraid to stand out and make yourself memorable and do what it takes to do so, and then the other piece I would say is, do not wait for the right deal to start capital raising. Start talking to folks. As I said, I was investing passively through the whole time that I invested passively, even before I made the decision to become active, I talk to every one of my network about my experiences and investing passively, so they knew what I was doing. They knew that I was excited about the process and the returns that I saw, so I would say, Make sure you're talking to folks about what you're doing, get the word out and do not wait until you get the perfect deal to start capital raising.

[0:19:32.1] WS: Since you are into underwriting as well and passionate about that, how do you prepare for a potential downturn?

[0:19:37.3] DP: I would say everyone in this industry talks a lot about conservative underwriting, and so I like to think that I've looked at several different models, several different types of deals in my experience, and making sure that you're not banking on appreciation, I would say invest for cash flow and do so in the right markets with the right assets, be cognizant of the risks associated with various... THET structuring. And so that's how I like to think that we are preparing for, if anything were to happen with the market, we're investing for cash flow, we do value add deals, so we have the concept of force appreciation and then natural appreciation, and we're getting the force depreciation through the types of deals that we are focusing in on.

[0:20:33.3] WS: What's your best source for meeting new investors right now?

[0:20:35.9] DP: Okay, so one of my best sources for meeting new investors, and I would take it further to say creative ideas for new investors is listening to podcasts, as I mentioned to you prior to us starting the interview. I'm a religious listener, I think your show has so much value-add content, and so one of my most creative ideas came from listening to one of your episodes and just thinking through the fact that... My network is a lot of other CPAs I know of several different folks in this industry, and so working with your CPA to see if they're aware of anyone who would be interested in these types of investments, obviously they know their clients that they're issuing K-1s every year annually. So focus in on your CPAs that you have a trusting relationship with. One of the suggestions that I had heard from one of your opposites as well was with the CPA firms that you have work to develop those relationships and then offer to pay for the postage on their K-1s so that you can provide some information on your company and especially, as I mentioned, you know that the folks that they are dealing with are already invested in real estate and looking for good opportunities, so that's one of the most creative ways of finding new investors, and then another area I would say is Meetup.

[0:22:06.8] DP: So as soon as I went active, I started a Meetup. We do both live and virtual events, and that's been a great way for me to meet no investors, meet other syndicators, other folks in the commercial real estate space, and I would say don't be afraid to talk about yourself and your experiences at your meet-up, get the word out about your company and what you're doing. In one of my future meet-ups in the next few months, I'll be talking about my experience as a co-GP on this deal, so don't be afraid to put yourself out there and tell folks about your experiences, even if you're the one hosting the meet-up.

[0:22:44.8] WS: I remember the episode where someone suggested paying for the postage... Do you remember who that was? I can't remember who it is though, do you remember...

[0:22:52.2] DP: Yeah, you know what I meant to look up the show number before joining, but it was great, there was that tip, and then there was a great tip about... In doing my first deal, I think one of the most frustrating pieces of it was the time between you have the accepted LOI, and then the time between when you actually have everything under contract and you have the investor presentation and the webinar, and you're good to go. So you're trying to get the word out that you have a great deal coming, so another great tip from that very same episode was to put together a great teaser for folks that tells them what you have going on and why it's a great deal, and invest in

putting together that great teaser and best time energy focus and putting together that teaser, 'cause that's gonna help you accelerate your capital commitments again, and that's a very frustrating time between when you actually have the deal under contract, but you know you've got an accepted LOI and everybody in the industry is raising capital during that time, but you don't have a lot of information that you can actually share with your investors.

[0:23:57.4] DP: Yeah.

[0:23:57.7] WS: We will try to look at show up, have it in the show notes 'cause... Yeah, I agree, that was a very neat to were about our time, but I wanted to ask you as a CPA, how would you feel somebody approached you about that offering to pay for postage to get low advertising or something?

[0:24:10.6] DP: So to be honest with you, my husband is a partner, a tax partner, and I approached him actually, but no, I was seizing him, I would say you have to just have the right level of trust. I would start the process by explaining who you are, what you do, how you prepare a US, how you prepare for your downturn should anything happen in the market and talk about your experience, talk about the deals that you've done with your CPA firm that you're pursuing, so that again, you're being transparent and that you're gonna take the time and develop that level of trust with them that would allow you to do so, and if that were the case for me... I mean, I would move forward only because I know a lot of folks know they should be investing in real estate and are looking for great deals, it's just a matter of... Just like everything else, it's just a matter of time and finding the right information, the right deal, and finding the right people to invest with...

[0:25:09.2] WS: No, that's awesome, I appreciate you just talking into the... Speaking into that is from your background as well, what about the number one thing that's contributed to your success?

[0:25:16.5] DP: I would say the number one thing that's contributed to my success is my hustle, I think that once I get to the point where I say that I'm going to do something, there is literally nothing that can slow me down or stop me, and so I think that hustle comes from my discipline and being able to be hyper-focused on things that I am incredibly passionate about, and real estate investing being obviously the number one area, so I would say my hustle.

[0:25:47.1] WS: And how do you like to give back?

[0:25:48.7] DP: So with our real estate business, I've known for the last several years that I wanted to build a business around real estate, but I wanted to do so in a way that I could be incredibly proud of supporting other organizations that I feel passionate about, and so we are working with a few organizations right now to donate a portion of our proceeds from our investments with these organizations, many of which their mission is to raise funds and awareness for some very rare childhood diseases with unbelievably 0% survival rate, some childhood cancer organizations. And so I'm working with them right now by pledging financial commitments to them, and then ultimately as my success continues in this industry, I'd like to be able to volunteer more of my time with them and help them raise awareness and raise funds, but until I get to that point, I'm using my business to help pledge my financial commitment to them until I have more time to be able to donate to volunteering.

[0:26:54.5] WS: Denise, it's been a pleasure to have you on the show and get to know you and just the value you provided to the listeners and myself, I'm very grateful from selecting the right mentor, how you move fast from passive to active and just raising money for the first deal which can be so stressful that how you approach that and just the communication through transparency with your investors, and then just some challenges as well from LP to GP. And just thank you again for your time and tell the listeners how they can get in touch with you and reach out to you...

[0:27:23.3] DP: Sure, they can reach me. Our website is www.mlcapitaladvisors.com or you can email me at any time and schedule time with me, my email address is DPiazza@MainLineCapadvisors.com. And hopefully, you could put that in the show notes, Whitney, because I know... That's certainly a mouthful. So thank you and thank you again. Thank you so much for having me on the show. It's been a pleasure.

[0:27:52.4] 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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