

EPISODE 1064

[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.

0:00:24.4 Whitney Sewell

This is your daily real estate syndication show. I'm your host Whitney Sewell. You know all of us are beginners at some point of our real estate journey. And if you're just starting out, then this Highlight's episode is just for you.

[INTERVIEW 1]

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Whitney Sewell: Our guest, you've probably heard of him before. If not, you should have. His name is Mark Kenney. Thanks for being on the show, Mark.

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Mark Kenney: Whitney, a pleasure to be on the show for sure.

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WS: Most will say they wish they had started bigger and changed that mindset. What's the biggest hurdle there and how do you help people get around that?

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MK: So, we started small and I didn't know what syndication was. I bought my first deal about

26 years ago and didn't know what syndication was at all. And reality is when people start saying, "oh, my gosh. A 100 units," they need to realize that they're not doing that on their own. I mean, you can, but most people can't starting out. If someone looks at it and says, "It's 100 doors. How do I possibly do that?" Reality is well, you partner with somebody that's done it before, but you have to add value. We talked to people on a regular basis and people say, "hey, I listen to podcast. Great. I read books and go to events." But there's nothing like doing a deal. People, they think they know more than they know and I'm not trying to be mean about it, but I use the example of boxing, UFC, things like that. If someone reads a book on a fight for two years of reading books and someone else is in the ring fighting for two years, I'm pretty confident I know what's going to happen if they both get in the ring together. Reality is totally different. They're taking to the extreme.

So, getting in and doing a deal, everyone met – in our group has done deals like, "man, there was more to that than I thought." Even though they're educated upfront and things like that, but things come up. But other people will say, "well, I've read a lot. I've done all stuff and I have a lot of time." Again, time in my mind is useless, because if you don't have something of value – most people don't want to spend time just because you have time with – you have to give something back to somebody and you need to go through the effort and skill set. It's something that you have to develop.

But reality is you don't have to go through every single step on your own. You need to find maybe that one thing that you're naturally born with, or if you have capital, that's a pretty easy way to get involved in a deal, but a lot of people don't. But there are a lot of other ways to get involved in deals for people that don't have capital.

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WS: Let's discuss a few of those things. I know it's a big topic and most people, if they're trying to get into this business, I would say a large portion of them and you can correct me if I'm wrong, don't have the capital, don't have a \$100,000 that they can invest in one of these deals, to contribute in that way. Let's lay out a few ways that somebody can really take some actionable steps, or figure out some way that they can seriously add value to somebody that

will take them under their wing.

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MK: Yeah. I mean, there are multiple ways to get involved. If you look at it and say “well, if someone has money, it's easy. They can put earnest money down for somebody, or they can sign the loan for a net worth or liquidity. If someone has no money to really get started, then they can still do other things, like they could raise capital. And some people that freaks them out, I was petrified of doing it originally. I really was. Didn't want to do it. Didn't really ask my dad for money. I think twice my entire life, like I'd be asking them for money. Didn't want to ask other people for money.

You have to shift your mind a little bit and say, “well, you're not really trying to get money from somebody.” You really are providing an opportunity. In most cases, people don't even know they can do it. Now some people won't invest no matter what, other people – you might talk to them for two years before they invest and some people might invest pretty much right away. It's going to vary, but you can't take it personally because at the end of the day, you're providing an opportunity better than almost any other opportunity out there that they're investing in today and they can make a decision to do that or not.

So, one, get really good at raising capital from other people. The other one is analyzing deals. If someone comes to us and they'll say, “well, yeah, I'm an engineer, I'm accountant, or whatever maybe.” Generally speaking, people that are like that, IT professionals, they're going to be good at analyzing deals. It's a balance. Sometimes they're too conservative, frankly. In reality, you don't know what to buy, right? You need someone actually to hone in on that and say, “okay, well here are some things you need to look at.” You can get really good at analyzing deals. You're not going to get really good at analyzing deals by doing five or 10 deals, analyzing them. You're going to have to analyze a lot of deals to be good at it. And it's not just the mechanical piece of it.

You need to know what to look for. That's where the trick comes and what looks out of whack. Even as a passive investor, you should understand those things; what makes a deal on paper

look good or not? So, you could raise capital, you can analyze deals and you can find deals. Finding deals is trickier. Now people say, "oh, I get emails for deals and stuff like that." I mean, yeah, you can get anyone's email list, all the big brokerage firms and get deals every single day sent to me. But I'm not going to waste my time on those. So, I'd much rather build those relationships.

If you're new, brokers typically, they're not going to promote you to a seller and the seller is not going to want to sell to you if you have no experience. We've sold properties, right? There's no way I would ever sell a property to a first-time buyer. I just wouldn't do it. I would actually accept a lower offer on a deal to get somebody that's credible. So building those relationships.

Now if you don't have those relationships, you need to leverage somebody else's track record. People in our group, we call our – it's a family syndication group, which you can provide value in all these different ways; half a dozen ways you can get involved in a deal. You don't have to do it all on your own. Or they can leverage our track record, they get our broker contacts, they can call them, tell them they're working with us. And if it's an area that we're not familiar with, we have brokers locally that will make introductions to brokers in other states.

So, we're in five states now, or multiple locations, sub-markets. People say, "well, I'm a hustler. I just go call brokers and stuff like that. Or I'm going to go to the seller directly." Yeah, you can do all those things, but I'll be talking to those same people a year later and they don't want to have a deal. It's just reality.

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WS: Yeah. You've seen it time and time again now, catching all these people that you understand that better than most for sure. But gaining that track – like you're talking about, as a seller, you're not going to spend that time with somebody that's never had a deal before. And so, I think understanding that has somebody that's getting started, you have no track record. How are ways that you get past that? We're figuring out ways that we can add value to somebody and how does that come into gaining that track record so we can get started?

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MK: Yeah. I mean, the easiest is to partner up with somebody that has a track record and you can use this statement. You have partners and I, which is true. Partners and I own X number of doors. We're in multiple states, etc. We did like 20 deals last year and we're going to probably do about the same this year. So that gets the broker's attention. If you say, "well, I'm just going to do it on my own. I'm not going to part with anybody." Then I got to say, "good luck." I'm not saying it's impossible. It is possible. You're going to want to target brokers in a firm that are new. My opinion, don't go to the guys that have been around. Don't go to the biggest guy in the firm. He might be nice to you. There's no way he's going to give you a deal.

You need to go to the 25-year-old that's eager, just starting out. And they're going to drum up business and you build that relationship with them. The guy's been around the brokerage firm, he's staying with us. We are going to Atlanta. There's a couple firms there that reach out to us, or one of the few people that reach out to know about market deals. And those big guys, they can do that. They have the deals. They can trade there, sell, and are never listed. They go to three or four people that they know can close deals, "what do you think?" That's how a deal gets closed. I'd say, work with the eager young guy in the firm and you might have an easier time getting a deal that way. Some of the bigger guys won't even respond to you, as far as email or phone calls or things like that.

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WS: Wow. Great information, and starting with that eager broker that's new as well and maybe he doesn't have all the connections to all these experienced buyers yet.

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MK: Look at the pictures too and some of the things and not to be whoever, but look for the young guy and that's going to be your best bet if you don't have a track record.

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WS: Okay. Maybe we're not ready to have that conversation yet or call that broker, or – but maybe we're looking for somebody that we can still add this value to that already has that track

record like we were talking about. How would you advise going about that, Mark?

Finding that person and really showing that you can add value, because even a lot of experienced syndicators, obviously are very busy, right? Calendar is very full. It's hard to take that hour or 30-minute call maybe with somebody to figure out okay, is this somebody that has some skills or what's their desires? Is it going to be a good fit? All those things. How do they find that person? What's your take on that?

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MK: Yeah. It's hard to do it remotely. It's possible, but I mean, I think social media and some of the other say bigger pockets, something like that are great. But at the end of the day, you're probably going to have to get off your butt and go somewhere, because it's just that connection face to face. I mean, you know Dan Hanford. I love the guy. His remote conference is phenomenal. But at the end of the day, it still doesn't give you that face to face directly, but it's an awesome conference. I highly recommend it. I really do.

So, you might have to go to a meet-up, you might have to go on a plane and go to a two-day event, spend your entire weekend at events and really – it's like when you're hiring for a job, right? You see a resume and things like that. Well, if you meet somebody in person and you connect with them, in some cases it's not just connecting on the business side. Maybe you have some other connection. We've adopted. You adopted, right?

When we had breakfast that time, that was a connection that we had in my mind, because it was something unique that we both had done. I have people that will call me and literally say, “well, I'm a twin too. I called you, because you're a – I have an identical twin brother. You went to Michigan State University.” Literally, people like, “I never would have called you if you didn't go there.” So, getting those connection points, not all business.

People are like, “well, you know, this is someone I might actually give more of a chance to.” When somebody you just call and someone email and it happens all the time, “hey, I listen to all these podcasts, I read books. I can be good at analyzing deals and I want to partner with

you and things like that.” Like you said, we just don't have time for that. I mean, wish we did, but we don't.

We have a coaching program. That's different. Some people look at it as an investment and they get their investment back. Other people look at it like, “I don't want to pay for that,” and that's fine. I mean, it's really a choice people have to make. But at the end of the day, if you look at most people that have been successful, we hire coaches. We just hired a coach today, frankly, a new business coach. So, we've hired coaches in the past and you pay a lot of money for that. I look at it and go, it's an investment and I think that investment is going to pay off 10 times when I'm paying, but it's still a big investment.”

[INTERVIEW 2]

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WS: Our guest is Gary Lipsky. Thanks for being on the show, Gary.

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Gary Lipsky: Thanks for having me. I'm a big fan of the show.

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WS: You moved into full-time real estate, tell us a little bit about that real estate journey and we know you've invested passively in quite a few deals. How did you know that it was going to be syndication that you wanted to jump into as opposed to house flipping or even buying duplexes or something like that as opposed to trying to go to larger commercial space?

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GL: Investing in real estate is like chasing a squirrel. There are so many ways to invest in real estate. I didn't know I wanted to invest in syndication from the beginning. Do I want to invest in a duplex? I was constantly looking. I'm a scale guy and I like building teams and you're buying a duplex or a quad, it's more of a mom and pop. I wanted to run a legitimate real estate business and the best way to do that was through syndication and partnering with others.

When you got that scale, you can have more partners and you're sharing resources. That's what I liked about it. Probably about a few months into my real estate journey, I focused on that. That included going on tons of meetups, conferences, reading books, constantly educating myself on all the different avenues and focusing on the syndication path.

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WS: I talked to somebody else. They had to do flipping first or they had to do that, they had to graduate to get into something like an apartment. Before syndication, you see those big apartment buildings and you think, "Who could buy one of those?" Maybe I'll be there many years from now. It's neat to learn about syndication and figuring out, "There are ways to make this happen." It's what you said by being able to partner and scaling that way. You had a background of building teams.

Tell us a little bit about the first team that you built to get your syndication business started, maybe the first business partner or what that looked like?

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GL: It's constantly building bigger and bigger, whether its equity partners or people with more experience than me or access to capital. I'm constantly always looking to build that team and doing that at conferences and meetups and stuff like that. Doing local meetups, you start seeing the same people and talking to them. Where do they need to go? What do I need? Seeing how we can help each other. That's how I found my partner in this syndication business, Kyle Mitchell, by consistently going to the meetup, talking about deals, visiting properties together, and talking to brokers. He knew some brokers that I didn't and I knew brokers that he didn't. We kept sharing our resources and then it kept growing from there. We didn't necessarily set out to be partners, but it evolved that way because we were putting the time in together.

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WS: How would you say investing in many other passive deals or deals passively prepared you for being a syndicator?

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GL: Deal flow and seeing how they're underwriting, reversion cap, how are they looking at a market? I would save every investment offer I got and say, "I like that. How did they do that? I like how they did that and kept building that file." The first bunch I got, I didn't know what I was doing, but the more I see, the more knowledge I gained. If I start seeing 10 to 30 in the same area, I can start comparing it. That's when the learning curve really shot up. It was good to get that deal flow because in the beginning, I didn't have the deal flow to compare and that helped create a good base for me when I started doing my own deals to know what people are offering, why and how they put it together.

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WS: What was the hardest part of getting that specific deal to the closing table?

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GL: It was raising money. Once we get over the hump of getting something under contract, it's raising money. As new to syndication, you've got to build up that base. There are a lot of people that trust me based on my business successes, but getting them to put up money for the first time. I had tons of people that said I'm going to invest with you the second time, the third time, the fourth time. That first time though is you're stepping out of your comfort zone, and you're asking people to believe in you. It was an experience.

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WS: Was there a secret to how you got it done or anything that was a big learning moment to how you got past that?

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GL: I never pushed anyone. I shared the opportunity and I felt when we talked through the deal, they felt confident in it. I'm looking for lifelong relationships with people. It was being patient and I don't care if they invest with me on this deal, the second deal or the third deal, but down the road they're going to trust me because I'm producing good returns hopefully. I'm doing

what I'm saying I'm doing. Under promising and over delivering, that's my philosophy.

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WS: In your opinion, what are a couple of things that are very important for a syndicator to have a successful business?

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GL: It's organization. You're dealing with investors and you're dealing with the property management company. On the legal end, there are many things you've got to check. You've got to be organized. If you're not organized it eventually will catch up to you. Organization is key.

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WS: Is there a way that you stay organized other than Google Drive or maybe some tips that you have?

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GL: When I get a property under contract, I'll create a timeline so that I make sure I hit every deadline. I use Excel a lot. Excel is a great tool. That then can be uploaded to Google Drive as well. That's my key thing. I'll track everything there, investors who I've talked to, everything that needs to be done and the workflow as well because I want to jump on that stuff right from the beginning too. The more prepared I am, the more organized I am, the better off my properties are going to be and my investors are going to be.

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