

EPISODE 1111

[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.

00:00:24.000

Whitney Sewell: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today, your co-host is David Robinson. David is a client of mine and he is doing big things in the real estate syndication industry. I know you are going to enjoy today's show.

[INTERVIEW]

00:00:39.0

David Robinson: This is your daily real estate syndication show. I'm your host, David Robinson. Today, our guest is Melanie McDaniel. Melanie, welcome to the show. I appreciate you coming on.

0:00:49.7

Melanie McDaniel: Yeah, thank you so much. Happy to be here.

0:00:51.4

DR: So Melanie is a girl on fire for her goal. She founded Freestyle Capital Group and Freestyle fund, and hopes to build the fortunes of 99 households through appreciating assets. Now, Melanie, very, very brief bio, there's more to that story. So, why don't we start off, if you can just give us a little bit of background on yourself, and then we can talk a little bit about how

you've been able to find clarity in your life and in your business that has led to success in the real estate syndication world.

0:01:20.4

MM: Yeah, for sure. So I was raised in the normal American household, right. Go to school, get good grades, go to college, get a job. I did something a little bit different. I threw the military in there because when I was 17, I was over High School and I graduated a year early, actually just to get out in the world, I had this burning desire to travel. That's part of who I am, I love to travel. So I joined the Navy because I felt like I had my best chance of traveling in the Navy, so I did four years there, my first duty station was Italy, so that was a good call on my part to Navy, and then I was getting out of the Navy, I still didn't know what I wanted to do with my life. But I wanted to go to school. So I started listing, what did I love to do? I figured I, as a young person, I was smart enough to realize if I'm gonna have a job for the rest of my life, I might as well enjoy it, so first thing is studying. So when I was making my list of things I love to do, travel was the first thing, and actually that was my whole list of travel, so I studied tourism.

0:02:19.5

DR: That's great. Perfect, right?

0:02:20.5

MM: Hospitality and travel. So I did that, I got my bachelor's degree and then at a base around in different jobs, 'cause I had to work in a hotel and then I'm bartender, and then I ended up in Waikiki on a tourist submarine. Did that for a bit, but I was just getting antsy as far as I didn't like the corporate ladder that I was about to climb. And at the time, my dad's wife was a park ranger for the National Park Service, and I had visited during college, Rocky Mountain where she worked and thought, I could do that for a while, I figured it out. So I ended up in the park service, which turned out to be a very long experience. I was in for nine years, I ended up in law enforcement. Nine years in law enforcement.

And then in 2015, I read Rich Dad, Poor Dad, the purple book, the book that changed so many people whose lives I am no different. I read that book and I was pissed. "Why didn't anybody

tell me about this?" And I was so mindset trained to be the person who got a job and have a pension and work and live within your means, and that was my future.

That was as good as it was going to get. Until I read that book, I realized there's so much more out there, and I learned about myself. I'm an entrepreneur, I am not a great employee, I was very unfulfilled as a Park Ranger, some people think it's the dream job. Well, it is the dream job, it is a job. Even the dreams become jobs, right? Maybe so, it took me two years from 2015 to 2017 to one, grasp the idea of leaving this federal job, the security, this thing in my whole life, I've been taught to chase. Yeah, two years of mind feed, listening to motivational speeches, books. Of course, real estate was what I got out of Rich Dad, Poor Dad was the vehicle that was going to get me there, I did the Rich Dad, Poor Dad coaching through a training program. It was very expensive, so that was all on a credit card, but in 2017, regardless of the \$30,000 in debt, I decided to jump. And it was the scariest thing I've ever done in my life. So I left the federal career, I moved to Virginia just simply 'cause the guy I was dating at the time got orders and he moved, so I'm like, "Well, that gives me a really clean slate." Right? New job. New everything. Why not just strip my whole life and start over again or press the reset button. Complete reset.

So, the plan was always to be an agent, real estate as the stepping stone. So, that's what I chose to do as a stepping stone. I had all of this knowledge that I learned from the Rich Dad, Poor Dad training program for flipping houses and single-family rentals, and I took a commercial course and some other stuff. But I thought, "Well, I can use that knowledge as an agent to help other people do those small things." I didn't know where I would end up in, where I am now, I didn't know this would be my destination, but I knew that I wanted to go bigger than the single-family for a few reasons. One, the economies of scale, of course, but two, I feel like if you go big enough, it takes a team, and me being the new person, I can align myself with the team that knows what they're doing and that could shorten my timeline as well.

So, I had all of this in my mind, but really didn't know what the ultimate destination was. But I did know that being a real estate agent was just the stepping stone. So, I gave myself three years and it took me two and a half to get to where I wanted to be to leave. And for anybody

getting started, if they plan on being an agent, these are the steps I took and this is why I was so successful.

I started a Meetup and provided value to people, even though I'm not the one teaching, you're at the front of the room, it gives you the authority. Even if you're not teaching, you're bringing speakers in, you're providing value, you're connecting people. And that goes a long way. So, by the time I left, I had a list of 500 or 600 people that would come to the meet-up on and off. I built a team because I had too many clients, I needed to have a team. So, I had three people on my team as I was leaving. I worked it out with them that they would continue running the meet-up and having the team and growing, and give me a six-month runway while I branched off on my new adventure. So, I had money, and then I would give them my whole book of business and they could take over the brand and do that. So, that worked out well. During those two and a half years, I did Michael Blank's program for an apartment. That's actually where I met Whitney, one of MichaelBlank's financial freedom events that he had in Virginia.

And, that was my start 'cause I had realized and gotten the clarity after a while that apartments were, that was the route that I wanted to go. So, I did that coaching program. And the clarity came, and this is what I kinda wanna share today, 'cause I feel like I was going down a road and there was a fog. I could see where the road was going, but I couldn't see very far ahead of me. So, as you learn and grow, you learn about yourself, the fog starts kind of clearing, and once it's clear and maybe you even have enough clarity that you can speed up, then everything starts hitting.

So, in July of 2019, I was at Field Maker Live, which is my Michael Blank's conference. I wish I could remember who it was or what triggered it, but I got 100% clarity at that event. I had gone through my coaching program, I had bought a 24-unit or we were on a contract to buy it, so I was kind of getting that first deal to not be late on the first deal, but I hated so many aspects of the real estate piece. I didn't wanna talk to brokers. I don't like touring properties necessarily. I don't want to be part of asset management, the business plan because of being to travel or I am, which is another piece of my stories, I'm location independent, and sometimes I even live internationally, so I wanted to design my life so that I can work from a computer.

So, with that piece, with the clarity of not liking all those other jobs on the GP team, I was able to start preparing to do just what I do now, which is I'm a capital partner. So, my other partner as a co-GP raises a lot of capital, do investor relations. Of course, I do all my own underwriting and stuff, I wanna make sure my investors are getting into a good investment or I've also done an SPB, which is a single-purpose vehicle, where it's a fund that I bring investors into the fund and then the fund invests in as an LP into a deal.

And now I'm rolling up a fund that the structure of it is going to be a customizable fund. So, even though they're in the fund, they're in one security to get 1k1, they can allocate their funds to their choice of investments within the fund. So anyway, that's where I'm headed.

But it's all a journey and it's learning about yourself whenever I come against friction and something I'm supposed to be doing, like calling a broker and I don't do it, then I have to step back and be the watcher of myself and realize, "Well, I don't like doing that. So why, if I'm leaving a job, a job that I don't like and I'm not fulfilled, why would I create now myself a new job? Even if I am my own boss, where I'm a slave to something I do love doing."

0:09:23.5

DR: Well, that is a topic that I'd like to dive into a little bit. And thank you for giving us an overview of your journey up to this point. This is fantastic. And I think it will resonate with a lot of people. Right? And I think from your story, we can tell that you are someone, obviously, you love to travel, you're just unique, you wanna be able to have total freedom and flexibility. And what's cool is that you've designed your life now it's taken a decade, right? you start at nine years in law enforcement, not exactly what you want to do making this transition, it's been a process for you, but now you've built this thing that's exactly what you would like it to be. I'm sure there's days when you have to do some things that you don't want to do. But for the most part, leaning into what you would consider your unique skill set or your superpower, and that's amazing.

So, I wanna back up to July 2019. I think it was then that you said a deal, a moment in your life

that you had this moment of clarity. And I wanted to maybe just dig a little bit more out of you, what that moment was? You talked about having the fog clear and then things became just more clear in this mode of clarity to help you push forward.

I think there's a lot of listeners to the show that are in that moment where they want to move forward, but everything just seems so confusing and challenging and they don't know where to begin, and they're hoping for that moment of clarity and so maybe you could shed some line on what that experience was like for you and how that happened, was there any tactical or strategic things that you did to bring that about?

0:10:53.6

MM: Oh man, I wish I can remember specifically if it was a person that was on stage or something, but it was literally just a pivot that happened and the fog was gone, and I'm like... I'm going there.

0:11:08.2

DR: Specifically, when you say going there, was that multifamily? Was that focusing on capital? What was that moment of going there?

0:11:16.2

MM: Raising capital, being the capital partner, working on not being the connector of the investors with the best sponsor. So, I think part of it is just a personal journey. And it didn't happen overnight, it was a journey to that clarity for sure. Because I was very conscious about learning about myself when I would come up against friction on a task I was supposed to do and I really didn't do it, I would just notice that. And calling brokers and underwriting deals, I always knew I didn't like underwriting. I didn't need to experience that, I knew I didn't wanna do that.

So, I thought in the beginning, I was gonna be interested in calling brokers and negotiating with sellers and doing all that stuff, not at all. Once I did it, I was like, "Oh no, no, no, no, that somebody else needs to do this part," and then getting to the closing table, all of that stuff, all

of the due diligence, all that stuff, not exciting, really. This was not fun. Touring property, especially class B, yucky properties, not exciting. I don't like looking in crawl spaces, I don't care about paint color, I don't... I really don't. Someone else does though, and I know that.

So, everything I was doing while I was buying that 24-unit, got to experience every job on the GP, which was a great experience. So, someone on stage raised capital and I can't remember in what capacity it was... Of course, we have to be very careful when we say raise capital, actually like to refer to myself as a private equity fund manager, but I do raise capital 'cause I'm also a co-sponsor sometimes we have to be careful 'cause I'm not a licensed broker dealer, and raising capital isn't the only thing I do, either manage a fund or I'm a co-sponsor and I do other things as well.

So yeah, I think I just didn't know, I didn't realize that I could just do one thing on the GP. I think I felt like I needed to do all of it. And then as I went through it, my partner had a lot of it, and I'm like, "Oh, well, he's really good at that. I'll just do this other thing."

So for people, I would say it doesn't happen overnight. And you can't expect it to. From 2015 to 2017 is how long it took me to go into real estate full-time, and then from 2017 to, ee'll say beginning of 2019 is when I had to discover what I wanted to do in the bigger picture, multifamily instead of single-family or flips or whatever. And then from that 2018-19, when I went into my coaching program, there was even more clarity in defining and refining the apartments, which I like.

So it's a journey, it takes time because you have to learn about yourself and be very conscious about it and what you like, what your skills are. And it's amazing when you think you're gonna like something and you don't. So just be open. Don't be so close-minded and think that you have it all figured out when you're getting started. Try everything, and then you'll eliminate very quickly the things you don't like to do. And then one day you'll end up in the piece you love or you won't. And then maybe you need to go do something else outside of real estate or whatever, just become a passive investor, go back to whatever you really love, everybody's journey is gonna be so different.

But man, it feels so good when you find the clarity. And even though I had the clarity regarding capital raising, since then, I've defined and refined my clarity on who I wanna raise from, how I wanna find them, do I want a big platform? Do I want a boutique business? Do I want relationships? Do I wanna have a YouTube channel with a bunch of strangers coming into my funnel? I have really refined it to find that, and we'll continue to do that, like I said in the bio, but I just wanna help 99 households. Well, I wrote that bio probably a month ago, I'm down to 80 households, I think 50 to 80. I could be financially free if I'm serviced and gave white glove service to only 50 households, then invested in every other deal once or twice a year. Accredited, high net worth people who go on vacations with me, who we go out and have drinks and have dinner, once in a while, and I have real relationships with those people, my further refined and to find that piece.

So, it's a constant journey, I think. I don't think we will ever arrive. But it does help that that clarity, that light through the fog, it starts narrowing and the fog starts clearing a bit. I don't see the end of the road. To this day, I don't see the end of the road. They're still foggy, but I have a really long road ahead of me before the fall, I can see pretty far. But I don't see the end.

0:15:42.1

DR: Yeah, I love that. That's some great insight for our listeners that are in that stage in their business and in their life, trying to really hone in on what their unique skill set is, what their superpower is, what they want to do? And there is so much power in achieving that moment of clarity, that's gonna help you push forward.

And, you also mentioned that multifamily gives us the opportunity to stay in that lane because you can, it is a team sport, it is a business where you can bring on partners, these deals are large enough where not only can you, but you need additional partners to be able to handle certain aspects of the business. And so, I really appreciate you walking us through that, and I think that'll be helpful to the listeners.

In the time that we have remaining, I'd love to dive into a little bit more tactical and strategic

aspect of your business. So, when you decided, “Hey, I want to focus on this aspect of the business on the capital side, bringing equity to these deals and being the connector between passive investors and quality operators,” how did you go about executing on that, what were the steps that you took to achieve what you've done today?

0:16:52.5

MM: I think it all started, at least with knowing that I never wanna lose investor money, right? I take it very seriously. Would you take somebody's harder money to invest it in a deal, it's a huge task, and I don't take it lately. So, I started knowing that I needed to have a really good underwriter, 'cause I'm not. I said that I don't like it, I don't want to. But the underwriting, I think is the piece where you can't cut corners. And, for people who are new and they are self-proclaimed underwriters, they don't know what they don't know. They might think they're good, but when you're in the business and you've seen things happen, and it just takes a certain set of skills.

So early on, I knew I needed to have an institutional grade underwriter on my team, because I feel like that's the first line of defense to not lose investor money besides the operator themselves, not just their track record and their experience and everything that's important, but who are they at the core? What are their morals and values, and if a deal is going south, did they shut down, clam up, go quiet, or do they communicate that they pay their last petty refinance of our house to pay off investors? Or are they just gonna be looser, “You knew it was a risky piece out and roll out like... I try to get to the human, the jockey, go for the jockey, not worry about the horse track, whatever.” If you have a good jockey that you're gonna have a good horse, you're gonna have a good track. So jockey and underwriting are kind of equally the two I look at. So, I don't know what may hone into that, except at the beginning of all of this, I knew how important it was to make sure I just don't ever lose anybody's money.

0:18:32.5

DR: Yeah. Well, it's critical, right? You have to be a steward of that. And it's critically important, right? You won't be in business for very long if you start losing investor money. Maybe what we could do is talk about your first deal that you worked on that was outside of the 24-unit where

you were in this capacity of capital raiser. And walk us through that briefly. How did that come about?

0:18:55.5

MM: The 24-unit, we closed early 2020, and then I launched Freestyle Capital Group in early 2020, right before the best ever conference I came to. I was in Thailand when I put the website in business together, a launch for Thailand, came home to go to the best ever conference and then Covid, of course, it shortly after. And I had planned to be abroad most of the year, but I ended up staying domestic so I sat on the sidelines and I was pretty quiet for about six months 'cause I really didn't know what to tell people. I wasn't even confident that multifamily was still the best investment in the world. So my newsletter to people said, "Hey guys, help you all doing well, sitting on the sideline, just watching all this play out," and that was it, that's what I said for six months.

And then I started seeing some of my favorite operators buying deals, so I thought, "Okay, I respect these dudes, these are the guys I wanna raise capital for, they're buying deals, but a couple of them did a deal and they didn't call me," so I'm like, "Yeah, Hey, remember me? And I was gonna raise capital or you some running," and they're like, "Oh, we're good on this one building," and I'm like, "Okay, yeah." Then those two same operators each had another deal and they're like, "Oh, hey, guys, yeah, I get in."

Anyway, I had to put it on my eggs in the basket of three operators. And then I realized I need 100 operators because I need options, and I need to do research and I need different operators 'cause these guys are getting too big for me to participate, especially as a new capital raiser.

So, even though covid sucks, it was also a 10x, 100x for my business, because everything went virtual. I could go to meet-ups across the nation, I go to conferences, and I never would have been able to go to. I was a networking beast, I was known as the network Queen, everyone knew me just about the meet-ups I would go to, at least in the spaces that I was going to regularly. And I'm getting to your question.

So from July to July, July of 2020 to the July of this year, is how long it took me to find a deal to raise capital for. And it was not without opportunity. I had many people ask me, and when I looked at the operator, the underwriting, the deal structure, the market, something told me no. So, it's a year and a half journey before I did my first deal as a capital partner, just to put it out there, it takes time.

So, the first deal I did, and three happened almost at the same time. The first one was an apartment complex in San Antonio, the operators didn't want another co-GP, so I often do the SPB, single purpose entity in the fund brought in other capital partners, so we could bring a million to the deal as an LP. So that was my first deal and that operator, it took months and months of a relationship with that person in that group before I felt comfortable doing a deal, and when they sent in a deal, it was underwritten well, there were some things I liked, but other things I liked a lot. So yeah, it worked out, but to answer your question, it's real relationships with real people, and by the time they had a deal, they came to me and said, "We want you to raise capital for us." So yeah, it just took a long time. It's the relationships, it's being consistent, being persistent, knowing your stuff, don't be an impostor, truly know what you're doing, and partner with strong operators or strong partners, depending on what job you have on the GP.

0:22:06.7

DR: And I think on that first deal in San Antonio bringing a million dollars to that deal, through the special purpose fund, there's a ton of work that went into getting to that point where you had enough investors to bring a million dollars into that deal. They trusted you to invest in your fund and ultimately invest in the deal.

So, what were some of the strategies that you implemented over that 18-month period? You did mention networking, is there any other tactic strategies that our listeners could take away and apply to their business to help them get to a place where they could confidently go into their next deal, whether that's six months, 12 months or 18 months down the road, and have confidence that they can bring some value to the table from a capital raising perspective?

0:22:47.5

MM: Yeah, so a lot of people ask, where do you find your investors? Right, so I think that's kind of what you're asking. Honestly, most of my investors came from when I was a real estate agent, and I had that made up, and I've just built a lot of relationships in Virginia at the time. So, a lot of my investors were military officers that would come to my meet-up or buy properties or flip properties. And then, many came from all the networking I did during Covid times, people I've met at conferences, I think a couple trickle in, like Instagram or something. But at the end of the day, they were all people I knew, my CPAs boss, he's the only one I didn't really know, but we're in the same circle.

So yeah, it's just real relationships with real people may not have a YouTube channel, I have a website, I have on social media, I'm somebody active on there and very consistent, which is huge, consistent and persistent by the way, and those the two key words to take away today, be consistent. But just real relationships. So, if someone is sitting there, they don't know anybody, or they think they don't know anybody, and they're gonna build this big platform, good for you, if you start a podcast just Whitney and just ask you, it's a job. You've created a job for yourself. And if you love it, amazing, but if you get a year into a podcast and you're like, "Man, I just don't like this anymore, sorry, you're a slang for that podcast," I could be enslaved my YouTube channel, I just gotta stop making videos and realize that's a fair point for me, I'm probably gonna end it, probably gonna stop doing it because I don't enjoy it.

But you know what I do enjoy and where I get a lot of investors from is networking, going to conferences. I spend a lot of money and time now that we're back in person, I fly around and I spend a lot of money going to conferences. But I may meet one or two investors every time, and that makes it all worth it. And if I don't need an investor, I meet a partner. And if I don't meet a partner or an investor, then I'm an idiot. I failed. I didn't do what I was supposed to do.

0:24:40.5

DR: And this goes back to our conversation earlier about you really leaning into your strengths and what you want your life to look like. This conference thing, although you have two aspects of it, you have the virtual, which you can do from anywhere in the world that you want to, and it gives you the opportunity to travel to different destinations to network with these people. So it

fits very well into your ultimate lifestyle goal and business goals.

So Melanie, there's been an excellent conversation, I appreciate you sharing your journey and how you were able to be a part of a deal that took, it was 18 months in the making, right? It was a lot of work, a lot of effort, a lot of networking, going to these events, learning, putting your team together, structuring the special purpose fund and meeting the operators that you ended up partnering with, it was a ton of work and what a great story.

We gotta start winding down here, I've got just a couple of last questions for you, the first one is, what's the number one thing that you believe has contributed to your success? We probably touched on a lot of this, but if you were to hone it down and say this is the number one thing that's contributed to my success, what would that be?

0:25:44.5

MM: Consistency, and for me, and I know a lot of people can't do this, but if this is what you're going to do, do it full-time. I've got feedback from investors, 'cause now I'm on my next coach, I have a performance coach for capital raising and my task was to go and ask all my investors why they invested with me, not directly, but figure it out. And a big theme of it is you take it serious, you do it full-time, you're always learning, you're always going to conferences and whatever, and people see that and they see that as me being consistent, focused and in it full-time.

0:26:17.7

DR: Yeah, love it. How do you like to give back?

0:26:20.3

MM: I give back on a small portion. I have a child, and I've been sponsoring a child since 2010 in Kenya. And I am going to go to Miracle House and meet the kids eventually. I'm on my third kid. They keep growing up. Right? But as far as the business goes, I have a Mastermind. It's free, but it's very specific. People come and go all time because if they stop showing up, they're not in the Mastermind anymore. It's come, get to work, do deals or don't. No

wallflowers around my policy, so I have a weekly Mastermind and just to give back in my knowledge and what I've learned along the way to other capital raisers.

0:26:53.0

DR: Well, I appreciate you sharing your journey with Melanie. What's the best way for our listeners to connect with you and learn more about what you have going on?

0:27:01.5

MM: I know the website, Freestyle Capital Group dot com, and then I have my little download for how to design your life, like how to figure out where you are, where you need to get to to be financially free. So, if they get the download, of course, I collect their email and then that's a great way to get into the system. But they can always just email me, melanie@freestylecapitalgroup.com. And then I'm on Instagram, LinkedIn, Facebook. They should be able to find me pretty easily if they just look for Freestyle Capital Group or Melanie McDaniel. Melanie travel-gal is my Instagram.

0:27:31.8

DR: Great, love it. And we'll have a link to the website and the show notes there. So, any of our listeners who wanna reach out to Melanie and connect with her, please click on one of those links. Melanie again, an honor to have you on the show, thank you for sharing your journey with us. And we look forward to connecting with you again soon.

0:27:47.8

MM: Thanks so much.

[END OF INTERVIEW]

[OUTRO]

0:27:48.0 ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time.

Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

[END]