

EPISODE 1124

[INTRODUCTION]

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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.

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Whitney Sewell (WS): This is your daily Real Estate Syndication show. I'm your host, Whitney Sewell. Today, our guest is Monick Halm. Monick is the founder of Real Estate Investor Goddesses. She is an educator and advocate for female real estate investors and has a mission to help one million women achieve financial freedom through real estate. Monick, herself a real estate investor and syndicator, owns together with her investors, over 1300 rental doors across seven states. So, Monick goes through some different things today about how she shifted from multifamily into something else, into a different asset class. And so, it's interesting. Different people who have done that have just been flexible and say they've seen an opportunity and said, "You know what, I'm going to be open to that, and I'm going to go make this happen." And she's done that. It's just interesting, she goes through different details about this asset class. We talk about some pros, some cons, maybe some risks as well for this new asset class that she has ventured into. There're some different ways she is pivoting in her capital-raising abilities or how she's meeting new investors, as well, that I know is going to be interesting to you.

[INTERVIEW]

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WS: Monick, welcome back to the show. Grateful to have you back. It's just incredible what you've accomplished, the things you've learned, things I know you can share with the listeners today. And one thing specifically though, I'm looking forward to getting into what you talked about before we got started, this virtual retreat. I want us to get into that a little bit but give the listeners an update on what's happening with you, your focus right now, maybe some growth that's happened

over the last year or two.

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Monick Halm (MH): Yeah, great question. So, I'm still syndicating, but one of the areas that we've shifted into more, probably since the early 2019 has been industrial. We were doing a lot of residential and I moved into the industrial space, which has been really, really great.

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WS: Wow, so why?

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MH: Yeah, so in late 2018, early 2019, we sold a couple of apartment buildings that we had in Albuquerque, New Mexico. One in particular, it would be generous to call it a C-class, one of those buildings that we bought because it looked like it was up and coming -- a new Starbucks and a Planet Fitness across the street. So, there were a lot of signs that things were on the up and up, but we had shootings there because of a lot of issues with the homeless. Our property manager had a gun put on ... So, there was a lot of things, right. It was a tough building, and we were actually pretty frantic trying to figure out like "how do we sell"? Anyway, to make a long story short, a 1031 exchange buyer came in from California that our property manager connected us to. He said he was interested in buying our buildings there. We gave a good high number so we could get our investors good return, but there was wiggle room, right? So, we put it high so that there'd be room to negotiate down.

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MH: Well, he took our first offer and it sold for CAP in Albuquerque, New Mexico, this type of building. So, that was really great as a seller, but it scared the poop out of me. I wonder, it's like, I don't like competing in this market. It's really much such a seller's market and great to be a seller. But, I don't like being a buyer in a seller's market so where else can I look? And so, I started to look at different asset classes and sell into industrial, and I saw there's an increasing demand for this type of real estate. Even as retail and office were hurting as things go more and more online, but online retailers may need industrial space. They still need warehouses and storage centers and distribution centers, and there's R and D. There's food processing that happens. There's a lot of manufacturing that still takes place, so there's an increasing demand for industrial real estate that didn't have the feeding frenzy that I was seeing in other asset classes. So, we went in. Very

happy that we did. 2020 was a great year for industrial. 2021 is looking pretty good. We have done three facilities this year and another one in the works.

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WS: What kinds of properties are they? So, you like to say industrial, are they warehouses? Are there specific tenants you're looking for? Give us the layout of the type of building or are they all different?

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MH: Yeah, so what we've fallen into is a very niche part of industrial called sale-leasebacks. So, basically, that is when a company has a facility that they are using and then they want to continue using, but they want to sell it so they can get the equity out to reinvest in their property. Sometimes because there are tax benefits. There are a variety of reasons why they want to sell it, but they still want to keep it. So, they sell it and then they lease it right back. They become the tenant. Twenty-year lease triple net, so, that means they pay rent plus all the property taxes, plus all the insurance, plus all the maintenance. So, if there's issue with the roof, they fix the roof; issue with the foundation, they fix the foundation. It's really nice from an owner's point of view, returns are very similar, multifamily normally like seven to 10% cash on cash. And you came to returns like high teens, about 20% usually, and with way less moving parts. And we don't have to touch the properties nor we have been there. And then what we do is we hold it 4 to 6 years and we sell it to an institutional buyer, like an insurance company or pension fund and leave it that way. So, we just season the lease for a few years and then sell it.

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WS: Speak a little more about what would motivate the seller to sell that way. I've heard of this scenario, and I could see, especially even during covid, if they have some equity, maybe they're needing some money too or depending on what's happening. It could be a great option for them to be able to stay there. But, anything else that would motivate them to sell? I would just think it too, even as you're looking for these projects that could help you to know who to contact, but what's their motivation? Why are they motivated to do that?

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MH: Yeah, great question. So, often it's because they may want to take that equity out and often, it's to re-invest it back into their building. They want to update their facilities, new equipment. We

had one where the company was actually being bought out by a larger company who wanted the business but didn't want the real estate. So, as in concurrence with the sale of the business, we took over the real estate. Sometimes, it makes more sense tax-wise. I'm not a CPA, don't know all the logistics. Actually, I remember I was talking to an investor, and I can explain these types of deals, and the investor is a CPA and worked for a major utility. He said, "Oh yeah, we do these all the time, we've been doing a bunch of these because it's more tax beneficial for a company to have the least numbers it's owning, so they were doing that. There are a variety of reasons why they do it, and it makes sense for them to do that.

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WS: No, it's interesting. It's just a different model that I think is not talked about a whole lot yet anyway, but I've heard of some people doing this. And so, how do you find a seller like that?

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MH: So, often our team is one of very few that do it. Some days, brokers will reach out. It's often more that they reach out to us rather than we're looking for them.

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WS: Okay, awesome. What about, obviously the tenant is your life blood there, right? What's your fears around that tenant moving out and then just having the real estate and no tenant?

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MH: You hit the nail on the head. That is the biggest risk for us, right, because it's a single tenant. And even though there is a shortage of industrial real estate right now, and we do look at the market, we also buy slightly below market. We run it slightly below market, that helps with that risk. The biggest risk is that we'll lose that tenant. It's not every day that you have a company that needs 75000 square feet of industrial space, so it can take several months, sometimes maybe even over a year. And sometimes they refill that space, so we don't want to lose the tenant. So, on the front end, we do an extraordinary amount of due diligence on the company to make sure that they are very well-capitalized, they are a strong company and they're not going to go anywhere. Normally the only reason that they're going to leave that space, because it's their space that's built for them, the only reason they're going to leave that space is usually because they'll go out of business. So, we do a lot of work to make sure that they're a strong company. The youngest company we've ever done one of these was 17 years old. Just did one 150-year-old

company that's publicly traded. So they tend to be the very strong companies, but we also get their financials every quarter. And if things start to go downhill, we can see them monthly. We have some runway if things start to go south with our partners who've been doing this for many, many years and deals have never been on default, knock on wood, so we've never had an issue with the company.

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WS: Any more multifamily in your future, or you're sold on industrial now?

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MH: We did do a multifamily deal in Atlanta earlier this year. So, if a deal makes sense, then we'll do it. It has to really make sense.

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WS: Thinking through industrial and multifamily, and I was just thinking through preparing for some kind of downturn, for multifamily there's numerous things we could discuss. But I was thinking in industrial, it's going to go back a lot to the due diligence on that tenant, right? Anything else you can share on the due diligence on this type of company that is going to be your tenant.

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MH: Yeah, so we have all different types of companies. The industries really will vary. But what was nice over this past year and a half to two years at these companies we were doing the sale leasebacks with, we're seeing their performance in this economy. We're seeing how they're working in pandemic times. Mostly they are essential businesses. As essential businesses, they're going all the time. We've had a wide variety – organic baby food, frozen pies, to skin and hair care products, parts for major goods. But we do look at much as the company, but at the industry. Where is the industry going? Like there was one that we're looking at, we do a pass on because it was in newspapers, newspaper advertising. Like, I don't know how newspapers are going to be doing in the future. I don't know how that industry will do long-term. People still want news, but newspapers? So, we passed on that. You do consider where we think that the industry will be going long-term.

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WS: Sure. Speak a little bit too...I know you are, you got to raise money and work with investors. Talk a little bit about maybe the mindset shift even for your investors going from multifamily to industrial.

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MH: Yeah. So, I had to take time whenever we make investor call and actually when we first started to go into industrial. Now our investors are more used to seeing this from us. But when we first went into industrial, we had to make the case - why industrial versus multifamily. Now, everyone understands apartments, right? That makes complete sense. They have lived in them. They're interacting with them. They see the need for it. So, we had to get people over that hurdle of -- What is this? And isn't manufacturing dying in this country? Is there still a need for this? And so, as we explain the use of where we see it in the future, even as things go online, industrial space is still needed. So even if retail is hurting, industrial is actually going up and industrial as an asset class, as real estate fared pretty much the best last year even in a tough economy. So, we just show them where it's moving and the trends that there's still always this demand, but especially with the sale leaseback expect the tenants are already there. So, it's not like we have an empty space and we're building something that we're not sure about. Like already, there's a tenant there, they come in and have a 20-year lease with rent increases. So, we know exactly what our income is going to be. We know what our expenses are going to be 'cause they're triple net and they'll take care of any things that come up. So once people see it, it's actually not very hard to explain it.

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WS: Did you have a specific way that you educated them? Or was it through a series of emails or video or webinar? How did you choose to do that?

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MH: So, every time we have an opportunity, we always do a webinar. So, we'll explain, and we'll talk about the asset class in general, sale-leasebacks, this particular business that we always wish will have a webinar. And whenever I talk to a new investor coming on the list, I will always explain sale-leasebacks to them because we do so many of them. It's like they're not complicated to understand, but they're not common. Most people would see that they understand, and I don't think people should invest on things they don't understand. And most people won't invest on

things they don't understand. So, I always take time to explain it. Make sure they don't have questions. And usually, a few minutes and they go... "Okay, totally get it", "Yes, I see". And then I also explain in all of the dozens of deals that have been done, there have only been two deals where they missed, or the projections didn't equal or exceed the projections. In both of those deals, they projected 16% and 20%, and they only got 15%. And most people are like, "Okay".

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WS: Yeah, it's pretty good. It's just interesting. I'm hearing more and more, I guess, about industrial from a few more people, but I've not heard many people doing the sale-leaseback. I think we've talked about it a couple of times on the show, but not too many times. And so, I just think it's an interesting business model. Just always amazed at all the ways you can get into real estate and deals, in ways you can do deals, right? It's just incredible. And so, well, I guess, before I move on, you've been doing multifamily, how did you learn to do sale-leaseback in industrial? Did you have a coach? Did you find somebody who've already done it? How did you just jump into that?

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MH: Yeah, so we had a partner that that's what they've been doing for cumulatively for decades. So, I am all about partners, the partnerships, and I always look for people who are doing what I want to be doing at top levels and work with them. So that's how we got into it. And it's probably why we got into industrial in the first place is because we were approached by partners that we've done multifamily deals with, and they were doing industrial. They were going to their fifth industrial deal and invited us to join them, and that was what got us in in the first place.

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WS: Nice. Now, I just wonder, 'cause it's a different business model, and I would want somebody held my hand a little bit for.. So, you'd spoke earlier before we even got started about this virtual retreat. It was interesting that you and your husband are going on. Could you speak about that a little bit? I just think it's neat that you are doing that together, and maybe you can speak as to why that's important.

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MH: Yeah, sure. We're doing a retreat October 23rd and 24th called Real Estate Investor Soulmates. So it's for, mostly who I work with are women. I have a group Real Estate Investor

Goddesses. We're a group of women real estate investors. One of the things that I was noticing is when women are in partnership with other people, you're married, your money is married too. And so it's important that you're on the same page with their significant other when you are investing. My husband is my business partner, and we were often getting asked, "How do you guys work together?", "How do you raise kids?", "Have a business, stay passionate?", "How do you do that?" So, this is what was born from that. In this retreat, it's not just how do you invest together as a couple. You make more money, but how do you go into this process so that it actually increases your love for one another?

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WS: That's awesome. I just love the focus on the marriage. And if the home is not happy, the business is probably not going to be very happy either, especially when you're business partners to say the least. It's great! But the focus on the spouse as well, whether they're in the business or not, they're so much a part of the business. They should be anyway. But tell me something else you've done recently that's improved your business.

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MH: I'm still working on it, but we were getting a lot of people finding us - the education business and the real estate investors through Facebook ads. And if anybody does Facebook ads, you know, that there were battles between Facebook and Apple and Google, and so those ads became not very useful, they were becoming much more expensive and much less effective. So, we have been just going more into LinkedIn -- doing a LinkedIn advertising game and also Google ads. And so, we're playing with just different ways of increasing leads and doing more videos, things like that.

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WS: No, that's great. Well, my next question is going to be your best source for meeting new investors right now. So, can you elaborate on that at all? If you're seeing Facebook, maybe it's not the best way now for ads, but maybe LinkedIn has been a good focus.

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MH: We're not doing ads for investors. We're not advertising that I'm training. It's more for the education business but a lot of our students do become investors. But when they're students, they get first dibs on our deals. I think for investors, it really is just being out there and being on

podcasts like this, speaking at different events, which has actually been very easy because everyone is purposeful. This is a lot easier than be a speaker, just plopped into your office as opposed to hop on a plane. But I think that's really where most of our new investors come from, and obviously we have a lot of repeat people. Our list grows mostly through just people hearing me and then reaching out.

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WS: What's the number one thing that's contributed to your success.

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MH: The number one thing that contributed to my success? I felt like I was given this mission to help one million women and families. One million women and families creating financial freedom through real estate investing. And I'm just in service to that, and I'm listening -- what is my next step in that. To create that mission, I did feel that a higher power gave me. So, I think that, that is just listening to higher power as well and being guided by that, that's what makes the difference.

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WS: And how do you like to give back?

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MH: I like to give back. I feel like everything I do is to give back but we take 10% of everything that comes in to give to charities that we care about. So, it's just in addition to, I think the whole business being one of service.

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WS: Awesome. Monick, always a pleasure to connect. And I'm grateful for you sharing your pivot from multifamily to industrial. Not completely, right? Or just being flexible, I think. And I think that that helps the listeners to be flexible as well. You know you don't have to be just in one line as far as one asset class. And I think that that's going to improve your business overall. Most likely, I think if we all just give your investors more options too, they're going to see you doing different things and you're going to have different opportunities for them depending on what your portfolio is and what their goals are. I think you're going to be able to add more value probably over time and just gain more knowledge as well. But how can listeners get in touch with you and learn more about you?

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MH: Yeah, best way is to go to my website, REI (for Real Estate Investor) goddesses dot com. (reigoddesses.com). We're also REI Goddesses in most of the socials.

[END OF INTERVIEW]

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