EPISODE 1121

[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.

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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]

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

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Derek Clifford: Hey, David, it's an honor to be here. Thanks for having me on.

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DR: So Derek is a successful multifamily real estate investor, building out a small portfolio of single-family rentals and small multifamily commercial buildings out-of-state while working a full-time job. Today, he is a multifamily investor, controlling over 200 apartment units with over $2 million in assets under management. He's also the author of part-time real estate investing for full-time professionals, and a podcast host of The Elevate Your Equity show. He and his wife worked together in real estate and in her wellness coaching program as advisors and coaches for each other. So Derek honored to have you on the show today. Excited to get into your story and share that with The Real Estate Syndication Show listeners. If you can, we just give you a very brief bio there, but maybe give us some insight into your background and how you got to where you're at today.

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DC: Yeah, sure, David, and thanks for again having me on and allowing me to share the story with the audience, it's great to be here. But in general, we started off investing in real estate by accident. My wife had a condo that she had purchased back in 2008, a couple of months before the real estate crash. So, we saw the value in her condo evaporate from $250K, which she paid forward down to $80,000.

And by the time she came to graduate in 2012, I believe around that time period, we still hadn't gotten enough appreciation to be able to even break even on the property, so it was technically underwater the whole time. So, at the time we started dating and I was moving out to wash in state, we got engaged, we didn't know what to do with this property because it was kind of underwater, and we didn’t know, and she got a residency offer in the Bay Area, and she was up in Washington State at the time, so in order for her to leave that property behind, we had to either write a check or figure out some sort of creative solutions. So Sophie's family, they have rental properties in Austin, Texas, where they currently reside right now, and we decided to do that, we just decided, Hey, well, let's put these things out and let's try to rent them for a little while because we couldn't afford the check, we had all these student loans and stuff to pay off.

So, we ended up doing that, and as we were driving from Washington down to the Bay Area in California for her residency, we got our first rental collections check, and then the gears started turning. I started to think to myself, “Oh man, you know, if this is something that we did on accident, what would happen if we really tried to do this on purpose?”

And so right after that came a slew of learning how to invest in real estate from bigger pockets and from a bunch of different materials online, and so we just spend a lot of time learning and figuring out what the next step was. And so the passion just kind of built up from there, and then I started meeting people and we tried on ourselves on a single-family in the Bay Area, it's a 1031 exchange, and that turned into seven properties in the Midwest. And then kinda doubled down the Midwest. Continued to build a portfolio while working a full-time job, and then started to get into multifamily once we maxed out the number of loans that we could take as a single-family investor.

And so once we got to that point, we started building our network up and the compound effect starts taking hold. And then there's kind of a hockey stick effect. We started getting into syndication and learning from some mentors, started raising capital, and that's when the limit or just kind of flew off the engine, and so we're able to fully do what we want to do. And basically, the only limiter now is our time and what deals we wanna pursue.

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DR: Well, I love it, and that's a very, very condensed version of this journey that you've been on. And so, what I'd love for you to do is just maybe shed some light on what your business looks like today and what you guys are focused on? And then I wanna go back and fill in some of the gaps of How you got to what you guys are focused on today?

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DC: Yeah, so today, we have a lot of stuff going on. We have our podcast, we have a book as well that we're also trying to help spread the message to people that are working full-time jobs, that there is a way out. It takes time and effort, but if you partner up with the right people, or if you have the right intention, and you are focused enough if you have consistency, and if you have mentorship, and if you have focus, if you can combine those three things together, then you can create an active business on your own and start building your own single families and everything.

So, we try to teach people how to do all of that. You can either be on the active side or the passive side, either way, we want you just to get started as a W2 employee. And, a big piece of that is working with your spouse, having your spouse on board with you is going to be one of the most important ways that you can multiply your efforts in your portfolio because if things go wrong when your spouse doesn't sign off or doesn't agree with what you're doing more understand what you're doing, it's pretty easy to understand what would happen if when that happens, right?

Obviously, if your spouse sees things aren't going well for something she didn't endorse or he didn't endorse, that's a problem. If things end up actually going well, where you have all this excess of cash flow, and then your significant other sees that as a payday and not as something which was you would wanna do is to turn around and reinvest it to multiply the profits, even more, that might also cause strife.

So, getting on the same page with your spouse is another thing that we're really passionate about. But in general, David, what we do is we just raise capital, we find capital partners, and we work together with them to educate them and bring them into the business and partner up with them on apartment buildings.

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DR: I love it. Yeah, you mentioned a few things that I wanna dive a little bit deeper into. The first is working a full-time job while getting started in this space. What were some of the biggest challenges, or as you're educating and guiding and directing people through this, what are some of the biggest challenges that those people face working full-time, W2 employee, but also breaking into the real estate investing world?

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DC: Yeah, as a full-time employee, you have a lot of pressure because you have time commitments, you have time constraints, and most likely you have a family or some sort of relationship commitments. And so, your energy and your time and the relationships and the things around you is not stacked up in your favor to start to get another side business up off the ground.

And so, I think by really being intentional and having the intention, and the consistency, and then the network, and the mentors to put in place, you can build a system for yourself to be able to consistently contribute time or energy or the networking effort to be able to devote to your craft. So I think the main challenge, at least for me, is back when I was working a full-time job, I've since left the job about six weeks ago, which is really cool, I'm now retired and working.

And, I remember just working at the job is like, it was a mindset thing. You don't think you can do it because you have this fall back plan, you have the full-time job to be able to rely on it if things don't go well. And so, by having this real estate thing on the side, you're building up skills. So, just take some time to be able to do that, so you have to allow yourself some time to learn this business and to get to know lots of people.

I think that that's also the major challenge, and what's behind all of that is the mindset, the will to make it happen, what the vision is. Because if you have a vision or if you have a strong why, then the how gets legs. And that's all it takes.

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DR: Love it, great insight. And you mentioned these three things twice now, intentions/consistency, a mentor, and a network. When you're guiding people and helping them with that first step, intention, and consistency, what does that need to look like for someone who is still W2 with the ambition to get out of their W2 and go into real estate full-time, or maybe they wanna stay in their W2 long term but just wanna be involved in real estate?

Let's start with the individual that's wanting to eventually make the transition from an intention and consistency perspective. What does that need to look like for them?

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DC: I'll tell you one thing, David, if it's not on your calendar, it's not a priority. So, the basic answer here is time, block out that time every day that you're gonna be devoting to your craft, whether it's building a network, whether it's learning, listening to podcasts or reading books or going out on forums and talking with other investors, anything that you feel you need to do, even if it's something to just build your plan, like “What am I gonna do with my hour?” Taking an hour every day to do that. That's the consistent effort that worked for me.

So, as a full-time employee, usually the work starts at a certain time in the morning every day, and so you can either take your lunch hour, I don't recommend the lunch hour because you can get distracted and pulled in different places, so I usually recommend doing things in the morning before the day starts. That way when the day ends, you don't have to have that will power stamina, the day is over, take the vote to the craft, so if it's really important to you, it's a priority and it happens first thing, it's an hour, 30 minutes, 15 minutes, whatever it is, just know that it's a consistent effort that's gonna get you there. And even if it's just the plan out what you're gonna do with your time, that's the most important thing.

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DR: Yeah, great tip. And then, as far as finding a mentor, I assume that that was a step that you took, maybe it wasn't, maybe you navigate your own, but maybe give us some guidance for that individual that's a W2 employee, they've started to carve out some time in their day, whether that be in the morning or after work, or maybe they choose to do a late lunch, but they've carved out some time in their day to be able to focus on this aspect of their life. How important is that mentor piece and what's the best way to go about finding one?

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DC: Yeah, David, I would say that mentorship piece is everything. Because as a business owner, which you can consider yourself a business owner, if you have the intention to start to build your portfolio, you can start running in a direction, but that's just it. It's a direction. How do you know if you're running closer to your goal, or if you're running further away from it? You just don't know, or if you're just wasting time.

So, if you don't have a mentor to be able to ask questions like, Is this right for me, or what is the end product looks like or what worked for you that will help you become way more efficient with the consistency time block that you're setting up. So, that's why I think mentors are super important, even if you have to pay for them, I think it's well worth it.

And an easy way to do that would be, number one, go out and find free meet-ups in your local area, like go to meetup dot com, or go on to some forms somewhere online, and see if you can find some people who are investing either out of state or locally, depending on where you are. And just do that. It's really easy to do that and you can set that up inside of your time block, you can plan it out and say, “Okay, I'm gonna be out there at this time,” you can do that and work around your schedule for something that works.

And, once you're there, start talking with folks and see, look for people that are maybe one or two steps ahead of you, because they're gonna give you a little bit more, but they're gonna get you the advice that you need, but if you try to go straight to the uber mentors if you try to go straight to the speaker, there's nothing wrong with trying that, but most likely you're not gonna really get too much of their attention because based on the questions you ask, if you haven't done your homework, they're gonna tell that you're really new and it's not worth their time, unfortunately, to be able to start to work with you and put lots of time into you.

So, once you do find those people, take them out to lunch, it's a magical thing when you treat people for some sort of meal that you're giving them value in a different way, they're gonna give you value in the form of their knowledge or their experience, and if you take that to lunch, that's something that they would value, so everyone needs to eat, right?

So that's a couple of ways that I would start, and then once you get up there and the mentorship and you wanna start to get further along in the mentorship space, start asking that question to your network. So start asking, “Who do you guys like?” or you see someone with rapid success, you ask them who they're talking to, and it turns out it may be a paid coach or it may be someone else that they're working within other stuff, and then you try to get yourself aligned with those folks and just really be curious and helpful, and try to add as much value as you can by taking people out to lunch or making connections or offering to do stuff for them, that's pretty much how it all works.

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DR: Yeah, and you touched on the third, I think with this goal of finding a mentor, but the network. What do you mean by that? We talked about those intentions and consistency, the mentor and then the network. What do you mean by the network?

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DC: Oh man, David, the network is almost everything. Network is basically just finding people that would be potential team members. So, that could be property managers, it could be other agents, it can be contractors, but it also can be other investors in it at the very beginning, it should be other investors because those people will help guide you and then he'll tell you, and then put yourself in your position if you were someone who is further along and someone asked you a question, why not share your knowledge? It doesn't hurt anyone at all, there's plenty of real estate to go around for everyone, and not everyone's looking for the same thing and the same approaches.

So just asking, being curious, and being genuine and authentic, that's gonna go a long way and the network helps build you options because if you can find someone, let's say that you're really good at underwriting and you don't like to talk with lots of people, but another person is really good at talking with people but doesn't know numbers, that sounds to me like you can probably work together on a few things. You can both have something to bring to the table, and you guys can do incredible things together. And that doesn't happen until you start figuring out who is around you.

So, finding that fit, finding the people out there to network with, and finding people that may need you or you need them, I think that's the thing. And then the other thing too that it enables, David, is it allows you to understand what your options are, 'cause sometimes you only know what you know, but if there's other people doing some really incredible things or inspiring things, you might wanna try following or learning what they're doing and then try to replicate that model or maybe modified a little bit, so those are a couple of things.

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DR: Yeah, great insight. And you touched on this earlier, and you guys have made this an emphasis in your lives, between you and Sophie in the real estate business, but you talked about the importance of working with your spouse and getting them on board and being on the same page. What are some of the challenges that you and Sophia faced as you've tried to integrate both of you into this business of real estate?

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DC: Yeah, so a big challenge that we had starting out was just how much time we're gonna devote to this. I had a mindset before where I equated the amount of time invested in the real estate business will equal results, and that's not necessarily the case at all. Because Sophie made a few introductions to me based on the people that she was talking to, that's her strength, right? And if I had just listened to her and sat down and spoke with these people that she was trying to introduce me to, but I was too busy listening to podcasts or doing my spreadsheets or whatever it is that I was doing back then, I would have learned that the thing that I was doing with a complete waste of time, that there was another way to do things because this person that I could have been introduced to through my wife would have helped me with a problem I was having.

So, that frustration, she was trying to get me out away from the things that I was doing over and over again, and just being there for her and listening to her and looping her into the business and trusting her is another thing.

She also gave me so support. She was always there saying, “if things go wrong, that's okay, and we made decisions together as to which properties to buy, so we've made a risk-informed decision together”, and we're like, “Okay, if this goes wrong, this is what could potentially happen with our cash flow situation at home, and if this goes well, this is what the upside is,” and so we made those decisions together and it actually formed a stronger relationship between us because we're able to talk in a whole another layer, there's a whole nother level. And it feels like we're both working towards something together or something bigger than the both of us.

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DR: Love that maybe we can shift gears here slightly and talk a little bit more on a strategic and the tactical level about your investing business. You guys went from single-family and transitioned into multifamily. We've glossed over that pretty early on in the conversation as you've given your summary but maybe talk to us about that transition of going from single-family to multifamily and what you guys are focused on today?

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DC: When I realized that at about five loans in or six loans in West trying to grow my portfolio out further, I realized that in talking with a lot of investors and other property managers and other investors who have done single-family homes, I realized that the Fannie Mae product that you can get, which is a 30-year amortized product that maxes out at 10 per person, and so I realized that there was no scale left anymore, there just wasn't any scale. And I always viewed multifamily as this giant monster. It was something that was so intimidating, at least from the beginning, 'cause it was a bigger property, there's an extra zero behind the dollar sign, or even two zeros behind the dollar sign, and it seems like it was such a huge risk to try something like that.

But at the same time, we just organically fell into one of our first multifamily property by working with the wholesaler who we had worked with before on the single-family side, and so when that opportunity came up, we started to think, “Okay, well, instead of looking at this is one big monster. How can we do this? Like, what could we do?”

So we took it apart and realized that there was a lot of similarities, there were some differences too, but once we got that very first 100 contract and we bought it cash, me and three other partners who had just happened to be out there in the market looking at properties at the time, we bought it for cash from the beginning. So, we didn't have that intimidating curve trying to get a loan and trying to work with a broker who usually doesn't give you the time of day unless you have a track record, which is kind of like, I understand it's a cat 22 because it's like, if you don't have a track record, I'm not gonna lend to you, but then you can't start and you don't have a track record.

So breaking through that and getting into it that way with an 18 or 17-year apartment complex that we have right now that we've finished stabilizing a couple of years ago, was the easy way that broke us in, and then it started to think bigger, that was like a joint venture.

And then from there, like I started thinking, “Oh, well, now we have the scale part sale, but now the scalability of my own money is running out, so what do we do here?” And then again, it goes back to the network, David. It also goes back to the consistency and focus and being intentional about it, because I went to the network with my problems and started listening to what other people were saying and what they've done in the space, and they recommended syndication. And I just happened to be at a meet-up with Mr. Vinney Chopra, who at the time was living with me in the California Bay Area. He's still there, I've since moved. And talking with him about what syndication was, listening to some of his material, and then getting to know more about what he did and how it all works, that's when the light bulb went off. And that's when we started going down the syndication route.

So nowadays, what we do have to wrap this up is we bring in Capital Partners and we partner up with operational folks in Texas to buy cash flowing real estate there. But in addition to that, we're starting to do JVs in Indianapolis 'cause that's the market that I know the best.

And so we're doing joint ventures and we're bringing capital into the market, we're buying these properties together, we're all working together as a team and actively closing and working these properties together.

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DR: Yeah. And so as you've explored the Texas market Indianapolis, you mentioned in that to market, they spend some time in that you were familiar with, and obviously that was the reason why he chose that market, why the Texas market now obviously in Texas, a great market. Be buying apartment buildings in, but there are many markets that are very strong right now, so... Why taxes for you?

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DC: Yeah, you know if it's actually more of a continuum. We pick Texas because it has a little bit of an appreciation and a cash flow play to it. Indianapolis is more of like a cash flow play, although that's actually starting to turn around and starting to be some pretty nice appreciation there as well. And then we also started to look into a Colorado Springs market as well, which I know Whitney is really involved in as well.

And so what we wanted to do is we want to offer the people that we partner with a whole bunch of different options. We wanted to offer them a cash flow option, a combination option with a little bit of cash and land appreciation, and an appreciation market. And so obviously the more components you can get of both of those in all the deals is the best, but we wanted to give people a whole wide range of geographic locations, and I'm the most familiar with those 'cause I've lived in each of those markets at least at one point. And so that's kind of why we have those markets there. But standard reasons, we love the population growth in Texas, we love all the jobs going up, the U-Haul data that's showing people moving like crazy to Austin.

I happened to be in Austin right now, and there's construction all on to the place, so there's like, so that's a good sign. So I like to just buy in markets where there's plenty of growth and lots of opportunity, and so that's where we go.

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DR: That's great. Well, Derek, this has been a great conversation, and I wanna start winding down here a little bit. But I've got a few questions for you before we end. The first one is, you obviously focus on connecting investors with good opportunities. For you, what's the best source today for you to meet new investors?

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DC: Yeah, so meeting new investors, I think there's a little, a lot of places, but I really enjoy meeting people through the network, through our networks, basically. Going to meet-ups, finding people at events, and also just cold calling some folks or recommendations from other folks, 'cause we have a lot of people that come in that are working with us, and then they have friends or family of them that they want to talk with us and learn more about our vision. But we have books out there, we've got all kinds of things to get our message out there. And we just enjoy talking with all those folks that are curious and want to learn more.

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DR: Love it. What would you say is the number one thing that has contributed to your success?

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DC: I think it's the mindset. I can't think of anything else because of the mindset that kinda drives everything behind it. I can't remember what I heard this from, David, but in my experience, if you have an eight-figure mindset or eight-figure net worth mindset, it's just a matter of time before your outside world catches up with that. If you have a six or a five-figure income mindset, then it's also a matter of time before your outside world catches down with that too.

So, if your mindset is big enough, you can really tackle any problem because you're able to use your consistency, set up time blocks and really figure out what it is that you want. And then when there's a will, there's a way. And as long as you're consistent over time and your mindset sticks with that consistency, then over time, things tend to manifest in the direction that your brain is at or where your mindsets at.

So I don't wanna belabor that too much, but that's what I think, I think the mindset is the number one thing.

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DR: And then the last question for you is, how do you like to give back?

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DR: Yeah, lots of ways. There's a couple of charities that we like to donate to, with a couple of my fellow brothers, they run the operation, and it's geared towards financially educating some youth and some folks, like communities that don't have access to that type of education. They're mostly centered in the Northern California area.

But we also like to give back with our knowledge too, we like to sit down and we like to tell people how it is that we were able to do what we do. And sometimes we'll just give away books and just give away lots of free information, so both of those sources are really important to us.

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DR: That's great. Well, Derek, it's been a pleasure having a conversation with you today and sharing your journey and your experience and some insights that you have working with your spouse in this world of real estate and navigating it all, and how critical it is to have them on board. And then also some practical tips for our listeners who are in a full-time W2 corporate career and have an interest in either getting involved in real estate as a passive investor or potentially even transitioning into real estate full-time out of their W2 job. Thanks for sharing your insight and giving us some guidance there.

What's the best way for our listeners to connect with you and learn more about what you have going on?

0:24:36.3
DC: Yeah, sure. Thanks, David. And it's been a pleasure being on here, I just wanted to thank you for that and yeah, the best way to reach out to me is to go to our website, which is elevateequity.org. Tons of ways to get in touch with us there and get some free info on what we do and how you can build your passive wealth.

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DR: Well, Derek again, thanks for coming on The Real Estate Syndication Show. We appreciate you coming on and we hope you have a great day.

[END OF INTERVIEW]

[OUTRO]

0:24:56.0 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.

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