

EPISODE 1157

[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 Trevor Thompson. Trevor's a passive investor and limited partner, in over 14 syndicated deals. He has a unique background developing different types of businesses with over 45 years of developing unique attractions focused on creating exceptional experiences. He's an avid learner, he is obsessed with learning as much as he can about investing in multifamily real estate, continually connecting with as many like-minded people as possible. So, Trevor has jumped into this business, it was a unique way of how he learned about real estate investing. However, once he did and then later in life, once he was able to start investing passively, he had some hard knocks, but he jumped in in a way that's unique, but that taught him many things and drew some painful lessons as well. But he's going to go into today that I know as a passive investor, you're going to learn a lot today, but even as an operator, you're going to learn a lot from Trevor today and how as a passive investor, he's connected with specific operators and things that stood out to him. But he even goes to the most important thing to him before he invests with a specific operator, you're going to learn a lot from the show today.

[INTERVIEW]

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(WS): Trevor, welcome to the show. I'm looking forward to this interview. I know you have some experience that I know the listeners can benefit from. Different types of businesses that you've been a part of, but also to your experience now investing passively. There's a list I brought in. But I want to back up a little bit and hear a little bit about your exposure to passive investing and how

you got into that, maybe some background that helped you learn about this business as well.

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Trevor Thompson (TR): Yeah, so I've always been somewhat interested in real estate and investing, but to be honest, I didn't really understand what it meant. And when I got a job about 20-something years ago with iFly indoor skydiving, and our first staff meeting, the original owner of the company gave everybody a copy of *Rich Dad, Poor Dad*. And I read the book, it touched me, it made me think about it. And then I did what just what everybody else does, I forgot about it, and I went on and got busy with my life and continued with my corporate career, and really didn't think too much more about real estate investing until much later when I had a couple of other events that changed my direction and really made me decide, Okay, I needed to get into this.

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WS: Okay, awesome. Yeah, that book has changed so many people's lives as far as learning about the ability to own real estate and what that can do for you. Well, let's fast forward a little bit, you finally realized where there were small things to happen. Hey, I need to be serious about this real estate investing, this thing that you were exposed to maybe many years before. Talk us through that a little bit. And how you did that?

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TT: Yeah, so we got bought out, our company got bought out by a private equity fund, and that was the first time that it gave me what I'm going to refer to some substantial money to just to become a passive investor. So, I started learning about passive investing, I went to several workshops, even *Rich Dad, Poor Dad* but didn't enjoy their program as much as I'd hoped I would. And I just started looking around for a group, and I found a local group that was local in Texas, and I joined it and started their mentoring program. And then ever since then, I've been non-stop avid learner, very passionate about learning things, and became what I refer to as a fairly active passive investor. I invested as an LP in 14 different syndications, and I went across several asset classes. I always said to myself that my goal was to earn and learn. So, I didn't want to just give money, I wanted to be able to learn more about the process, learn more about the people and knew the end of my investment. It was a lot of purposeful investing with people that I thought I could have a deal with in the future.

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WS: Nice. I think it's so important to know all of the outlook and really the thought process of earning and learning, and you want to continue to learn in every project that you're looking at across fourteen now, you mentioned. You, no doubt, you've learned a lot as you have looked at each of those projects. I want us to get into that a little bit, but I wanted to back up a little bit. You became part of a group in Texas. Can you elaborate a little bit on what did the group expose you or teach you? What did you learn from that? They helped you to move into maybe the first few passive deals.

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TT: Yes. So, I basically learned just, I'm going to call it the real basics about real estate investing – what was it. They had a workshop online. The group mostly focused on the single family, but they had a small commercial division within their mentoring program. I paid no attention to the single family, I had no interest. What attracted me to commercial real estate investing was I felt like I was doing a business. House flipping or buy and hold seemed more like you have a second job or hobby. Not that commercial real estate investing is in the second job, but I really just felt like I was running a business. And so, I started networking with the group, and I basically, I'm going to say, I grew the group and expanded my horizons because they were very limited. They only did a few deals, and I would call it not up-to-date with the current times.

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WS: So, I think you mentioned an important point there that you outgrew the group. And I think sometimes you don't expect that to happen maybe early on when you're first getting started with a group. I think as you continue to grow, there's just, you may be even be a part of a mastermind or part of another local REI Club or something, and as you grow and accomplish bigger goals, like you said, there's often times you're going to outgrow a group like that and you want to continue pushing yourself, right? Surrounding yourself with people that are ahead of you and challenging you. That doesn't mean you can't stay committed there and even helping others now, right, pulling them up. But for you to continue to grow, you want to continue looking for those people that are way ahead of you. Did you do that? Did you find other groups or other mentors, other people that were ahead of you to help challenge you in those ways?

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TT: Yeah, definitely. So, I started looking and connecting with different people. I did join this year, another mentoring program, in Austin, a little more specific. I also have CCI gentleman who has a

mentoring program, and I took a course with him, and then I joined his. So, right now, in theory, I have three mentors that I'm active with, and each of them brings something slightly different to the table, but they make me more rounded and they give me a sounding board to verify what I'm thinking or doing.

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WS: I'd say it's incredible. You mentioned that you have three mentors. I'm such a big proponent for mentors. I've had, at first, I just remember, thinking, oh, should I spend the money on this? Should I really do this? Can I not just do it myself? And I hear all those things all the time from people asking me about who should they hire as a mentor, what should they do? And it's just a no-brainer to me. You've heard it so many times. And even now, people listening, I was like, oh, I've heard that so many times. Don't keep telling me that. Well, have you done it yet? Have you found a mentor to help you? And I've had mentors now that helped me in so many different places in my life, I mean different aspects of business for speaking or even spiritual mentorship from our church. There's different ways, places that I have people to mentor me, and it's not always a paid mentorship, but sometimes it is. So, I wanted to get to, you said you wanted to learn the process and the people, some of those things. Let's talk about that process that you've learned a little bit. And now you've invested 14 deals, three mentors, you definitely have put time in to learn ways to invest passively and do it well. So, can you share some of the, just the processes that would help that passive investor that's listening right now.

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TT: The most important thing is for you to spend time and find the right person that is the sponsor of the deal and connect with them. The more I've done it, the more I realized that the lead sponsorship team – when I look at investing now – that is my first criteria. Who is the investment team? Who are the leads? What have they done? How have they connected with me? Do I possibly have a future to either invest with them more or get to the next level to where they would bring me on one of their deals when I fill the role? And so, to that end, I've done a lot of volunteering as some like to call it. So, one of my projects that I invested very early on, they were really struggling, and I had some time. Covid had furloughed me, and so I had some time, so I volunteered as an asset manager. And what happened was, is they had an asset manager across their portfolio, so I thought, okay, I'm going to learn from him, or they dismissed him a few days into my tenure of doing that, and then three weeks later, they fired the property management company.

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TT: So, here I found myself a first-time asset manager, really in a volunteer role, running a deep value add 176-door apartment complex two hours from where I live. But what looked was very painful, was also super educational. I was basically thrown into the deep end and I learned a ton. And then of course, everything got more complicated when you had a pandemic role in, and so I would not give out that experience for anything to be able to learn what I learned during those 10 months that I was a volunteer. And that really set me up for my new direction and where I'm going. And I'll be honest, I learned a lot of what to do, and I learned a lot of what not to do. And that really cemented my view on really understanding who you're investing with. Near the end, we had some differences and then that ended my tenure as the asset manager. Fortunately, now that property has gone full cycle. Unfortunately, we didn't make any money, and I think if I just stayed and been able to keep implementing, then there was a very good chance we could have. But who knows, right?

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WS: It's interesting, you said you volunteered as an asset manager, and I just want to commend you for that, I want the listeners to think about that. But it's like you volunteered for that pain. In your talk you said what was painful was super educational and I loved that thought. That quote there. What was painful was super educational so it's like. it's still paid off. You still learned a lot and you volunteered for it. And so, was your goal though, when you volunteered as an asset manager to learn how to passively invest, or was your goal to do something different?

0:10:56.9 S2: So, my goal was to become an active investor in the role of asset management. My business life, all through my business life has been a very unique journey. Things like indoor skydiving for 20 years, opening 46 of 80 worldwide locations and building it. And I have a particular, I love incremental improvement. And that's all apartment investing is – it's incremental improvement. You go into a business, you find out where you can make improvements, where you can find deficiencies, and that grows the bottom line. In reality, that's all an asset manager really is, if you just boiled it down to the core things that they do. And I've always been fascinated with how to do it, how to do it well. And then now associating with some bigger players has given me a little bit of the structure. I was missing the structure, I had the desire, I had what to know, but I needed to restructure now, to track it, to put it in, and then how to report it back to the rest of the GP team, and then ultimately report it back to the investors. So, it gave me that beginning look

into it at least.

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WS: That's awesome. That's so good for the listeners as well. I actually flew in an indoor skydiving tunnel or whatever you call that, like 20, it's been 20 years ago, Trevor. And there may have only been like two or three of them in the world at that time, I think. But anyway, that was a lot of fun, and I'm sure you probably got really good at that, hopefully they let you do it.

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TT: Yeah, no, they definitely did, and it was without a doubt, an amazing journey. It was a huge portion of my life, and I dedicated a huge portion of my life. And again, it delayed me getting into the real estate game, so lesson learned was start earlier. They say the best time to plant a tree is today, so you should get the shade tomorrow, and I waited much too long to start to get into the game. I would be in a different position right now if I have started earlier.

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WS: What about you talked about the most important thing was finding the right sponsor person to lead the team, and I couldn't agree more, I always say on here all the time, I know the listeners hear me say this, it's like it doesn't matter how good the deal is. It doesn't matter about the market; it doesn't matter about any those things. If you don't have a sponsor or there's somebody that you can trust, right? What are some ways that you could help the listener right now to vet that sponsor, to know that somebody that they should maybe look further at? It doesn't mean you're definitely going to partner with this person, but maybe we actually start asking more questions about the deal or the markets or things like that, but ultimately first, how do you get to know that sponsor and know that's somebody that you want to further your relationship with?

0:13:39.0 S2: Yeah, so it's all been relationship building and finding out who they are, where they are, how do I connect with them, how do I watch them in an environment. So, many of the ones that I've been investing in are also active in meet-up groups in virtual or online or training sessions. I took a whole course on asset management, and I was very early and I was super excited and did one of my first investments with someone who runs an asset management training course, and just kind of see somebody do it on a different level. And I look for people that, because again, I want to go to the next level to active. I look for people that I only know, like and trust, as everyone says, but that I would want to be a partner with. And so, I say, okay, there's no

room for me on this deal. That's fine. I'd like to invest in the deal, I'd like to get to know you more. And then once I get in a deal, I always offer to help. And I remember that they didn't accept my offer, but they were taking over a property and I said I wanted to be there, and even if the only job was to sweep the parking lot, just the fact that being there was something I really wanted, and I should have pushed harder for it, because I think I could have got to clean the parking lot at least, but my thing was, I just wanted to learn and be helpful, and people always need some sort of help. But there's a fine line between being annoying and being helpful and I'm sure sometimes I've passed the annoying line because I'm very persistent, but you want to make sure that you're bringing value.

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TT: And one other point too, I want to pass along, that's very important, so a lot of people were very generous to me as I was coming up in my career and gave me time. And it's so important to pass that on, the go-giver mentality. So, whenever I joined a meet-up, I'm on a meet-up every night, I'm obsessive with connecting, but when I connect with somebody who's just starting out, I always say, "Here's my email, let's set up a time to talk," and just kind of talk to them about the basics if they're local to my area, I invite them to everything that I'm going to. Just try to, I'm going to, say, pass it along. And yes, someday they may be an investor, might deal or whatever, but that's not the intent. The intent is to build a quality network.

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WS: What stood out to you about the first few sponsors or maybe even more recent sponsors that you've decided to partner with or invest with, what was it about them or their process, or that phone call or the deal? What was it that said, you know what, I'm going to move forward with this team?

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TT: It was a lot of, I found out who also was investing with them, and then I would talk to them to get sort of an insider's point of view. And since then, I've done that for some of the people now I've invested in. I come to them and say, listen, I'm really happy here. And if you need somebody to be a reference for you, feel free to give them my name and contact number. So, I did a lot of that, and then I call it watching them in their environment. So, several of them had meet-ups in person or online, and I just listened to what they were saying, what they were doing, how helpful they were, how open book they were, and those things just attracted me. And again, I'm now

looking at what I want to be a partner with this person, because I'm at that next level, switching over to active. And so I'm very focused and I take me and a partner with people in a GP, very serious, it's like a five-year marriage with lots of troubles.

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WS: No doubt it's like a marriage. Appreciate bringing that up as well because I mean, that's a partnership. I like how you said you offered to even be a reference for them, for other investors, and that's even adding some value to that team as well. I appreciate you elaborating on that partnership and how you find out or if they are somebody you want to partner with. And I like how you said you're going to go to that meet-up or be a part of the meet-up that they're leading and say you can get to know them probably a lot better that way. You're going to hear them speak a lot more, you're going to hear them lead the meeting, hopefully, or at least share and even help others. So, tell us a little bit about, now that you've invested in these big deals, you've educated yourself a lot more, what would you have done differently, say on the first deal that you invested in, passively.

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TT: Yes, I did not really vet the sponsor as well as I should have, so I way say that, this is the way I look at it. So, the sponsor's, the jockey, the property is the horse, and where it's located is the track. So, one of my first investments I didn't, and I'll be honest, the one that I asset managed it was there for a year as a passive investment, and I went to the property and literally when I walked on the property, I went, oh no, did I invest in this? It was, they sold it as a C plus, it was a D. It was a rough property, and I was like, oh, and it was two hours away, I should have driven and seen it, I should have Google Earthed. And again, don't get me wrong, some of those are perfect. There's a lot of deep value. And then the rest is the track. So it was in a strong city, but it was in a poor location of a strong city. And again, I didn't know how much of a difference that made. I just assumed they built an apartment complex, there are people who lived there and exposure to a busy main road or near other shopping units. This was in the neighborhood, and so you're only exposed to the people that lived in the neighborhood. So, you had to do, all your marketing had to be trying to draw somebody from another neighborhood to come and move into yours, and I learned a lot about the strategic location of an apartment, for sure.

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WS: How do you like to see an operator being prepared for a downturn when you're investing with

them?

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TT: Yeah, so I'm really, obviously, you need to make sure you have enough CAPEX in your original budget, and then you've got enough reserves in your budget to be able to handle it. A lot of deals that I've looked at are strong, what I'm going to refer to, as strong – really tight. And in fact, the deal I was involved in was really tight and they'd spent most of the capex budget by the time I got there, and we needed a full capex budget again to keep going. And so, when you're trying to improve at a cash flow, it just really changes the deal, makes it much harder to be successful. So again, just understanding their numbers, understanding that how much do you have in reserves, it's an important thing, and is the plan realistic? Is there enough money in the plan to complete the plan, or did they just put the, what I call the cookie-cutter placeholders? I looked at one deal and they said we're going to put in covered parking, so I actually went to the property and I went, I don't see one spot in this whole place you could cover park and it was a series of fourplexes and duplexes with parking right up. It wasn't there. Oh, we're going to have preferred parking spots. They were all preferred. Like I said, it was fourplex, and you had four spots in front of a fourplex, it was like, but they put the cookie-cutter, this-is-stuff-we're-going-to-put into a deal, and luckily, I did go visit that deal and I just saw they were just cookie-cutter add-ons that everybody puts in a deal.

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WS: No, that's awesome. Do you think they were just newer operators maybe and didn't understand some of those things or didn't know how much money they needed to raise for the capex stuff like you mentioned? Or what was that?

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TT: I think they were newer. Those people, that was their first deal, so I was vetting it quite a bit harder than I would if it was your second or third, which is unfair, right. Cause I'm going to be the guy, doing my first deal first, but I understand that you got to earn your respect. And that's again, why I've been investing with people I'd want to be partners with, so that I can be able to get on a deal with people that are doing the things that are important to me.

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WS: What are some daily habits that you're disciplined about, Trevor, that have helped you

achieve success?

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TT: I'm tenacious at both networking and connecting. That's all I'm doing. It's connecting. If anybody follows me on LinkedIn or Facebook, I'm an obsessive connector. I comment, I admit I stalk people on Facebook, people that I want to learn more about and see what they're doing and get connected to them, so that when I go to an event, they know who I am. I was in an event a couple of weeks ago in Orlando and I got in the elevator and some guy went, "You're K. Trevor Thompson, I see you all over the internet!" And to me it's like, okay, that was the track that I did, but I'll be honest what I didn't do, and I'm struggling with that now as I didn't connect all those people and create a funnel for investors. So, I know a lot of people, but I never took it to the next step, and so that has been a huge learning lesson for me that I should have taken it to the next step. I should have been more purposeful on establishing relationship, and then hey I've got a deal now that makes sense, how do I get them to invest? I'm not just that guy that clicks or likes a lot of comments on Facebook or LinkedIn.

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WS: Yeah, and quickly, how have you improved that now, would you do different?

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TT: I'm in the middle of improving it, so I've created a website, I've done several things to get there, I'm doing more purposeful meetings, but I'm definitely behind, I'm gonna say, systematizing my outreach program.

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WS: What would you say is the number one thing that's contributed to your success?

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TT: I think just how tenacious I am, and I think how passionate I am. After people meet with me and talk with me, they're like, wow, you've got a lot of energy for, and I never thought I would fall in love with real estate investing as much as I did. I just never, you know, it was something I was going to do, I knew I wasn't going to dislike it, but I had no concept how passionate I was going to be about improving communities. My theory is, I want to take an apartment complex and have the residents. My thing I always say is, I want them to feel like they're coming home. Most people

don't think of an apartment as coming home. I want them to feel that they're coming home. I want to create an environment where the team that runs the property feels like they are creating that environment for people, and it's a great place to work. You know, I struggled with the devalue add that was run out of money, and in the middle of summer when it's 100 degrees in Texas and the A/C is broken, super frustrating, it doesn't really create a home environment, so I never want to get in that position again. And if you get those two things, the investor returns follow without any extra effort.

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WS: Trevor, how do you like to give back?

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TT: Connecting with new people that are just starting up like me, and just sharing what I've learned and connecting other people that need, hey, I know I can connect you with this person, I can connect you with that person, and if I meet you and you're in Atlanta and I know somebody else in Atlanta I make sure I connect you. I do a lot of that, connecting people. And because that's what this business is, it's a team sport, and it's just connecting with the right people, and you kind of never know who is that perfect connection until you meet them and you go, wow, we're in sync and in synergy here, and it creates a better life for everybody.

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WS: That's awesome. No doubt about it, I'll go with what you just said about, you'll never know who that next connection is going to be. You don't know how you're going to be able to help each other in many ways. I just remember I just networked like as hard as I could go for a couple of years, every conference I could possibly go to, my wife always said, just have faith for who the Lord's going to bring in our path next. So, we don't know who that's going to be, but networking is so crucial in this business and almost any business, but I appreciate you bringing light to that, Trevor, I appreciate your time today and just really going through how you were exposed to real estate, how you got into passive investing, even volunteering for free as an asset manager and getting as involved as possible. What you learned through that. You talked about it was painful. We volunteered for that pain, however you elaborated on how it was super educational, and so I think that it paid you even though it wasn't monetarily, right, it wasn't money in the bank, right there. However, it's become money in the bank, right? The things you've learned from that. Now, over time, I just want the investors, passive investors that are listening to think about that, right,

you didn't demand some big salary right off the bat, right? But you did it for the long-term game, and now you're experiencing that, so grateful for that. Tell the listeners how we could get in touch with you and learn more about you.

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TT: Connect with me on LinkedIn or Facebook at ktrevorthompson.com. And my email is ktt@niagara-investments.com.

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