

EPISODE 1184**[INTRODUCTION]****0:00:00.0**

Whitney Sewell (WS): This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today is a Highlights show that's packed with value from different guests around a specific topic.

Don't forget to like and subscribe but also go to LifeBridgeCapital.com where you can sign up to start investing in real estate today. I hope you enjoy the show!

[INTERVIEW 1]**0:00:22**

WS: Our guest is Mike Ballard. Thanks for being on the show, Mike.

00:00:27

Mike Ballard (MB): Great to be here. Thank you.

00:00:28

WS: Mike helps owners become property managers. His firm, Ascent Multifamily, provides back-office services, accounting, bill paying, reconciliation, financial statement preparation, human resources, and payroll for more than 40,000 units all across the country. He's worked in the real estate and accounting industry for almost 30 years.

Mike, I'm pleased to meet you and have you on the show, just – your business, I can't believe I haven't heard of this before, especially 40,000 units, and the way you all have grown, and just this service that you're providing. I can just see that being so beneficial to so many people, but let's just jump right in. Give us a little more about who you are and how the firm got into business?

00:01:08

MB: Okay. The genesis of the firm started back in 1990 when my partner and I, we were both selling at a national accounting firm, accounting software. We were supporting accounting software for Laventhol and Horwath, which was one of the nation's largest accounting firms for the real estate industry. He then got hired to work at a property management company, and that company was Realty Management Inc.

Realty Management grew over the next 18 years to 27,000 units, and they had properties all over the country that they managed. They were a third-party management company. In 2008, they sold to Riverstone, which is now Greystar. They had a non-compete. My partner did. I was off doing other things at this time. My partner had a non-compete but he was close to the people at RealPage. He was on the advisory board, he was the chairman of the client advisory board for RealPage. RealPage's CEO said, "Hey, I saw Riverstone bought your firm. Anything I can do to help you out? You really know your stuff. How about you working on some of our clients?"

RealPage started referring us business. They hired basically our whole accounting group, moved them in a suite right across the hall from where they used to be located, and they started doing outsourced accounting. From 2008 until now, we've grown. We created a set multifamily accounting about five years ago and we had probably about 6,000 units five years ago. Today, we're not over 40,000 yet but we're almost to 40,000.

00:02:54

WS: That's a lot of growth in just the last few years. Is there anything specifically that you would – on the business aspect, I want to get into more about exactly what your firm does and how you all help people on the management side because I think it's incredible. But what would you contribute that kind of exponential growth to?

00:03:09

MB: I think we really started focusing on communicating to our clients that we wanted to grow. We started going to some conferences and speaking at those and explaining what we did. It was like, "Oh, I wish I had known about you five years ago or two years ago," or this type of thing. We serve two primary clients. The first one is the owner, who's kind of like a lot of your listeners here, right? They started syndicating, they've got a couple of properties, and they're paying a 3% management fee. They get a level of sophistication and realize, "Well, my properties are paying the payroll of everybody on the property. What do I get for this 3% management fee?" Or the 4% management fee or whatever it is.

Then they say, "I seem to care more about this property sometimes than this other person does. She has like five other clients besides me. I think I want to try this on my own." Then they try it on their own and they're really good at the property-facing stuff, but the back of the house just overwhelms them. Now, that's not their core business. Then they start googling and then they start finding us. We started putting in a lot of content about what we do online, and people just started finding out about us.

00:04:28

WS: Okay. Wow! Let's jump into that a little bit about those clients that you're working with and what typical size of a portfolio will they have? Let's jump in a little bit – I mean, making that transition I can imagine – I mean, it's a big deal to say, "Okay, I'm not using our product management team anymore, and we're going to start self-managing." It's a big decision, no doubt about it, a big undertaking.

Who are they typically or maybe like how many units? How long have they been in business? Is this somebody with a few duplexes? Is it somebody with a thousand units or somewhere in between? Then let's kind of go into that process a little bit.

00:05:02

MB: Okay. Our smallest clients, we have a few that are under 100 units. Our largest client has 7,000 units. Our average client has about 1,000 units and 6 properties. We have clients smattered – it's kind of evenly distributed all the way through. We've got clients with 4,000 units, 3,000 units, that type of thing.

But typically, like one of our most recent clients in Southern California, they had been talking to us for two years. They've got 3,000 units, and they knew that they needed to make a change. They wanted that control. They wanted to be able to do that. They've got the resources and they realized it's time. Then they just started working with us and transitioning, getting the software. They have a bias to use Yardi, which is fine. We have probably clients with more than 10,000 units on Yardi. They got their own platform of Yardi, instead of using the different property managers. They were probably using three different property managers in different states.

The one thing about this, it doesn't work for everybody. There are times when it hasn't worked, and let me give you one example. We had a client that had a few properties in like six states. They hired a regional or a VP to oversee all the property managers, and she ended up being on the road all the time. After a little while, she quit, and then they had trouble replacing somebody. They had trouble replacing that person, right? If all your properties are geographically dispersed, it may not work, right? If they're all in one location, it's helpful because you've got to be there. You've got to visit the site.

We've got a great client on the East Coast, had a couple of thousand units, and all his properties were within a 20-minute drive of each other, right? He calculated he had – let's say he had

2,200 units, and his average rents for 1,400 a month, right? He had 95% occupancy and he was paying a little over 3%. Some of the properties were 3%. Some of the properties were 3.5%. He was paying over 100,000 a month in a management fee, right? He said, "What am I

getting for that? I've got a regional who has other clients besides me. She probably makes 10,000 a month. Where does that other 90,000 a month go to? It goes to preparing the accounting reports, doing some marketing. I think I can do that better."

He ended up hiring his own VP of operations. He hired us and he saved about half. He saved \$50,000 a month. That's \$600,000 a year. That's real money.

00:08:00

WS: That is a lot of money. Yeah, that's a big deal. No doubt about it. How do we calculate? Say, working with a company like yours, do you all do percentage basis or per unit or what does that look like?

00:08:12

MB: We don't because whether you have a 40-unit property or a 400-unit property, you still have one landscape bill. To us, it's the same amount of time to process that, whether the fee is \$200 or \$2,000 a month. We have kind of a base fee plus, but just for some ranges, for a 100-unit property, it's \$825 a month. For a 200-unit property, it's 1,150 a month, right? For a 300-unit property, it's over 1,400 a month. It gets a little more economical the more units that you have.

For some clients, their average fees are about 450 a unit, our largest clients. For some – we have a client with a large portfolio of properties that are 10 to 40 units, and he's paying an average of probably 10 to 20 dollars a unit.

00:09:05

WS: Okay. So let's jump into a few of the things that you're helping these clients with. Like just to work with you, how do our operations look different and just the communication? Or the things, like we would normally have weekly calls about KPIs or any indicators that we're tracking, things like that. I guess fill us in a little bit about how that process takes place, to then working – because I guess working with you, if I can get this right, I'm really bringing in the property management in-house into our own company, right? Then I'm creating maybe my own property management group to manage our team, but then we're really hiring you all to help us with all the backend stuff as you talked about, everybody dreads, right? Or it's usually a mess and hiring you all to really keep that clean. Is that accurate?

00:09:47

MB: Exactly. Typically, our client uses one of the major software programs, and we're agnostic. They all serve a purpose, they all have their place in the market, and you've got to figure out what's right for you, whether it's RealPage, Yardi, ResMan, Entrata, Buildium, any of the packages. Typically, the property looks at the invoice and puts the invoice in the system, right?

They are the ones that know whether the Home Depot supplies were delivered, whether this was delivered, that type of thing. They put it in. We check it and every Friday we put together a list of items to be paid and we send it to the client. They look at those items to be paid and they say, "Yes, I agree with this, this, this. Maybe we hold off on this guy. I want him to jump through another hoop for whatever reason and I feel I need to pay this guy." We say great.

You send that. You sent it back to us let's say Friday or Monday, and we get it paid a few days later. We do that every week. Then during the middle of the week, we're also talking about different things as well. We are answering questions just like for the property manager, just like we're at the home office, but we just happen to be based in Las Vegas and not in their town, right? Then at the – however we process payroll and however the client normally likes to process payroll, we handle all the payroll. We don't have to. Half of our clients don't use this for payroll. They use ADP or Paychex or somebody else. They don't have to use our payroll services. But we have our own health insurance.

We kind of created the HR services because we had someone who was a VP at a large management company. We found an owner that wanted to give her some properties, and she had to replace all of the benefits that the big company had. She's like, "Oh, this is going to be a nightmare." We had it all arranged. We knew these problems ahead of time. We said, "Look, we've got a similar benefits package with health insurance, vision, dental, 401(k), other supplemental life insurance, and other things." We offer those for them to offer to all the property people. Oftentimes, if it's important enough, we'll fly out and register everybody. Get them all signed in.

[INTERVIEW 2]

0:12:10

WS: Our guest is Colin Douthit, thanks for being on the show Colin.

0:12:14

Colin Douthit (CD): Thank you so much for having me Whitney.

0:12:15

WS: Collin owns a property management and construction company that has experienced 300% growth in 10 months. He likes to bring value to investors before they bring him on. He has three engineering degrees, and has a professional engineer's license, but has chosen a new path in life. Looking forward to hearing about that Colin and just this massive growth for your property management company and, you know, how you've done that. But give us a little more about your back story, on real estate or just getting from, I mean, three engineering degrees?

I mean, that doesn't happen overnight or without a lot of work but then you know, just taking this new path.

0:12:55

CD: Yeah, no. It didn't happen overnight. I did two undergrad engineering degrees in college, got a job right out of school, then got my master's at night, and got my professional engineers license. Bounced through four jobs in seven years, got unceremoniously let go from two of them, including the last one. I had already been thinking about real estate, researching real estate, reading, analyzing, just kind of getting my mind around the whole industry before I was let go on the last job. I was under contract on my first property and I said, "You know, what? Let's see what we can get done here, without having to go back to the corporate world," and that was about three and a half years ago now. That kind of got us to the point that we are at now.

0:13:44

WS: What kind of property were you focused on at that time or that you had under contract, when you were let go?

0:13:48

CD: Yeah, I had a seven-unit multifamily building that I was under contract on. You know, recently – right after I acquired that, went out and bought a couple of single families, some packages from some people that we're trying to get out of the game. Over the next 18 to 24 months, we acquired a handful of their units, I had some partners on some stuff, and that's kind of how we started to build up our portfolio to where I could justify not having to go back to the corporate world.

0:14:14

WS: You know, it seems like the property management space has kind of become your focus or in your expertise, is that right?

0:14:21

CD: Yeah, that is.

0:14:22

WS: Why that space, what brought you into focusing on that?

0:14:27

CD: Kind of a round-about way. Once I got up to the point where I was self-managing, 60, 70 doors, I had to invest in the software, right? Because you just can't manage it all. I guess you

could go old school but I decided to go to software where I could kind of streamline everything. Then, from that point, I was like, “Man, I wonder if I could start third-party managing to generate some additional revenue? And maybe just bring on one property manager that could then just manage my asset essentially for free,” if it was a break-even proposition.

Quickly after I started having that thought and discussing it with some people, I got an introduction to somebody that was looking to sell their property management company and we went down that discussion and then, you know, getting up to the LOI, and then they decided not to sell. After reviewing their numbers and just seeing how the company worked, I really started to get a lot more interested in the property management space. Then just decided to build my own and grow it to whatever I could.

That’s kind of where I got into the business and my passion for the business came from.

0:15:27

WS: Are you focused on the specific type of properties to manage, or size of properties, in a specific market, or how does that work?

0:15:38

CD: Yeah, We’re within about an hour radius of anywhere in the Kansas City markets, that’s where we’re operating right now. We do work with single-family investors, and we work with large multifamily investors. Recently, we’ve been brought on for a lot of repositioning of assets so, whether it’s a single-family house that we need to put 30, 40, \$50,000 into and get it back on the market then, or we are brought into an apartment complex that’s been poorly managed, that needs rehab on every unit and hundreds of thousands of dollars of work, we’ve really been brought in to all those different spaces, just to try to help value add and manage properties better.

0:16:16

WS: You know, let’s dive into some of the 300% growth in 10 months. You know, when – what has caused that, what was that, how did that happen? You know, everybody dreams of that kind of growth, right? No matter what their business is. What caused that and what is that type of growth?

0:16:31

CD: What’s caused that – probably numerous things. We’ve been really networking heavy, I’ve been networking heavily to expand my network of influence among local investors, owners, realtors to kind of be their go-to guy as much as I can. Additionally, we’ve been trying to perform at a high level.

I say this to a lot of our investors in my team, that it seems like the bar for property management is set relatively low on what average performance would be, so if we can perform or communicate better than the majority of the other managers out there, then we're going to succeed. We've had some pretty good feedback from a number of our investors and when we get feedback, it's not positive, we always try to internalize that and figure out what did we do wrong? How can we make this system better just to deliver the best product we can, the most professional property management that we can?

0:17:28

WS: I love that. Networking heavy though, what did that look like though, to reach out – because it really wouldn't matter almost what business you're in, you have to have a network. You got to have people that you're meeting and people you're adding value to or – but what did that look like for you, finding these people, the owners, and realtors and, you know, was there a process to that?

0:17:46

CD: You know, I would really say, it started with a couple of people. I started building a relationship with them trying to bring them some sort of value. They were like, "Hey, well, I want to focus on bigger stuff but I've got some investors that want some smaller properties and are looking for management. Can you help them out?" I helped research and analyze some smaller properties when I still had all the time and ability and bandwidth to do that and was providing them value.

Then I got brought in on some of their bigger multifamily deals to start scaling that way and then, you know, it goes one or two contacts started referring me out to other contacts or making introductions. "Hey, you're in this space, do you know so and so?" "No, I don't know." "Okay, well here's that," and then I go and have a coffee or lunch or a drink or something with them, and get to know them a little bit better, and just started building my network out that way.

I didn't go out intentionally targeting some people, it really happened organically and through intentional and unintentional efforts, I guess.

0:18:38

WS: You mentioned performing at a high level and that you found that the bar was set pretty low. What are a couple of ways that you've been able to really shine or raise that bar?

0:18:49

CD: Part of it is communication. Communicating with the owners, communicating with the tenants as well, letting them know what's going on, coming in, and having a level of professionalism with trying to deliver accurate data on their reports.

Trying to actively manage their property in a way that I would want it managed if I was an investor because I am an investor. I was an investor before I was a property manager which I think may give me a little bit different view than somebody else, but knowing cashflow struggles, and knowing maintenance struggles, and how they can impact the dollars, and trying to control those, and then trying to give guidance to owners that aren't always self-serving.

0:19:32

WS: Guidance to owners that it's not always self-serving. You mentioned right off, communication. How do you communicate with owners that maybe – that's different than what you've noticed in the industry?

0:19:42

CD: Well, each owner has an assigned property manager, so our property managers only have a certain number of owners or a certain number of properties. They have the ability to communicate with them directly. Additionally, all the owners have my cellphone number, so they can call or text me or email me whenever they would like.

I'm available to the owners directly. I'm not just bringing them in through the sale or just to the network, "Great, you're in, you'll never talk to me again." I'm here for them. A lot of the time, when I get them brought in, we worked through this property. I've been there with them through the due diligence process, so we've put together kind of a plan, "Okay, we're going to vacate these units, we're going to rehab them, we're going to raise the rents to this."

I am still there helping them execute and build a plan, and then I'm helping coach and communicate with our property managers on the plan, and making sure that it gets executed.

0:20:32

WS: Let's talk about some of the struggles or obstacles of just managing that kind of growth. You know, some things you've experienced and just making that growth happen. There are different things that come up with any kind of growth like that for any business owner. You know, what are a few things that you've learned, or obstacles you've had to conquer?

0:20:52

CD: Communication is still one of them. I mean, that's one that we have had waxed and waned on with the effectiveness of it, right? There was definitely a point when we would bring on quite

a few doors before we run another property manager, where I wasn't communicating effectively with one or two owners, and I started getting some feedback from them on that, and then I was realizing, "Okay, this is something I need to do better on, or I need to delegate."

You know, having that many new customers coming on, even if it's just a handful of customers that all have a lot of doors, just managing the business, managing the people, and managing the customers, that's where I had some struggles and you know, had to learn to delegate effectively.

[END OF INTERVIEW]

[OUTRO]

00:21:32

Whitney Sewell: Thank you for being a loyal listener of The Real Estate Syndication Show. Please subscribe and like the show. Share with your friends so we can help them as well. Don't forget, go to LifeBridgeCapital.com where you can sign up and start investing to real estate today. Have a blessed day!

[END]