

EPISODE 1219

[INTRODUCTION]

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Colby Fryar (CF): Once you can push through that fear of the unknown, I think that's huge. Because doing the bigger deals allows you that scalability; to grow your business and not use up all your capital which was really the limiting factor in single-family and even small multifamily.

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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 Colby Fryar. He's a multifamily investor. He's located in Tucson, Arizona. He has a background in civil engineering and construction management. And, he started his single-family homes. He had six single-family homes and the next year he has well over a hundred units very quickly.

I love this story. We go through numerous things. He has a passion for finding deals, underwriting, and building teams. He's gonna share a couple of key things that could be very beneficial to you, the listeners, whether you're raising money or finding deals. He builds teams and he really works on that. And, just a few things he mentioned, could change everything for you, I think if you would implement these. Also, even the book that he read. I'm gonna try to read because I think it could be so helpful. You're gonna learn a lot from him today. Even about the deal that he did, that seemed very risky, it would have seemed very risky to most people, but he hang in there and I personally believe that he is going to have a ton of value there because of the willingness to push through around the deal that seemed risky for most.

[INTERVIEW]

Colby, I welcome to the show. I'm honored to meet you. I'd read a little bit about you this morning. A little bit more about your background. And I think your background is something

that I think a lot of the listeners are going to be able to relate to. And oftentimes, you know your background in civil engineering, I know so many engineers that become investors passively, actively. It's neat to see the mindset behind an engineer and how that's applied in so many ways in our business. It's really neat to think through that a little bit. But I'd love to hear a little more about your background in engineering and how you've moved into real estate. Maybe why? And let's talk about that a little bit then I want to move into a few of your superpowers that I've read about and you and I've even discussed that I feel is going to be very helpful to the listeners.

0:02:25

CF: Awesome, thank you so much for having me today. Whitney, I really appreciate the opportunity.

Yeah, so my background is in civil engineering, and I've been a civil engineer. So engineering manager now and I've been a civil engineer for over 20 years. About five years ago I came across a book called Second Chance that sort of changed my whole trajectory from that point forward. And I actually started thinking about quitting my job and I started looking at a lot of businesses and looked at franchises, did a lot of research, and figured out pretty quickly that to start a new business was not something I could do on the side. I had this thought in my mind that I could, I could still work my full-time job and then have this side business. And everybody I talked to was running businesses full time. And the ones that were successful.

And so, I sort of came back around to real estate which we had been investing in some real estate single-family properties. But in my mind, this is the focus we need to have. And so we bought a few BRRR properties in Alabama, actually started with a couple of turnkeys. And with Covid, things sort of dried up, and we weren't finding the deals. And I had been looking at multifamily, but it was at that point I said you know what, multifamily is scalable. You could grow it. Maybe I will have to use all my capital like I'm doing now. And so, that's when I got a mentor and a coach and it's just taken off since then. 136 units later so in about a year. It's just been a heck of a ride.

And, I just love getting up every morning and looking for deals and just meeting new people, and the networking part. It's just an exciting time.

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WS: It is exciting and it's neat to hear some main points there that you mentioned. And one I wanted to focus on just for a few seconds anyway was that you read this book called Second Chance, I have not read that book but I wrote it down, just in case I wanted to look it up. But, you mentioned that this book changed the whole trajectory for you. Just your thought process may be about having your own business and being able to do that and maybe you can highlight a little bit about what that book shared with you that kind of help to change the whole trajectory for you. I mean that's such a big deal. Maybe give us just one or two highlights there from that.

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CF: You know, most people have heard Rich Dad, Poor Dad and I've read that one too. This one is very similar, but it goes into more about a second chance for people that may be going through school like I did, thinking that you go to work and get a job you invest in a 401k, and you retire. And I found out through that book that everything I had basically learned was basically unraveling. And that it's not true that you just have to go to work and get a job. There are a billion other options out there. If you have an entrepreneurial mind which they don't teach you in school, and I actually came with a book, you know, honestly, a little aggravated and just felt like we, you know, we're sort of brainwashed but we grow up and we have this idea that we have to get a job and it's not true.

So, that opened up a whole new way of thinking. And that's when I really started trying to find a business.

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WS: I appreciate you sharing that because I do believe there are so many listeners that apply too. Maybe this is a great book for them to read. But a big thing I want to ask, the listeners too, like, are you reading, are you educating yourself, are you taking in things like this that man, like

one book, changed the whole trajectory here for Colby you know. And I've had some specific books that have done that for me as well, some bigger, you know, bigger changes than others you know that have helped me make some massive differences in my business and life.

But if you're not reading if you're not educating yourself, you're not even allowing room for that, you know, and so I just want to encourage listeners to think about that. And now this year we'll keep that in mind as we go further about Colby's journey here and just a massive change that he's made in his life and his family, I'm sure.

But next, you also mentioned you hired a mentor, coach, and then like you mentioned after that things took off. Hundred-plus units in one year. What was I remember in your bio, you started in single-family and then like in a year yeah over 130 units in like a year, soon after just having six single-family properties. So, speak to why did you hire a mentor and what were some key things that happened, you know, either through that relationship or not, that helped you to move that fast to you know 130 units just over the next year after that?

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CF: I looked at a possibility of a mentor back a few years ago but really held off because I had another business I was working on at the time and developing. And I thought I'd better get that one set up and going and so I did wait. But about a little over a year ago, I came to the conclusion that side of the business was great but it really wasn't going to get me to where I needed to go. And so I came back to the mentor theme.

I think that was the best decision I made. And I would encourage everybody to do that. That's where things really started to take off for me. You've got to be learning the business and educating yourself. But if you don't have that accountability and somebody to push you and to help you through those mistakes that you might make or will make, for sure, that's the key you got it you got to have that.

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WS: What were a couple of those things that make it like such a great thing? What is like one or two things that say through this mentorship that maybe your mentor is done or away or something that's like made it so worthwhile? I get the question, almost weekly, sometimes numerous times a week from people like, oh, should I have a mentor? When should I have one? Or, you know, I don't want to spend that much money and you know those things and I struggled with the same things early on, and now I could not be more for having some kind of mentor.

They're not all created equal, but man you find the right one, it's so worth the investment You're so just a massive investment in yourself.

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CF: People will invest in school, in college and spent thousands and thousands of dollars but they won't invest in something like this and I'm puzzled by it. I don't know why but I think the biggest thing is the challenge you, they push you every day. I mean if you get the right one, and they know the right steps to take. So they're pushing you in the direction you need to go instead of, you're trying to decide where to start, and which steps to take first. They've already been through that so they can focus you in the right direction. I think that's a big part of it.

And just the accountability, keeping you accountable. And, that you're doing what you say you're going to do, rather than "okay I'm going to do this," but then you end up waiting months and months and nothing ever happens.

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WS: I think you said it well, like helping focus you in the right direction because I think, so often you have all these limiting beliefs in the beginning. I mean really forever. They just change, they grow into different things and having that person that's like been there and done that, that can just like look in from the outside and quickly identify that and say, "Oh, Colby, that's just, that's kind of nonsense. However they put it to you, it's nonsense. Don't even think that. Just focus on this thing over here." And it's like changing your whole trajectory again, right? And that just changes everything.

So, I just wanted to highlight that for just for a second. But I wanted to move into, you know your passion for finding deals and you love underwriting and, you know, working with brokers building teams some of those things you and I talked about beforehand. Speak to this passion for finding deals and kind of what that's grown into and how that's helped your business?

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CF: Yeah, so I just love the challenge of it every day, and especially the larger deals I think. When I started out looking at smaller properties like four units and two duplexes, I just wasn't generating that excitement and I was looking at these larger deals and looking at the math and the numbers and that just really got me juiced and go on. And I knew that at some point I was going to have to take that leap and go for those.

But, how to go for those? That's the huge thing. And once you can push through that fear of the unknown, I think that's huge. Because doing the bigger deals allows you that scalability; to grow your business and not use up all your capital which was the limiting factor in single-family and even small multifamily. You just use up your capital quickly, you don't form those partnerships in the network. And you're not using other people's money to do it. You're using all your own money.

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WS: This is a good time to speak to a little more about going from six single-family to a hundred plus in a year. What were a couple of key things that helped make that happen 'coz that's also a big thing that listeners asked often. It's like, man, you know, getting into that first large deal. Or even the first deal, often. But specifically, a large one or syndicating something or, you know, that is so daunting to most. I mean in the beginning it was to me, you know like that first one like you mentioned. But speak to a couple of things that helped you to make that happen so fast.

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CF: So I think the biggest thing was when we found our 12 unit in New Mexico, which is not a really big deal but that's really where we got started. We knew we had to get in the game

somehow. And it wasn't the perfect deal, but it was a cash-flowing deal. And it was a way to get in and I think that's huge for brokers to take you seriously and for investors to start taking you seriously as you gotta get in and do a deal. And it doesn't have to be the perfect deal. You might have to be willing to take a little more risk or do something different from the norm, to get that deal because it's so competitive out there.

Even in the 12 unit space. I guess depending on your market but it's just really hard to find deals right now. So I think that was key and that that helped us to be able to look at larger deals because that next opportunity came right after we did that 12 unit. And I had thought we had the opportunity for a really large property after that.

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WS: So you had to be willing to do that 12 unit but that led to a lot bigger things. (Yes.) And so, you know, speak to finding those deals and how you're finding deals now. You know in this market like you're talking about, this so competitive, no doubt. I mean we feel that as well.

But how are you finding these deals and maybe how did you find that next deal? What did that look like, but how are you continuing to find deals now?

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CF: So that deal came through a broker relationship out here, and it was through another office they had a New Mexico. It came to me because I went to school there, and so they knew I was from there and had that background. And so, you know, I think the key was sitting down and having lunch and getting in front of these people and developing that relationship, which if I hadn't done and I had. And also, following up with them week to week, seeing if they had anything available, just being in front of them. When this opportunity came up, they immediately thought of me because I had that background there.

And so, they brought the deal to me. And it was a deal that was on the market and then went off. I think a lot of investors overlooked it because it is a smaller, smaller market. But I knew

when I saw it it was a good opportunity. And I knew the market. So that helped a lot too. And, I knew we had to jump on it.

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WS: So you had some relationships there too like for them to even know that you were from that market, for them to know you think of you, I mean, you built some relationships there with brokers, it sounds like. And you know, built a team there, essentially, but, speak to, you know, I talked about this before the show a little bit, but speak to, like the willingness to what you said to take more risk to do a deal. And, someone say “Wait a minute you know I'm not willing to take more risk but I think there are different ways to look at that term or like taking more risk, and there are ways to make a lot of money in this business because you're willing to see through things that maybe some people would feel are riskier than do as well. Right?”

But share a little bit about that specific thing like you're willing to take a little more “risk” to get do a deal, but it may you know I just want you to be able to elaborate on that. Let's talk about it.

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CF: I think there's a fine line there. And I think, with getting your emotions involved too much maybe in a deal, but also being willing to put yourself out there, and to do something a lot of people aren't willing to do. I mean, it was a real challenge throughout the process of this deal, finding partners, finding investors. To be honest, still there is a term a lot, had a lot of hair on it. It really did. There were no financials on this property, limited data, and the owner was not willing to give us anything. Thank God the property manager was really nice man and allowed me to see the books which were handwritten by the way, which was another challenge. And not much out there. And it's a tougher ticket class that we're dealing with which made a lot of people uncomfortable. And a smaller market, overall, you know a lot of people are looking at Tucson, and Phoenix, Austin all these big markets and Las Cruces for this particular property is a smaller market.

And it was really tough to get people involved. But we persisted and kept pushing and I think that was the big thing – just the persistence and getting up and grinding everyday to find partners and to keep it going.

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WS: I mean all that right there like you know the soft handwritten or it's hard to get, like, all that to me says there could be a lot of value here. (Right.) But you gotta go figure that out. And it's not always so easy, right? I mean saying that probably makes it sound easy, but it's not. And that's why you found a deal right it's because other people are going to quickly shy away from that maybe the market for one but you had, you are familiar, you kind of had some insight right? Some inside knowledge about this market for one.

But then about this deal, you were willing to hang on, right. You caught it hairy, you know, you're willing to give it a haircut. I mean you're willing to go figure that out. Maybe speak to a challenge of gathering that information and how you overcame it?

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CF: We had the opportunity to go down there and do our due diligence and visit the properties. And so we got to walk all the units and the owner had actually told the property manager, “Do not provide any of the financial data to these people.” But I kept asking him and kept asking him while I was there, (Was it ever contracted this point?) Yes, it was under contract. But we were in the due diligence period.

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WS: So, you know enough to make an offer and to sign a contract at this point?

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CF: We did, but thank goodness we didn't have any earnest money hard at that point so we walked away. That was the one good thing and we had time which was really good. A lot of deals these days, you don't have that kind of time. I think we had over, well over 60 days during our due diligence period. But yeah, it was a real challenge getting that information and I

just stayed after him and he finally showed it to me. And I had I took pictures off of the ledger book that he had and we got five months of information there. And, if we wouldn't have had that I probably wouldn't have got the deal done because I don't think a lot of people would have gone for it. The thing about it is he got in trouble for giving up to us and the owner told him "Do not give them anymore." That was all we got. By the time of closing, we could have had three or four months more of data, he would not provide that to us. So, very, very difficult.

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WS: How long has it been since you close on that property?

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CF: It's been about four months now.

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WS: Okay. And now you're creating your own paperwork. No doubt about it you know, and records. What have you learned since then, like, has it has there been like these massive things you've uncovered that maybe he was trying to hide or what have you found?

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CF: Yeah, I mean, the biggest thing, I can't go into all the details of it but there were some personal things going on with it that we found out through the process. Yeah.

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WS: Okay, with the seller, you mean like he had some personal issues. (That's right.) You don't have to expose that. That's not relevant but you found out that there were things that were being hidden, but did it not hinder the property or was it just some things he personally were trying to hide?

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CF: I think, you know, one of the lessons we learned was, there was some, some difficult tenants and we knew we were going to have to clean out from this property but we probably

should have done our due diligence a little better, contacted neighboring properties and really got an idea of what was going on here. Because we're facing some, some pretty big challenges right now getting some people out. And one of the difficult things too with New Mexico is they have this eviction moratorium that's been extended on and on. And I think it's finally ending March 1st but that's been a huge challenge for us as well.

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WS: I just think that as you work through that you'll eventually get these people out, right? I think from that point, it's kind of only up from there right? I think you found a deal, and it does have some hair and because of that, it's going to be difficult, right in the beginning. But man the trajectory then of where it can go I just think you have a lot of value there. I mean, anyway I think it's exciting.

So, I wanted to quickly ask you to, because we're running low on time, unfortunately, but I know you have this like sensitivity test that you've talked about in the past and could you share a little bit about that, especially with your background in engineering. What does that mean exactly and how to use that?

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CF: A sensitivity test? Can you elaborate on it a little bit?

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WS: I had solid stuff that said like about your sensitivity tests, maybe you've mentioned that on another podcast, something like that our team found that and just maybe how you do that in your underwriting. And maybe it's not as relevant as I thought it might be, but I wanted to ask you about it.

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CF: Yeah, so I mean, when we underwrite deals, you know, the big thing is, what are the returns that we can get. So we're looking at over 14% IRR, which is your internal rate of return and your average annual return. Over 10% cash-on-cash return. So those are big ones. And

then we're doing three to five years so reflect finance in three years, sell, sell in five years. That's what we're looking at for our deals going forward.

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WS: Yeah, so you had to meet these things or may not be worth going after, right? Do you have any predictions probably just for the real estate market say over the next six to 12 months?

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CF: I host a monthly meetup and we were meeting with, we had one of the premier brokers here in Tucson and I asked him every question. "Where do you think the markets going? Do you think a correction is coming?" And I think his answer was "yes." He didn't say when but I think everybody's kind of wondering about how compressed these cap rates are and how competitive it is and how pricey these properties are getting. It seems like there's got to be something in the wind coming down the road. But, who knows when that could be and how long this run can go.

I think the important thing is just you got to be willing to take on challenges and if you want to do deals you got to be willing to find you know maybe something with a little hair on it like this because especially starting out, it's so competitive in this environment. And you can't count on things like a correction coming. Just nobody knows when that's going to happen. And I think you just got to get in because you know really all we have is right now.

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WS: What about, you know, thinking about that possible or potential correction coming? When that is and people thought that for many years now right, that "Oh it's going to be this year. Oh, it's you know." And unfortunately I know so many who said even five years ago, "You know what, I'm not buying anything until the correction happens."

And, they've personally lost out on making millions of dollars like I know that, you know, because they held out at that time, right? But I also believe that hey, if you feel convicted about

that and you feel like that's best and you should do that right? You should just stop or hold out whatever.

But, you got to just take in as much information as you can and make the best decision that you can obviously for you and your investors. But I think you still have to prepare for a potential downturn. And, how would you say you all do that? You know that you're prepared for a downturn, given you know you're buying a deal in this market right now.

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CF: Yeah, I think that comes back to the sensitivity that you mentioned, the analysis. I think you've got to be, you've got to underwrite these deals conservatively. And especially in markets like we're looking at where the growth rates are not quite as you know aggressive as some of these other markets like Phoenix, you got to be real conservative with your underwriting and project, maybe lower growth rates over time, or zero or no growth rate for a couple of years. And just to be on the safe side. I really think that's important.

I'm not sure I see this aggressive underwriting and I know that's how these groups are getting a lot of these deals but hopefully, that's a sound approach. I think there's got to be some conservative built conservatism, built into the model as well. At least if you're being aggressive upfront, maybe over time you're, you're tapering that growth off. That would be my advice but again I'm not really experienced in those, in a lot of those bigger deals that they're looking at either.

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WS: I think you got to be conservative like you're talking about but in rent growth is definitely a place to do that as you mentioned and I think being patient as well you're not being like actually you mentioned earlier like not getting your emotions involved is so important, right, man. Let's look at the data that we have, and really think this through and not be emotional about making this purchase. I'll give an example to the listeners, we've only made an offer on property like two weeks ago, and we offered, I think it was like 22 or 3 million for this property. It is a smaller little bit smaller property than we typically would purchase. However, we liked

this property, and we found out that we did not win this property, and there were numerous offers that were probably, I mean numerous, within probably a million or million and a half of our offer on both sides. Okay. You know what I said was 21 or 20 million. The winning bid though, was \$36 million.

I mean I fell over, you know like I just couldn't, I can't even, like, "wait, you know." If you had told me \$25 million I still would have been like, "Wow, they're really paying a lot for this property." But 36 I just, I don't even know. We actually got to do brokers and had that same reaction. It's like, I just what you know and it's always like we're out, we're buyers but I tell you what they were thinking about being more sellers at the moment you know. But we just want to be patient right? And when we find a good deal, we're gonna move on it but things like that like we're, you know, we wouldn't have gone to 25 million on that property, you know.

Anyway, Colby, what's your best source for meeting new investors right now?

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CF: My best source right now is really just reaching out to our network through the mastermind group that I'm in. I reach out through that. I have my Meetup group, which, which has been big to meet new investors. I also look at LinkedIn, Facebook, and so I meet a lot of, a lot of people through that as well. Bigger pockets.

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WS: So you're like reaching out to people actively and trying to connect.

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CF: Yes, absolutely, on a daily basis.

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WS: I appreciate you elaborating on that like you're going to these different platforms and reaching out, you're finding people, daily, and reaching out making connections.

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CF: Yes, they don't come to you is what I found, you've got to, you've got to reach out to people if you want to build your network. It's the only way you can do it. Or at least somebody at my stage of the game I don't have a big platform. So, until I do, that's what you gotta do you gotta grind it out.

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WS: That's right. I just appreciate that. You elaborate even daily like you're reaching out on these platforms. You're proactively finding people and making connections. I just want to stress that to the listeners. Speak to some daily habits that you are disciplined about that have helped you achieve this level of success.

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CF: So I use a calendar and I really bought my time. I have set goals for the week and I put those in my calendar every day. Yknow I don't always do what I put in my calendar but that I follow up pretty, pretty faithfully. And that's really contributed to being able to get things done and accomplish my goals.

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WS: It's awesome. And how do you like to give back?

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CF: One of the big ways is directly through our investing and our properties. We do have some charities tenants as we call them, they're people that have that are down and out or on the street, even some homeless people. And we're providing them housing through one of our properties. And that's been really huge. We do have on the offside of that, there is some turnover cost and you know they do damage department a little more but through this charities group were able to get higher rents and so that helps offset costs. It's just been good to give back in that way and to provide housing for these folks because the homeless issue is getting really bad in this country and it's just something that needs to happen.

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WS: I appreciate you sharing that Colby. And even just helping us think through that like, how can I help some homeless, instead of just driving by right? Like really thinking about how can I help that individual? That's gonna help me to think through this, even a little more.

Colby it's been a pleasure to meet you and have you on the show. I love your passion for finding deals, and even just underwriting and the teams are the, you know. We talked about your love for team building a little bit, and then I loved how you even talked about how like when I asked you your best source for me new investors I mean you're, you're proactively reaching out on these platforms daily. I think there's a lot of value in that and I have personally not done that, as well as I wish I had. But I just I love for the listeners to hear that you know and know that "Hey, you're out here, shaking the bushes right? I mean you're, you're out here making things happen." And just appreciate you highlighting that. When the book that you read that changed the whole trajectory for you, hiring a mentor, what that did for you, this deal that had some hair on it. Some people would say "It is s too much risk." But no you went in and you found out more about it you kept at it.

And if you just willing to go further and do more than most and make that happen and I believe that you're going to find a ton of value in that as you get through some of these bumps right? You know, I mean that's just part of the business, I think, and you're gonna learn a lot in the process.

Colby, it's a pleasure to have you on the show. Tell listeners how they can get in touch with you and learn more about you.

0:30:00

CF: I'm on Facebook. I'm on LinkedIn. My website's mountainbridgecapital.com and you can reach me at colby@mountainbridgecapital.com. And, thank you so much for having me Whitney, it's a real pleasure.

[END OF INTERVIEW]

[OUTRO]

0:30:11.0 WHITNEY SEWELL Thank you for being a loyal listener of the real estate syndication show. Please subscribe and like the show, share it with your friends so we can help them as well. Don't forget, to go to lifebridgecapital.com, where you can sign up and start investing in real estate today. Have a blessed day.

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