

EPISODE 1223

[INTRODUCTION]

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Mark McGuire (MM): I got to a time I could not actively invest all my earnings, I just don't have the bandwidth. So, I got into syndication investing as an LP, a limited partner. And, when that happens, it was like, 'Oh wow, I could make 15 to 20% and do nothing. Why would I invest in the stock market?' And that was like the lightbulb moment for me.

[INTERVIEW]

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Whitney Sewell (WS): This is your daily real estate syndication show. I'm your host, Whitney Sewell. I'm still at GoBundance and today our guest is Mark McGuire. Mark is four generations that have been in real estate. But, before becoming a real estate agent, he spent six years in property management and maintaining the interior and exterior of 130 rental unit buildings, conducting four remodels, flipping bank on properties, and short sells. So, he's done a lot in real estate. I get to meet Mark, it was great to meet him in person.

One thing that's so cool about him, he was a professional drummer. And so, I don't know if any of you know this, but I also play drums. I love playing and I play at church most Sundays, and it's just great worship for me really but selfishly. But I enjoy playing and I just need to hear that background of his. But also how he's building an amazing business. And he got his license while he was a drummer, and had to make some hard decisions there to go make this happen, but also how he's been an LP. He's been a passive investor before becoming a GP. And he's gonna talk about many things that how good operators rise to the top. And, some things he learned as an LP about good operators.

And so, I think whether you're an LP or you're a passive investor or whether you're an active operator, there's gonna be some things that you're gonna learn from him that he tried to

emulate as he became, got more on the general partnership side of deals or trying to do bigger deals and even vetting deals. I know you're gonna learn a lot from Mark today.

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WS: We're back at GoBundance. I am excited to be in person. I don't get to do too many in-person interviews so I love the energy that comes from being at an event like this and being able to do an interview actually looking somebody in the face without having to hit the Zoom button. I actually still hit the Zoom button so we can still be in the video, but however, I can see the person, the guest in person.

Our guest today is another amazing entrepreneur, a guy who has made big things happen, right. And now many of you are going to relate to his story. Mark, welcome to the show.

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MM: Whitney, thanks so much for having me. And, it is an honor and a pleasure.

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WS: Yeah, a pleasure to meet you and have you on. Get us started, I want us to know a little more about who you are. I know your background in real estate wasn't always commercial real estate but you made a transition. And I know that transition is hard for all of us at some point. Right? Typically, a lot of us have some kind of job or some other thing that we're doing and we see this opportunity in real estate to start our own business. And I think you did that. Right? So, give us a little bit of that background so you can help the listeners that are pursuing the same thing.

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MM: So, my first actual real business, first I was in a band for seven years. We played professionally and –

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WS: What did you play?

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MM: Drums.

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WS: Do you really? I play drums as well. Well, probably not as good as you, but I do play. I enjoy it.

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MM: After I got out of the band, man, I kinda dropped it. I just kind of lost the spark for it. Yeah, I played in the band professionally for seven a half years, dropped out of school, we ended up touring toward the country, wind up getting a record deal with RCA Records, and I had gotten my real estate license at the time. I was kind of, I always had my hands in a couple of different pots, and music doesn't pay a whole hell of a lot until it pays a ton. So it was a matter of trying to make money while you're floating, just all these costs of touring, and merchandise, and recording, and we didn't have the label to back us. So, that was an incredible opportunity, and when we got that contract, RCA, and we read the terms.

I had been in real estate sales, I had gone and read about, I think I had three deals under contract. I had been working for a (inaudible) for two years. I had more money guaranteed to me in one month than I was gonna have for seven-album cycles for the RCA record contract. And I was like, on what plan would I sign this?

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WS: Because of your real estate business or your license that you had just gotten?

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MM: Yeah. I had \$15,000 and change in commissions in the month of June 2014. And, I remember the net to me after I did all the math of the advance, which was the only money that was guaranteed to us was like \$6,700, and it was seven-album cycles. But just on average, two to three years per deal, I was like, I'm out.

So, that was like when I went to real estate and really was like, “Alright, well, I just gotta burn the boats here, make it work.”

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WS: Interesting, so becoming a professional musician, that doesn't happen just overnight. That's many hours of practice. And especially with the band with others, you all spend so much time, and I can relate to that in some different ways, and I'm not a professional drummer. But I do enjoy playing, but I did have a passion that I had to give up for a while. And, I was training horses professionally, many the listeners have heard that story, but we sold the farm so we can commit to commercial real estate. And it sounds like here, it sounds like you are well on your way, or at least you thought at the time doing something big as a musician, right? However you said, “You know what? It's best that I cut that off.” That wasn't easy. Probably.

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MM: No, now it was like a gradual but sudden thing where I was kind of feeling a gap in our direction and I was the logistics and the money, and a lot of the math and figuring out solutions, and these were artistic people. Drummers tend to be the logistics guys, it's just the way it is. But, I ended up being in feeling like I don't like the way music was going, music was going much more electronic and I didn't like it, and I was like, I didn't identify 'cause I was much more of an organic drum type of guy. I'm not a hype guy. I'm just like, “Let me show you.” I don't wanna put up the smoke in the mirror. I'm just not that guy. I'm just more meat potatoes, I'm a straight shooter. What you see is what you get with me, to the point that it pisses some people off, frankly.

But with the band, it just like it was a very clear moment where we went into a meeting and it was like, “I'm quitting or you're kicking me out.” So you tell and I'm like, “You go first.” And that was it. That was a very clear moment of like, “We need to pivot.”

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WS: So when you got your license, did you already have an idea then that maybe the musician thing wasn't gonna work out? Is that why you did that?

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MM: I just, I always like the game, I enjoyed money. Money to me was freedom. I feel like growing up between my grandfather and my house, I felt like my parents were very type A and my grandma was very typed A. So, I didn't have the authority to make my own decisions sometimes, and it felt like with money, like money was like a tool that they had used to control me. And there was always strings attached to everything. And I'm like, I wanna live life with no strings attached.

And so to me, the way to do that was to make money to say, "Hey, I don't need you, I can pay my own way, I can pay for my call or I can pay to live and you can't tell me what to do." For me, it was ego. Totally ego-based entirely.

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WS: Okay, but you did get your license and you started making some things happen and you notice that, "Hey, I can make some money doing this right in this real estate thing over here, and maybe this musician thing is not what I thought it was gonna be." You made the hard decision.

Tell us about that. When was it, I guess, approximately timeframe from then to obviously, you got in commercial real estate, but what were some things that you were going through the end to finally go to from being an agent to what you're doing now?

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MM: When I went and pull the ripcord from the band, residential real estate sales, it was this thing where I'm like, "Well, I get paid to socialize and to take people out to eat, and then I got to sell hoses and that it's really not that hard. And I got a lot of significance from constantly being on the phone and people calling me and texting me." So then, I come across the idea of building a team.

And I was like, "Hey, yeah, I wanna build a team, I wanna have a business. So it's not just like

me as the lone ranger gun sling and eating what I kill, and you've got times when you're fat and happy, and you got times when you're starting. I'm like, I wanna go and build a business that can stand on its own two feet and run itself." That became my mission like 2015-16, and then I just started pursuing that.

What you realize is wage doesn't make you wealthy. At some point, you gotta take the wages and you really need to park the wages in investments, and that's where all the wealth is made. And, wealth is what truly make you to do nothing. And most people don't understand that. So that was my whole game was "How do I go and start parking money?" And I was doing single-families, and then I went and did quadflex, have partners, learned a lot of mistakes that I made were not so good, so I shouldn't repeat those. And then decided, "Okay, let me just, I'm running out of bandwidth here 'cause I'm chasing, I'm babysitting humans. 'cause that's what you do when you have a business. I don't care what business vertical it is, you babysit and everyone makes a problem your problem, and you have to figure out how to—"

I got to a time I could not actively invest all my earnings, I just don't have the bandwidth. So, I got into syndication investing as an LP, a limited partner. And, when that happens, it was like, "Oh wow, I could make 15 to 20% and do nothing. Why would I invest in the stock market?" And that was like the lightbulb moment for me.

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WS: How did you first learn about syndication? 'cause there are so many people, it seems foreign to me right now, but that is like, I never knew this existed. Where did this come from? How did I not know this was here. But how were you introduced to the syndication or commercial real estate investment?

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MM: It's funny because when I got introduced into syndication investing was like 2016, and podcasts really wasn't as big of a thing back then, right? Now everyone has – you can find a podcast on anything. And when we were doing – back then, it was kind of like the black market. It was like the black market in real estate, where I was like, "Can you trust this? And

how do I know that I could trust this?" So I found out about it through a mentor who owned a couple of – look at team's offices. One of the ones I happened to work at, and when I got introduced to, I was just obsessed. I was like, "This is the coolest thing ever. It's owning real estate and with none of the BS."

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WS: Yeah, especially after owning some small rentals, probably right? Doing some self-managing, I was the same way I do.

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MM: Dude, I beat my skull against the wall. It was just like how many times I have to run into this wall before I realize there's another way around.

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WS: I was gonna say, even I have lots of brain damage from the first couple of triplexes that I bought. You call it beating your head against a wall, same thing, right.? And that's why I also loved the syndication. But tell us, okay, you went in as an LP, you saw this opportunity, how did you learn about being an LP, and obviously that's a limited partner, passive investing, how did you learn about that and be confident enough to partner somebody actually, "Okay, here's my hard-earned 25, 50k, whatever you do."

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MM: I always bet on people. I think that's one thing if you take nothing else away from this like you have to understand a good operator can make a bad deal great, a bad operator can make a great deal terrible. And you can make a spreadsheet to say whatever you want. And truthfully, I didn't know anything about syndication. I trusted the people who were showing me what these look like, and they were showing me certain operators. And they were exposing me to how it worked transparently. Didn't know the vast majority of what I was doing. I was just stupid enough to write \$50,000 checks and I was like, "Hey, I'm gonna learn as I go here, and I didn't graduate college, so if I lose this 50 grand, that was 50 grand was supposed to spend in college that I didn't. And that's my education."

So I kind of framed it up like “Do it was house money, man, I was supposed to. I saved myself from \$50,000 of college debt and this could cash flow and make money, like right away, how do I lose here?” 'cause I wanna burn that money anyway, it's a literal fire.

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WS: That's awesome. I'm thankful you took that chance and then you learned a lot probably about commercial real state, about syndicating by investing passively first. Walk us through the transition then from LP to becoming a GP or general partner that you are now.

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MM: I am an investing junkie, and I'm just wildly curious. And I got to a point where when I decided to make the shift and stop doing active to passive, I was like, “How many \$50,000 checks can I write? And then how soon can I write?” And what I realized was, then you have the K1 issue. So now that this is tax time, I've been trying to prep for that. And what I ended up realizing was I was sharing deals back and forth with people that I knew had the ability to write the \$50,000 check. Not because I wanted something out of it, or if there's something in it for me, I just like the game.

And to me, I just think that's what most of the greatness is born, is just when you love the game for the game, for the sake of the game, and you don't make it about money, you don't make it about, like an expectation of an outcome, that's what the sales. So for me, I was just sharing deals with people, I'm like, “Hey, I like this deal, I like the stasis, I think the operators got a good track record in the space . I like this deal. Tell me why you don't like it, because I wanna make sure I don't lose my money, I got smart enough to tell tales back and forth, and it was a way to actually vet the deal with somebody else to see how they could put holes.”

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WS: That's a great idea, especially early on, and I think any time, no matter how experienced you are, other people are gonna look at different things. They're gonna focus on different things where they're experienced or not. And have different questions, maybe then you haven't thought of it. I think it's a great piece of advice there.

So you eventually became a general partner, though, right? What pushed you to that? And how did you do that?

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MM: So, with the residential real estate sales team, I was kinda committed, you're coming down the hill and you take a path and you're just like, "Well, I can't really climb back out of here, I'm just stuck in the shoot and the only way out is through." So I had got to not play with my team on my real estate team, and then decided, "Alright, this isn't filling me up, I'm doing this, and I kinda build a prison for myself with this real estate team, and I like the income and the lifestyle that it would allow for me to have, but what I didn't like was just what I had to do to get it." And I was like, "Man, there's just gotta be an easier way."

And so being that I was trading toss and investments around with a bunch of different people and kinda telling them, "Hey, look like I like this." And I had, you know the track record of success. I'd done single-family, I do quadplexes. I would go into different asset classes, and for me, I was just curious. I would just soak up everything I could, but the key was the person that connected me to them. So once again, a very people-driven, relationship-driven.

Everything is trust, and it's all about trust and the operator. So it was about trusting person that got me connected. And then once I was in that inner circle of trust, I just kept asking questions, and the more questions I asked, the more that I learned. And ultimately what ended up happening was my partner Sergio Altomare and Corinn Altomare, they had started her fire on their own, and they've been syndicating small multifamily for seven or eight years at the time. They had just transitioned to self-storage. I was helping my family, 1031 exchange some smaller – our dogs and our single-family, and we are 1031 exchanging and we were going into Deller statutory trust, explore that concept. You don't know what it is, it's basically like a, it's kind of a REIT, but you own it in terms of like your own title. So it's an eligible way to 1031 funds from a small property to a larger property where you're truly become passive.

And so stumbled across self-storage and I was like, "Wow, low operating expense ratios, it

thrives on transition, so good markets, and bad markets, it's successful." There's really low maintenance, and you have a lot of unsophisticated operators that is mom and pop owned. So it's like 65, 35 Mom and Pop to an institution where I pretty much every other asset classes is the inverse of that or worse. Probably worse.

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WS: Yeah, and so I wanna ask you, I wanna fast forward a little bit, but I wanna ask you, you were an LP, you notice things and certain operators, and now you become an operator. What are some things that you picked up that said, "You know what, I like how this operator did that, I wanna emulate that in my business, or I wanna do that the way he did that." Or some of the best top operating practices that you learned.

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MM: Communication is so clear. I've seen your platform that you guys do and monthly, you guys are machines like God bless you for it. I don't know how you do that. Like that level of consistent communication, clear expectation management, setting expectations, and then holding to those expectations. So a lot of people who tell you one thing and then things are late, the financial reports aren't there, that's a sign of like, "This is a little messier than I don't know that I trust everything that's going on. I'm not seeing everything in the day-to-day, I don't know if I can trust it."

But clear communication, consistently with very clear expectations that are met and exceeded. And I'ma look at it from a projection standpoint, we've had such favorable tailwinds on our market in any market. I don't care what market you're in like the wind has been at your back the next two to three years, you're gonna see the cream rise to the top in terms of operators, 'cause people that know how to buy and know how to operate are gonna still provide returns, people who don't are gonna get exposed for swimming nickel.

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WS: Let's speak to that a little bit, and I know we're running low on time, unfortunately, but on that same train of thought, with what's happened with your experience and meeting and

investing with these other operators, but then now becoming an operator and what's happened over the last year or two with Covid and all the pandemic mess. How has that changed? Maybe how you look at deals. Right? How are you prepared for that potential downturn?

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MM: Yeah, so when I participate as an LP, I just wanna know what assumptions is that person making. Granted, when you're doing syndication, you're making assumptions five years in the future. Did anyone for think of Covid coming in 2019? The answer to that question will be no. Like looking in your magic crystal ball, trying to figure out what the future looks like, and nobody truly knows.

But the people that I like are the ones that are not using assumptions to make their deals look better than they really are. Are you buying this going in terms of the cap rate? What's your exit cap rate, and have you stress-tested it? So what happens if cap rates expand instead of contract, which they have to? What happens if debt jumps and how does that impact what someone can truly pay and still make the debt service coverage ratio covenants you need to make for the loan?

So for me, I always wanna know how have you kept your downside because preservation of principal is paramount, that is the key, 'cause you gotta work so much harder to make it back.

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WS: No doubt about it, preservation of capital, and I think you need to make that clear to your investors, it is a goal with your right? You're working hard for that and how you represent your assumptions and all those things are gonna show an investor that as well, right? Tell me though, I'm gonna fast forward a little more and quickly like what's your best work from meeting new investors right now?

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MM: Yeah, the best way that we've met new investors right now, truthfully, is podcasts. Honestly, podcasts are such a critical way for people to learn about you, you can just go one

too many and such a broad swath of people.

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WS: Is that your own podcast or is that being interviewed on others?

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MM: So, we don't have our own podcast yet, leave it to Sergio, he'll have 17 ideas by tomorrow. But it's other people's podcasts, but it's knowing which ones they get on. But it also comes down to like "You gotta go on ones where no one listens and no one cares to tighten your story up so that when you get on the ones that count, you're clear and concise with your message."

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WS: That's some great advice right there. A good friend of mine reached out and he said, "This is a certain podcast reached out and it's a really big name podcast, he's like, I've never done one before, and I said, Let's talk. And you need to be on my show, I need to be on numerous others, and then within the next two weeks, just to polish that story a little bit." Right?

So, great advice. No doubt about it. Tell me a couple of daily habits that you are disciplined about that have helped you achieve success.

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MM: Journaling. Without a doubt. It is a way that my brain, quiet my brain, and it's a way that I think through complex challenges, that's been a game-changer for me. Actually, I was at GoBundance Conference three years ago, that caused me to like it was a journal for 30 days straight challenge. Never been the same since.

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WS: Is there a specific thing you're journaling, is it just thoughts? Is it just open-ended? Is it questions you're asking yourself? What does that look like?

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MM: It's an open page, it's blank and whatever I'm thinking of the time, whether I'm working through an issue where I'm just coming from a place of just intense gratitude. It's just whatever I feel in that moment, and sometimes it's just super stupid. If you were to read some of my journal pages, you'd be like, What the hell, why did you write this? And you just lean into that and you just accept that you're not gonna be – we can (inaudible) every day. And that's okay.

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WS: I like putting it down on paper too, and getting it out of your head, actually seeing it, it just does something. Tell us the number one thing that's contributed to your success? (Grit) How do you gain grit? How do you have that in you?

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MM: You get up one more time when you think you can. It really comes down to just Mark Moses speaking at our event. And he said, “What do you think it comes down to skill or will?” And the answer was will. And it just hit home with me so hard because due to how many times you get dealt like the death blow and you're like, I don't know how I'm coming back from this, and at that point, you just kind of look around and you're like, “Alright, well, the dust is gonna clear here and they're gonna grab ourselves by the bootstraps and figure it out.” And if you maintain that mindset, you can do just about whatever you want.

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WS: I love that. And I think it's helpful to know that, “Hey, all these are the people that we see and think are so successful, so far ahead of us, guess what? They made that same decision, so many times they got back up, they've been not down.” But it's easy to look at them and think like “That's never happened to them.” Right? And it has so many times. Tell us how you like to give back?

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MM: My favorite way to give back, I run a real estate investment meet-up with younger kids, men, and women. I guess they're not kids at that point, the early 20s to mid-30s, and I enjoy

giving knowledge, I think it's give me the ability to fish instead of giving them the fish. I'm a big believer in teaching people how to fish instead of giving the fish, so if I can do that, that's got a ripple effect that can go really far.

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WS: And it will last generation, right? Mark, it's an absolute pleasure to meet you and have you on the show. And just an incredible story too. I love sharing that with listeners. Now, many of them are struggling with the same thing, whether they're on real estate or not, whatever job they're in, or maybe some other passion that they're pursuing, and they're trying to transition and learn about commercial real estate. So you're another amazing story of making it happen, to have grit as you said.

And even your path to becoming an LP and learning other operators and how the business works and diving in and even now partnering with an operator and getting on the general partnership side and making big things happen. So, I appreciate your transparency and just being willing to share. How can the listeners get in touch with you and learn more about you?

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MM: Yeah, so investingwithmark.com. That's the best way to do it. Then I'll make it right, you can just set up on a contact page and I'd love to talk to you and see what I could do that value and help.

[END OF INTERVIEW]

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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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