

**EPISODE 1252****[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.

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**[INTERVIEW 1]****0:00:24**

**WS:** Our guest is Mark Kenney. Thanks for being on the show, Mark.

**0:00:28**

**Mark Kenney (MK):** Whitney. I enjoy it for sure.

**0:00:29**

**WS:** One topic that you always asked about is how to connect with brokers? How to connect with sellers? What that should look like? Especially getting started. Because it's difficult. Brokers aren't going to want to talk to you if you've never done a deal before, or if they've never heard your name before, you never closed a property possibly in that market, they're not going to give you much time. I know, you've laid out some ways that are going to help us with that. I'm looking forward to jumping in. Thank you again.

**0:00:56**

**MK:** Yeah. It's a good question because we get asked the question all the time. People, we also do breakthrough sessions and people will fill in, "Hey, I've listened to podcasts, read books, gone to events," all great things, right? But they haven't done a deal. To ask the audience a question if they were selling a 100-plus unit deal and a brand new buyer that's never closed a deal before, it's actually syndicating a deal, right? They have never done it before. Would you sell to them? I think most people would say no.

We've been in a situation before where we're selling – there's no way I would ever sell to a first-time buyer. Now if someone is overpaying as cash, okay. Even then, it's risky because they might not – there are too many new things that could come up that they're not aware of,

because reading books and podcasts are great, but the reality is until you get in there and do a deal, it's completely different.

We're talking to brokers and you don't have a track record, so your first step really is you need to have a track record. If you don't have one, you need to go borrow one, legitimately borrow one from somebody else and it's a different discussion. If I call you, you're a broker and I say, "Yeah, I'm Mark Kenney and I'm new to the multifamily." You're like, "Okay." I mean, you're being nice to me, but versus calling you and saying, "Hey, I'm partnering up with a guy, Whitney. He has 4,000 units and by stage, he bought 18 deals last year." A totally different discussion. Instant credibility.

It's not just this works because people are in a coaching program, can leverage us as partners and I can tell you the discussions they have with brokers are much, much different. They also get to leverage the same broker connections that we have. Then when you're looking at brokers and you're in a new location that you've never been in before, we have brokers that we know make introductions to new brokers in other locations. That's step one is to get a track record. If you don't have one, then you need to use somebody else's track record.

**0:02:56**

**WS:** All right, what's number two?

**0:02:57**

**MK:** The two have your criteria clearly defined. This is something that I was horrible at when I first started. I would look at from five units to 800 unit deals. Well, I couldn't do an 800-unit deal at the time. This wasn't yet a reality. The five-unit deal, I wasn't interested in, so I'm at wasting time.

You're talking to brokers, it's very – it's good. One, it shows that you have your act together. Two, they know what you're looking for. If you say, "I'm looking for mid-80s construction, pitch roof, 5,000-ish rehab, 100 plus units in these locations, whatever I want to do, a Fannie or Freddie, which means I have to be 90% or more occupancy for 90 days or more," those type of things. Has it been clearly defined, written out, or where you can communicate it to brokers directly? It also helps them, because now they know what you're looking for. They're not acting as to waste your time calling you up about deals that don't for your criteria.

**0:03:56**

**WS:** All right. What's number three?

**0:03:58**

**MK:** Meet face to face. You don't want to just hop on a plane every week, because it's not productive and things like that. If you have markets, you probably – I don't know, you probably shouldn't be looking at probably more than two or three markets anyways that you're really, really considering just too many. Those ones you are considering, or seriously considering, if you're local, take the broker for coffee, or lunch, things like that. Just meet with them face to face. You're developing that relationship.

We have a guy in our coaching program that he literally lives in Israel. He flew over to the states, to Atlanta. I think it was 10 days there and met with a bunch of brokers and property management companies and things like that. These are brokers with that we've done a lot of business. They're like, "Man, this guy is flying over from Israel, maybe he is serious." Now you don't have to buy over from Israel, but the reality is getting on the plane shows a time commitment and a financial commitment and that you're serious. Getting face to face with someone, people will always say they want to be in business with people they know, like, and trust. You can develop that much faster face to face. It's just reality.

**0:05:08**

**WS:** Yeah. Okay. You're going to meet face to face. The importance of that is yeah, it's great. What's next?

**0:05:12**

**MK:** Step four is to do your homework. These aren't in any particular order. The reality is you can come up with a hundred steps but do your homework. Understand the market a little bit and generally speaking, if a property is listed, the broker is going to put together what's called an offering memorandum, or OM, which will have all the information, pictures, and information with the sub-market and the property. Can be 10 pages to 60 pages. That can be a lot long.

They spent a lot of time putting that together, right? I had someone that you should go on property tours with and literally, we go to the property and this guy would say, "Well, how many units is this?" That's the most basic question. Don't ask the broker that question. Read the offering memorandum, or is it individually metered, or if it has stuff in there that the rooster knew and things like that. You have to memorize – no, you don't have memorized of the memorandum, but there are some basic things. You're going to look a lot more credible talking to a broker and be able to rouse up off yourself.

Understand the roofs are two-years-old. Understand it has aluminum wiring. Understand that parking lots were done. Those things that you can rattle off show that "Hey, I'm serious. I spent the time. I did my homework." I'm just going to give you more credibility with brokers.

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**WS:** Yeah, or definitely before you meet face to face. All right.

**0:06:34**

**MK:** Yeah. The five is to do what you say you're going to do. It might sound, well, that's basic, right? Well, the reality is people don't do things commonly where they say they're going to do something. Now don't do something if it doesn't make sense anymore, you know what I mean? If you say, "Well, hey. I'm going to meet with you, or I'm going to put an offer in," and those types of things. You want to be known as a man of your word, a woman of your word, and that you're not being wishy-washy.

Because you're going to get one chance, or maybe two chances with these brokers. You screw up once, they might (inaudible) you. You screw up twice, you're pretty much done with that broker. It's a small world. People talk to each other. We are dealing with sellers. When you commit to something – even if you commit something verbally, okay, it's not legally binding, right? You could say, "Well, yeah. I'm not going to do that anymore." If you commit to something verbally, then you need to follow through and commit to that and be willing to put it in writing and things like that as well.

**0:07:32**

**WS:** Okay. Yeah, and that's I mean, golden rule, right? Yeah, the golden rule. Do what you say you're going to do. As you commit, be willing to put it in writing. That's great advice. All right, what's number six?

**0:07:45**

**MK:** Don't reach re-trade. I'll explain what that is in a second unless it's absolutely necessary. Re-trade is let's say, Whitney, you're selling a property to me. I put up an offer of 7 million and then we get the contract, 7 million. Then at some point in time, typically it's going to be related to price, but it can re-trade other terms if you wanted to.

Now after the contract's been signed by both, or once it's fully executed, I say, "Whitney, you know what? We did due diligence and there's more stuff there than I thought. I want a \$300,000 credit." You say, "Well." You're going to have some reaction. Now there is a time, I know some people say, "Oh, we never ever re-trade." Well, you know what? That's a ridiculous statement too in my mind. Either you're buying newer assets, or you don't have as many things that could go wrong with it, or you're pulling out, or you're actually buying a property you're overpaying for, reality.

There are times. If you go to a property and you see – you get the line, plumbing lines scoped and this happened to us, right? There was a \$110,000 collapsed line below two buildings. Well, how do we know that? It wasn't disclosed to us. We didn't know that ahead of time. Any other

buyer coming in is going to find the exact same thing if they scope the lines, so that's legitimate.

Say well, you know what? It's something like, the parking lot needs to be redone, or needs to be painted and I know an example where someone actually, bigger deal and they wanted a – they're going under contract, one other contract and came back and said, well, after our due diligence, we found out that we need to paint the building, \$70,000 to paint the building. How would you not know that when you looked at the property before you went on a contract?

Don't go back on things you should have been able to see at a time, or that was disclosed to you. It is okay, not ideal. Now if you come back and you say, well, it's a 10 million dollar deal, and we found \$50,000 of extra stuff that we didn't plan on it, you have to make a determination.

I would say, eat it. Your deal is going to – I mean, if your deal doesn't work, \$50,000 and a 10 million dollar deal, then you're probably too tight on your underwriting, to begin with. In that case, I would eat it. We've done this before, where it's like, “Hey, you know what? It's not worth it. One rather is known in the industry for not re-trading by brokers and sellers.” Now if it comes back and you're like, “Hey, this deal just doesn't work anymore.” Literally, we have this much more rehab that we never could have known that the plumbing, the roof and whatever might be, electrical needs to be redone. In order for it to work, we need credit. If not, we understand, but we need credit.

Be very cautiously in my mind on doing this. Don't feel that the seller is winning, or getting something upon you, because you're paying an extra \$50,000 for it. You have to make your own personal decision on that.

[INTERVIEW 2]

**0:10:42**

**WS:** Our guest is Alex Olson. Thanks for being on the show, Alex.

**0:10:46**

**Alex Olson (AO):** Hey. How are you doing?

**0:10:47**

**WS:** Doing great. Almost all of our deals have come through a broker, and so those relationships are so important. They are to us and they are to any buyer in real estate, right? So, let's talk about that. You talked about it being an art and a science. Get us started there when thinking through that relationship and how to get the attention of that broker.

**0:11:06**

**AO:** I'll talk a little bit about some of the mistakes an investor will make coming into any market that they're looking at maybe in many existing markets, and that's taking the approach that you as an investor are, and I would say smarter, but you know exactly what you're looking for. You know what you've got on your plate. You know what you need. I only need two seconds with this broker, I'll tell them what I need, and he'll find it for me. Well, that's not quite the way the world works. It's based on trust. And so, the key to getting a broker's attention is coming into the market, coming into your place and saying, "Hey, look, Mr. or Mrs. Broker, I really have a need for filling my pipeline, but I need you to help me fill the pipeline – because that's what brokers are. We help people. And then from a broker side, the broker's gonna go, "Okay, well, is this person real or they tire kicker, 'cause everybody on the brokerage side is paid with their time. And so you talk to the buyer and what oftentimes you come to find out is the buyers don't have a pre-approval letter, they don't have a track record, they just want to get on your hotlist like everybody else, but there's no real incentive for the broker. So coming into the market, the number one thing you gotta have is a pre-approval letter from a financial institution, now you don't need to have that day one, but you need to come to the broker and say, "Hey look, I need you to help me find a local bank because we can actually close on deals, I just need a local bank."

Okay, boom, that's something I can help you out with. Number two, I know a little bit about your market, whether it's San Antonio or Kansas City, or wherever. I'm a buyer and I know a little bit about your market, and here's what I know about it, and so that tells the broker two things: One, they know that they've gotta have financing that they are prepared to get it; and two, they've actually spent 10 minutes or five minutes researching that market. Without that, the broker is gonna go on to somebody else that has proven those things, whether it's a past relationship or somebody that's got a 1031 exchange, whatever the case may be. And I think so often, an investor just thinks they can get on somebody's hotlist, – which is fine, I don't have a problem building a long-term relationship with anybody – but if you want that attention that I need attention now, that's the two places to start.

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**WS:** Now that's some great advice. And I wanted to ask you if you'll elaborate on maybe the difference is, let's say, an experienced investor coming into a new market and creating that relationship versus a newbie or somebody like this is their first deal and talking to that broker and going through the same things obviously. If we've done 100 million in real estate, it's not gonna be hard to get in a pre-approval letter, those things, or is that needed at that time, if you can show a broker in a brand new market, first-time relationship, however, you have hundreds of millions in real estate are the same things needed.

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**AO:** Yes. There's a lot to be set up obviously about the experience. We all know that experience is great to have. I don't know every top buyer in the Kansas City market and every top buyer coming out of state or wherever in any other market. But you as an investor, you can have obviously, your investor bio. It's a great thing to include when speaking to an agent saying, "Hey look, here's kind of our tear sheet, or here's what we've done in the past, here are our success stories." Those kinds of things, the broker gets an understanding of, "Okay, this person's bought some stuff recently, they didn't stop buying in 2012, and expected cap..." Some of those things are important. So, it doesn't have to necessarily be the exact same, but I would definitely recommend you to have a tear sheet or some kind of investor bio that's there, and then also have general requirements of what you're looking for and how you operate helps the broker know... again, it's a trust thing of, "Okay, this person knows what they're doing, this person is gonna be a good fit for this market," because there's a lot of people that aren't a good fit for Kansas City or Dallas or Nashville, but they might be a great fit for Detroit or Cleveland or something like that.

And a broker can help steer you that way if you've built some trust with them and maybe it doesn't work out, maybe it does. So, that's the experienced investor sheet. And then even if you're on the inexperienced side, you still should have some kind of bio about yourself, you know. "Hey, I'm in a tech firm for 10 years and I'm an investor." Even though you have invested to dine, you're still investing because you've committed to trading. So, having something available is really going to create trust, say, "Hey Look, this person's put time and effort into it." And some as a broker, I know, "Okay, this person's put time and effort into it, they can speak some of the lingo, but hey, they're also looking for help." And I can provide that help. That's where I add value. I can help you. If you don't need my help and why are you talking to me. So that's the way I look at the situation on both sides of the equation. Very experienced versus not experienced. You need to have a bio and then some kind of proven history or at least proven mentality that you're going to take down real estate transactions.

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**WS:** So how did, as a broker, like you know who your top buyers are, or like you just said, you're evaluating that when you have that conversation, right. You're seeing who can definitely close? Who can definitely raise the money? Who's been pretty approved to understand the market? Maybe you've worked with them before, and maybe outside of closing a deal with someone before, numerous times, 'cause obviously that builds a ton of confidence, but... So, the person that's coming in brand new, if they were all in the same slide here, how did the top one or two buyers become the top one or two buyers on your list?

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**AO:** It starts with looking at, okay, this particular buyer, they talk to me two or three times, they liked what the market had, and being frank in honest, and candid, they didn't complain about cap rates, they didn't complain about IRR. They said, "Okay, it's my criteria." And that's what it's about. Are you a right fit for the market as it is now?

Obviously now is a moving target, right? It's always changing. And so once a buyer commits to... Okay, yep. This is me, I'm ready to go, let's get this thing done. That's where you kinda go, "Okay, this person's a good buyer, I'm going to do more and more deals with this person because they took the aggressive approach to it", maybe it wasn't perfect – as so many investors come in looking for the unicorn, and maybe it wasn't the perfect investment, but they were willing to take the time and to answer your question further, is a lot of feedback going on in that. I'm sending them a deal or two, or maybe they're already on my top 10 list in terms of, "Here are the top 10 deals available at any given moment." And okay, so here's 10, I send you two or three I think you like... You come back to me asking me questions about it, maybe you're saying this isn't the right fit because it's an A, B, or C, maybe you're putting in an offer, it's that kind of relationship of... You didn't just go dark on me and I haven't heard from you in three weeks or three months, you actually kept up the conversation.

[END OF INTERVIEW]

[OUTRO]

**0:17:56**

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