EPISODE 1270

[INTRODUCTION]

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Clive Davis (CD): The first thing that you've got to embrace is getting outside of your comfort zone. When you've done something for 20 years, it gets very comfortable and there is a strong possibility that you have become complacent. So, just thinking about making a transition. For me, I kind of assess worst-case scenario, so downside protection, worst-case scenario, I can very easily go find a job. If this venture doesn't work out, I can very easily go find a six-figure job, not necessarily one that I'm passionate about and my love, but nonetheless, if I need to, I can do that.

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SR: This is your daily Real Estate Syndication Show. I'm your host, Sam Rust. With us today is Clive Davis, who's based in Atlanta, full-time investor with a portfolio of nearly 2000 units. Clide founded Park Royal Capital a private equity commercial real estate investment firm that's focused on investing in and acquiring multifamily communities throughout the country. Clive, welcome to the show, thanks for joining us today.

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CD: Good morning, Sam. How are you doing? Thanks for having me on.

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SR: Doing fantastic. So Clive, I noticed that you went to Rutgers and based on your LinkedIn profile, you were flying the flag for Rutgers in the men's basketball season. But then from there, you went to Columbia, to law school there. Why law? Was that an interest from early on in your life, what drove you to get into that profession?

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CD: Yeah, so it's one of those things where from early on, people that I respected kind of pointed to me in the direction, in the form of ‘Clive, you'd make for a good lawyer, you should go in that direction,’ and so I would hear that quite a bit as a young person, and not really knowing what a lawyer was or what a lawyer did, but I assume that, 'cause these people held lawyers in high esteem, and they have associated me with that, that they thought well of me. My foundational courses in undergrad where PoliSci, History, kind of pre-Law courses. And so I got on that path, and to some degree, I wasn't certain what I wanted to do, but I had always heard that with a law degree, you can do so many things, certainly within the law, but also outside of the law and particularly in business, so for me, whether or not I ultimately decided to practice traditional law, I knew that have a law degree would be something that would be beneficial to me regardless of what I ultimately ended up doing.

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SR: And it led to a productive 20-year stint in the business sector, and you started out as an attorney, then you went to work for Pfizer ended up at UCB as a VP and Chief Ethics and Compliance Officer. How did your motivations change during that period that maybe set you up to position your transition over into real estate?

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CD: Yeah, so I think from my very earliest professional days being a corporate transactional lawyer servicing Wallstreet clients, I knew that I had an entrepreneurial itch, I didn't quite know what I would potentially do with that itch. I had always had an interest in real estate, had some exposure through some small single-family rental properties that my parents owned, and so I always knew that at least within our family, inspiring to own real estate, however modest was something that you should try and do. So I didn't know whether or not my entrepreneurial itch would coincide with the real estate interest, but from very early on, I would say that even as I move through my different corporate roles, first as a public transactional lawyer than in-house counsel, then, later on, evolving into a Chief Compliance Officer role, I was always thinking about in the back of my head, what is that entrepreneurial thing that I'm gonna be well suited to that will enable me to kind of find my off-ramp and go do that and so throughout the 20-year corporate run that I had, I had always invested in real estate, I had invested in a small multi-family, my very first investment was a duplex property I acquired in Cape Coral, Southwest Florida.

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SR: When did you acquire that one? Just to provide some context.

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CD: Yeah, that was way back in 1999. And that turned out to be a very long-term hold, I held that until 2018, and the story behind that really is that my parents have retired to Florida, specifically Cape Coral in 1996, and what I ended up doing is saying, ‘Okay, let me buy this duplex there,’ it was a lot of development in that city and in Lee County, Florida in particular, it's been one of the fastest population growing counties for many years, and so I got the duplex there, I put my parents’ names on the checking account and I had the rents going into that checking account, and effectively that was my way of subsidizing my parents’ needs and retirement without them having to ask me. So, instead of them saying, ‘Hey, we could really use X, Y or Z.’ I would just direct them and say, look, it's your money, it's the checking account is there. Have at it. And so that worked out really well. And I was self-managing it from New York City, but having the fact that I had my parents in a city in case of any need from a landlord in standpoint, that worked out well.

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CD: They always had a plumbing referral, let electrician referral or whatever, if that was needed, and in the rare instances that I needed someone to get over there and check something out, I could call on at least my father to go take a look at.

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SR: Oh, that's fantastic, that's a very smooth entry into real estate, but in 2017, you made the plunge. How did you manage risk and how did you think about risk during that time period? That's one of the things that fascinates me about people who make the jump from a successful career, doing whatever into real estate is how do you think about risk in that moment in time, what leads you to say, you know what? The risk is worth it.

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CD: Yeah, so the first thing that you've got to embrace is getting outside of your comfort zone. When you've done something for 20 years, it gets very comfortable and there is a strong possibility that you have become complacent. So, just thinking about making a transition. For me, I kind of assess worst-case scenario, so downside protection, worst-case scenario, I can very easily go find a job. If this venture doesn't work out, I can very easily go find a six-figure job, not necessarily one that I'm passionate about and my love, but nonetheless, if I need to, I can do that. So I had a certain amount of savings set aside that I knew we would be comfortable living with, and then at the end of the day, if things didn't work out according to plan I had options, and so that made the risk more digestible to me, but I had gotten to the point, the end of 2016, basically, I had gone to the point of, okay, I put 20 years in, if not now, when? So, at that point in time, different for everyone, I probably knew that I wanted to be doing something else much earlier in that timeline, but I had gone to the point at the end of 16 where I said, if not now, when?

0:07:50.0 CD: At that time I was in my mid-40s, about 46. And for me, I was also looking at one example as my setting for my children, who, everything that I've tried to do for them, especially the oldest kind of leading the way, she's now college graduate also from Rutgers, but what I try to model for them was that you are empowered to do and pursue the thing that you are passionate about, you unlike me, you won't have the excuse of, well, I'm passionate about this, but based upon my student loans, based upon my dad and based upon all these other things, I had to pursue something else that I was not passionate about. And so I've tried to set them up so that they truly can pursue the thing that they're passionate about because that's gonna lead to them being, got a chance of them being successful. So for me, when I looked in the mirror and said, okay, I've put in 20 years in corporate America, yes, I'm well-compensated, I've had a certain measure of success, but am I passionate about what I'm doing on a day-to-day basis, and have I scratched that entrepreneurial itch that I've had for some time. And I had it. And so it was time to jump. And if you have the safety net of knowing that you've got, in my case, the law degree plus 20 years of corporate experience, you know that there are options for you if what you're pursuing for whatever reason doesn't come to fruition or doesn't work out.

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SR: Do you regret not scratching that itch earlier?

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CD: I'm not a big regret person, 'cause I will say that of all of those experiences that I went through, I likely wouldn't be where I am now, so I don't really regret it, but going back to the kids again, I'm trying to let them know that, look, your life is gonna be much different and you don't have to put in 20 years and then go do what you are passionate about pursuing. You have the option to pursue that, if not right out the gate, shortly thereafter. Hopefully, they can learn from my experience and know that you do have options that you can pursue much earlier, your career, much earlier in your life.

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SR: Do you feel like that message is resonating with your kids? I know that's something that we talk a lot about in entrepreneurial circles, is often there's a mindset change and you're looking at things as an entrepreneur and you tend to process the world a little bit differently than a lot of folks, and we want to pass that on to our kids, but as somebody who's a little bit further to have a job, I've got a bunch of kids myself, but the oldest one is eight, so I've got a little bit of time, what have you found to be most helpful in opening your kid's eyes and how has that worked to this point?

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CD: Yeah, so I can tell you, in my case, it's 100% being kind of absorbed by my children, so I've not been employed in the last five-plus years, and so in some respects, for the three children who are not away at college, they had an opportunity over the last five years to see me and what I do on a day-to-day basis, 'cause I've worked from home. Long before Covid arrived, I was working from home, I was spending time with them. Kind of shuttling them around. I'm a gymnastic dad, so I travel with two of my kids, one of my kids now, who compete competitively, and so they have an opportunity to see first-hand what I was doing more so than the 20 years I was in corporate because I would really come home and talk about some debt or equity offering the consistent with when I was doing the paperwork for, that just wasn't anything that I thought would be of interest to them, but the tangibility of real estate, so when I had the five-unit, I acquired a five-unit, that was the first thing I did when I left corporate life, I said, let me go buy an apartment or commercial apartment building, so they got to see first-hand me renovating units, they got to see me making design choices, just dealing with all of the issues that go into self-managing, again, a small multi-family, so they saw that, they saw my passion for design, interior design in a way that they hadn't really seen before, and my oldest, I jokingly refer to her as my virtual assistant, and she's chief virtual now cause she lives in New York City. I have her helping me in the business at the screen points in time where I have campaigns that I need to do, or social media things, or editing podcast interviews, and then putting that out and things of that nature, so she sees very firsthand what I do. When she has suggestions and ideas, and so I get to benefit from her new world outlook and she’s 22, so she's exposed to and have access to technology and does things that I'm like, ‘What's that?’ I don't have any idea what that is but have at it. Sounds great. Show it to me, and let me see what it looks like. Yeah, so I would say that they pay much more attention to what I do now than what I did the 20 years that I'm in corporate life, 'cause it's closer to them and it's more tangible.

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SR: Yeah. And that dichotomy of lifestyle, I'm sure is attractive, and that's the number one thing, do you live with the freedom that you can have by being an entrepreneur, there's times where you are less free in Corporate America for sure, but overall, you have more agency and do you actually use that agency. That's really cool. Appreciate you sharing that Clive. You mentioned a five-unit that was your first deal after exiting corporate America. Could you walk us through that? How did you find it? What you did to it and where that project is today.

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CD: Sure. So that was kind of a proof of concept. Again, I had mentioned I had the real estate interest for some time, I wanted to go and do something that was commercial, as you know, Sam, five units and above qualified as commercial that distinct from residential, and the significance of that, in my case is, and I didn't appreciate it as much until I was in the scenario of being without a W-2 for the first time in 20 plus years, but you walk into a bank for a loan on a one-unit, two, three, four-unit. They're gonna put you through a certain matrix and the first couple of questions are gonna be pay stubs for the last 30 days, two years of tax returns. And if you answer, I don't have a pay stub or I don't have a W-2, it does not compute for them, and so they go into a loop of, ‘What do you mean you don't have W-2?’ And so it's very challenging once you’re without that W-2 to go get a residential investment property, one, two, three, four units, when you go into the five-unit and above, and you're now in the world of commercial, it's actually easier to get those loans because now we're talking about what is the business, and that's effectively what it is, but what is the business generating and then the bank has been a position to assess kind of the revenues, carrying cost, rents and all of those things and determine whether or not it would be a good investment for them, and they are primarily focused, again, in the commercial world, they're primarily focused on the property, the business, the asset, as opposed to me and my ability to pay back a loan. They focus more so on me secondarily, you know, do I have a decent credit score. have I gone through bankruptcy, anything that would be a red flag of concern for them, but outside of that, if I can recall correctly, they never asked me what my income was. I don't even think that came up, Obviously, I needed to have the down payment, and I cleared those other hurdles, so outside of that, I was able to do that five-unit. That was a shorter hold, I actually sold that on the very last day of March of 2020, so two weeks into Covid, we sold that property and did very well, we went through, got it renovated, one unit, renovated three other units to varian degrees. Having to evict a tenant. So, all of the joys and pains of landlording came in at that five-unit experience.

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SR: Did you self-manage it?

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CD: I did self-manage it, and because I was, I didn't have a 9-5. It was no good reason for me to pay 8-10% to someone to manage, and it also enabled me to spend more time, going back to the importance of time and knowing your time, it enabled me to spend more time with my parents both of them were elderly. And ultimately, my mother had been unwell for the better part of the year. Kind of balancing between hospitals and home, and so that was a part of my thinking, and even if I was looking to make that transition, and that was also part of my decision to, well, let me go do something there that's gonna require me to spend more time there. So, I had to reach out to local brokers, kind of give them my criteria of what I was looking for, and then I would go down from time to time and looked at two or three units at a time, and ultimately we found that property and we were able to close on it, and that started kind of that particular landlording journey with respect to that property.

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SR: So start with that five-unit. Yeah, I assume that you probably did that all with your own capital or I mean with you and a couple of friends, but you've moved significantly, you didn't get to 2000

units by doing five units at a time. What does that process look like? When did you discover syndication? How has that helped leverage your business up?

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CD: Yeah. So when I left corporate life 2017, I embarked on what I self-titled it, self-directed Real Estate MBA. So for me, that was comprised of various ways of educating myself and immersing myself in the multifamily commercial real estate space. So for me, that meant I wanted to invest in the area that I had aspirations to be in and to eventually be a sponsor in, and so I had my legacy 401-Ks that I moved into a self-directed IRA, and I began to invest in institutional quality type deals, and most of them were deals that you have to be an accredited investor to invest in, and so I started investing in multi-family all across the country, from California to Texas, Austin, San Francisco, here in Georgia, here in the Atlanta metro, Florida. And the mix of stabilized properties as well as ground-up developments, ground up developments in the case of San Francisco, Austin, Texas, and office to a multifamily in DC, also invested in some hotels here around town in Atlanta. So, I was putting my money, where my mouth was, and where I plan to be in investing in the types of deals that I aspire to do, whether that was gonna be 18 months away, two years away, whatever it was, that was part of my learning experience.

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CD: So beyond the ROI expectations for any one of those investments, I was also looking for how do they do their capitals stat? How do they structure their deals? What does investing in communications look like? What does good look like? What does bad look like? And so you get to see all of that first hand, hopefully more of the good, So ,that was one component of my education, the other part was what we're doing now, so podcast. Before 2017, I don't think I listened to a podcast, come 2017 or late 2016, podcasts became a daily part of my listening experience, so I would listen to two to three podcasts a day pertain into real estate, particularly multi-family, particularly syndication-related. So this was one of the shows I’ve been certainly listening to. So I was doing that, I started attending real estate conferences, multifamily conferences across the country, pre-Covid, and started networking and just immersing myself with people involved in the space. And then finally, I joined a mentoring program, a multifamily investing mentoring program, and that really catapulted me into a situation where I was just surrounded by people who I didn't have to convince about the merits of multifamily, they were all in on multifamily.

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CD: And so those were the people that I started seeking support from, and also making myself known to them and anticipated me eventually getting my own deal and being able to share those opportunities with them as well as to others.

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SR: You mentioned joining a mentoring program, some people join because they want education, some because of the relational benefits, it sounds like maybe the primary benefit that you derived was being introduced into a network that you didn't have to evangelize and that you could build those personal relationships, is that how you characterize it?

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CD: Absolutely. Right. That's the way I would characterize it. So I routinely tell people that education that you will get from any one of these programs, and there's more and more every, every week, that seems to be a new mastermind or mentoring program, that you can be exposed to. I say real estate is not rocket science. What we do in the world we're looking in, it's not rocket science. What's key to this world is relationships, and so those who master relationships are positioning themselves for success in this space. The education can be found on the internet, you can piece it together. There's no one who has a monopoly on here's how you buy large multi-family properties, there are just some common things that you're gonna find in everyone's educational program, so for me, the emphasis really was on a network, an ecosystem of people. And I did the calculation of, okay, I'm gonna invest in myself x amount of dollars to join this program, if I do one transaction, it will more than have paid for itself, and I suspect or hope that a substantial percentage of the capital that I would raise for that first deal and subsequent deals would come from within that ecosystem and again, more than paid for the cost of membership to join that ecosystem. So it took me some time to land that first deal, but once I landed that first deal last summer and closed on that in November, within a week of closing that one, in November, we were awarded a second one, which we closed a month ago, and I'm just capitalizing on the momentum and now really starting to see all of those efforts paying off of that two-year self-directed Real Estate MBA that I put together to myself.

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SR: You gotta sow a lot of seed, till the ground thoroughly and then have patience, and it happens at different rates, but if you put in the work and you're taking constant steps forward it will happen. Looking to the future, congratulations on closing those two deals, that's really exciting to get a couple on the GP side done, what's the biggest hurdle in your business for your growth and how are you attacking that?

0:23:19.3 CD: Yeah, so for me, I would simply say scale and scaling, it's kind of an animal that you need to continue to feed. And so finding deals and securing deals and ultimately taking deals down is becoming increasingly difficult to do and just more and more competitive. It was already competitive pre-covid, I think it's only become more so since covid and you've got money, tons of capital on the sidelines that's looking for a home. And multifamily has become a more attractive home with the damage to the office and hospitality spaces, people that would have put money into those sectors before that still needed a home for their capital have turned their attention to multifamily. And so what was already competitive, is only become more so, So that's a challenge, and then just continuing to scale, and it's one thing to acquire own and operate properties, but you've also gotta make sure that your support in business is scaling to keep pace with the acquisitions that you're making. So that's a challenge for me. And so that early, those early couple years, I'd really focus more so on what do I need to do to find and get these deals as opposed to develop the support and infrastructure. And so I took that approach, and so now I'm playing catch up and started to develop that support and infrastructure to keeo pace with what I have now and what I intend to have six months, 12 months from now.

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SR: That's fantastic. Well, Clive, I really appreciate you coming aboard the show today, sharing your experience with investors, if folks wanna reach out, learn more about what you're doing in the Southeast and Park Royal Capital, how can they get in touch?

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CD: Sure. I’m active on LinkedIn. I'm also active on Facebook, so those are two social media platforms where you can find me, email, you can email me at Clive, C-L-I-V-E at Park Royal.com, and you can also get me via phone, 770-366-4093, text to that number works too. I pride myself on my responsiveness, so if you reach out to me, you're likely to hear back within a day or two, even if it's to say I got you note, let me get back to you. But I love talking to folks about real estate, especially if you're earlier in your journey, or if you just wanted to just understand better what invested in these types of opportunity looks like. Those are conversations that I love to have, so I look forward to folks reaching out to me.

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SR: Fantastic. Well, thank you, Clive. Thank you to our listeners for joining us. This is your host, Sam Rust, signing off.

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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, go to LifeBridgeCapital.com, where you can sign up and start investing in real estate today. Have a blessed day.

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