

EPISODE 1313

[INTRODUCTION]

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Peter Pomeroy (PP): My go-to framework is to have one sentence. You know, what is this project about and then say, these are the three pros and these are the three cons. And the cons are equally important as the pros.

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Whitney Sewell (WS): The story you tell is so important. It's like having that steak presented to you with the mashed potatoes just flop right on top of it or sitting right next to it, with some piece of greenery on the plate laid in front of you very nicely, right? It's the same meal but man how it is presented is so important.

Our guest today, Peter Pomeroy, is going to help us understand just how he does that. He's working in both corporate, and entrepreneurial real estate, for over 20 years in investment, development, construction, and brokerage. And during his tenure, he's worked with multiple products product types including apartments, single-family homes, office warehouses, and land. His experience across different real estate product types in different geographical markets gives him a seasoned perspective to identify sound investment opportunities.

I've known Peter for a couple of years now. We met at a conference a while back, and so it's neat to hear where is at now, what he is doing, and how he is growing as well. He's gonna help us to think through that story and how we're communicating with investors. He's also going to get into his biggest challenge over the last year and why that is so important. And also, some structure to his morning that he lays out in great detail that will be helpful for you as well.

[INTERVIEW]

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WS: Peter, welcome to the show, just getting to read a little bit about you, I mean, you have a vast level of experience in commercial real estate, to say the least. So grateful for your time and willingness to just share some of that with listeners and I today.

Give us a little bit of that backstory, though, so we can know – the listeners and myself can understand a little more about you. And then we're gonna dive into some of your specific specialties and expertise.

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PP: Thanks for having me on the show. So my background is pretty diverse and in many ways, I feel like it's been about, you know, focusing, and focusing, and focusing on a product type that I like for a host of reasons. But very quickly, after business school, I went to work for a large general contractor in San Francisco and did a big rehab, and really liked the construction side. But I also wanted to be on the owner's side of the table. And I wasn't quite sure how to do that so I went to work at Collier's as a broker which is not getting on the owner side of the table, but it felt like that was getting closer. And so, I was a broker at Collier's for a number of years. Did well, enjoyed it. My focus there was on office leasing Downtown. There was some investment and development work that I also did. And when I did that I really liked it.

So in 2007, I left Collier's. This is the economy, it was kind of going skyrocketing up to work for the smaller investment development companies as an investment manager or development manager on their projects. And with them, I bought deals and sold deals, and did a lot of kinds of entitled work for housing in the Bay Area. So along with that way, we lost an office property in Cupertino, California, and it was just all about bad timing. It happened just as the financial crisis happened, and so that was a pretty painful experience. I had a lot of sweat equity in that So that set me back a little bit, and so, you know, got it back up on my feet.

In the process. Got a W2 job because I had to. You know you have insurance and all this stuff, kind of back to stability. Did that, and then I went back into real estate and did more of the work for these investment development companies, and along the way, I got to do a massive heavy lift of an apartment building in Northern California. And I thought as I was doing that project, "Wow! This is such a resilient product type as compared to the office product type." This, I need to get more into this and I just didn't know how to do that.

I didn't know that there were educational platforms on the Internet. So I didn't even know to like put that in the Internet to look. And then you know, so I I did more work some multifamily, some office, and ultimately I connected up with Neil Baua's boot camp. I really liked him. He's in the Bay Area. He thinks in a way that I like and did that. And then that you know, just kind of led to getting deeper and deeper into this space, this kind of small middle market, multifamily space that we're in, and I think probably many of your listeners are in or contemplating.

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WS: Peter, I appreciate just going through some high-level stuff there of your background. And Neil's been on the show numerous times a while back, and we've talked about lots of different things. So yeah, great guy. He called himself the Mad Scientist. He is somebody that definitely goes into the details, and we can learn a lot from him.

But I wanted to move back a little bit you know and we don't have to spend a ton of time here, but, you know that project, you know you said you lost a lot, and and you stressed the very painful. It was a project that was very painful, but you know what I mean – what took out to me there is that, you even went and got a W2 to get back on your feet right, you know, and to keep them all rolling, at least. But then you got back in real estate.

Could you speak to just the thought process there a little bit, or maybe even influences from family or friends or spouse, or you know those things that are saying “Wait a minute, Peter, you remember what happened, you know, and then you're gonna go do it again.” Was there any of that? How did you – because there's probably listeners also that are thinking, “Man, you know, I've already messed up on the first deal, and I just I don't think I wanna do it again.” Or maybe their spouse doesn't want to do it again. What did that look like?

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PP: That's a really good question and I didn't plan on that. I think that it created a lot of strain, and in that strain, there were a lot of trade offs that were made. So we lived in the San Francisco Bay Area. After having put a lot of work into this one particular endeavor, and it just kind of like dissolving, you know, for everybody, and it wasn't you know due to bad choices. Nobody could have predicted Lehman Brothers would go under and then all these tenants would just stay in their existing places. But nonetheless, that's what happened.

It's part of the trade-offs. We agreed to take a break from real estate and I said, "Okay, I'll do that. I'll get a W2 job." I was really fortunate to be, you know, get hired pretty quickly. I didn't understand the thing I was doing in this new job. Like, even conceptually, it was difficult, and that might be all about me. It was a software service company, and then later, I would work for an employee benefits insurance company. And that was actually quite interesting. But not, you know, nonetheless, I wanted to get back into real estate.

So in terms of part of the trade-offs where we left San Francisco, we moved up to the Pacific Northwest, where my wife at the time, her family lived. We did a full regrouping there. Kind of got our back on our feet if you will. Then, once that happened, I realized it was time to first, move back to San Francisco, and I knew that I would want to get into real estate again. Despite trying very hard to you know, explore, and be excited about a different industry, which isn't to say that I'm not capable of let's say leaving real estate and doing a different industry. But I wasn't capable and ready then, I was still completely focused on my goal.

Then the bargaining happened again when we moved back to San Francisco. And, you know, I kind of put my toe into it, and then the economy was different, and I was able to get these kinds of longer-term consulting jobs that provided some sense of steady income versus big pops at milestones. So it was a little bit different in terms of my compensation. And so that's what I did and that worked out. But it's not been at all an easy process. It's been an incredible experience, and there have been some like wins and successes and "Wow! I didn't think that was gonna happen." There are also some low points for sure.

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WS: Yeah, I appreciate your transparency and just making it real. It's not easy being an entrepreneur. It's not easy in real estate in general. But, man, it's an amazing path for those that are willing to keep getting back up, right? I hear so often on the show and you did that. You're a great example of that.

I want to jump into your expertise, and you know, and we talked a little bit about it before the show. But you know you talked about understanding the investment and the investments. Investment story. Walk us through what that means a little bit, maybe the importance of that. And then let's dive into how.

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PP: So I think a lot of my investors, and I'm gonna think about the investment story from like when I'm presenting to investors. You do the same thing when you're presenting to a bank that's gonna give you a loan or other GPs. And so you know the first step is to really know you know the market you're in and the investment, and know it in as much detail as time will allow, cause, you know, obviously, things get moving quickly, It's almost like digest the investment, and then outcomes like a thesis a high-level thesis statement that if a meeting would say the CEO of a public company, or somebody who has a like a big job, like a lot of times, that's where they want to start is like the one sentence – what is this about? Why is it good? Why is it bad?

And from there, you know you support your thesis statement with the analysis that you've done, which might be well, you know, rent com operating all of the kind of categories that fall under that. And that's how I was trained just my in my life in jobs I work. I didn't mention I worked at Deloitte for a while and that was almost like going to business school all over again but you know, in a super applied way. And you know they taught me a certain way to like present something. Not that I do it all the time or anything but I've found that to be very helpful and work stylistically with me.

But yeah, so there's this investment story, and then all of the pieces that fall under it. And usually, when I'm engaging whether it's with an LP potential investor or GP, I love it and I'm frequently it's a lively engaging conversation where people will say I don't believe that you get into the engagement. And for me, it's just a great deal of fun because one, I know they're interested and two, for me, it makes life a little bit more fun. “Oh, yeah, we'll invest no problem.” I know it sounds odd. I like it. I like it a little challenging.

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WS: Speak to that investment story. Just the importance of the story. How did you come up with this story? What's important to creating this story for investors? What does that look like or maybe, you know, research that you've done, or I don't know, things you know you want to include every time?

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PP: In terms of a framework to identify the investment story, I don't have that yet. And I don't have a like a framework, a matrix, that kind of thing. But what I do is I really try to, you know you've heard this analogy, people are the layers of the onion. To get to the, wait a minute, are you an onion farmer? You were a farmer at one point, right?

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WS: I trained horses.

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PP: Oh, horse. Alright, I just remember from a side note here from 2000 like when we first met, you were talking about the farm, and so forth.

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WS: Oh, yeah, that's fun.

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PP: No I love it. Anyway, so the idea is to like, what can you get at the essence of this investment? We have an investment that we're right now where we're taking the market, and we're raising capital for. And this investment is, you know, its investment thesis is something along the former owner renovated 20 units, and is already achieving our projected rents. We will renovate 40 more units in like simple straightforward way, and deliver returns, you know accordingly. It's kind of a vanilla investment thesis but that's the deal itself. Now, I might present it with a little bit more sizzle, but understanding that you know this investment that I'm referring to, it's not the heavy value-add, it's not light flashing, exciting. It could be a big conflict between this and the other.

This is to do the repetitions over and over again, ie, improve the units, do it in a timely way, and then you'll achieve your returns and be successful. Whereas we were raised or partners on the project in Tucson and that's it with a nine-story 96 unit apartment building and just by virtue of being 9-storey, it has a lot of kind of exciting elements to it. It's a retro building, and so you know there are a lot of aspects to that property investment, and just the asset itself that can excite people into wanting to participate in it. I hope that helps.

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WS: Yeah, thinking about the parts that excite people to want to invest in. Of course, we want to be transparent, honest, and all those things. But, thinking about how something's presented makes a big deal, right, or a big deal of difference. It makes me think about, you know, like that. You know you get served at a restaurant you know everybody's thought about this analogy before. But how you present a deal, it's like they bring out that steak and potatoes if they just throw potatoes right on top of the steak and hand it to you, it didn't look near as good to you right as opposed to it's presented well, and it's set on the plate well, maybe there's something green on the plate, as well, you know like how it's presented makes a big difference,.

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PP: I will say there is a framework. My go-to framework is to have one sentence. You know, what is this project about and then say, these are the three pros and these are the three cons. And the cons are equally important as the pros because that's, I usually say for example here's a risk. So here's the risk – our rent projections won't hit what we projected, and you know they're 10% less. And then I usually then say, “And this is what we do about it. These are some things that we would do about it.”

You know, the second one. that's like popular right now, or relevant is our CapEx expenditures are 15% higher. And take, you know, longer, 20% longer to like execute on the interior unit improvements. And so this is what we can do about managing that risk.

So I really focus on like, first, I kind of you know the positive aspects, and then equally the risks to the investor. And I found that one, that relaxes everybody because I'm not just saying “Hey, it's gonna be great.” And two, I often can learn a lot about what an investor thinks about risks and rewards by just listening, you know, once I kind of gets that out.

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WS: Yeah, listening is a crucial component as well, right? So, any other ways that you then communicate with the investors about that deal, or through that investment story that that maybe I have an ask?

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PP: Ways in which we communicate, I mean we talk to one partner, John Fowler, and we are handholding and I mean that in the most positive respectful way with our investors, and we were doing that because a lot of them, they may be sophisticated investors, you know, large net worth, and private investment in the piece of real estate is a much more relational thing. Investor Joe has a concern for any reason he's gonna call Peter and wants to get a hold of me. And my guess is that he may call on a Saturday, maybe not a Sunday, but you know, a Sunday, maybe, and I don't need to get back to him within the hour if it's a weekend but you know I need to get back to him. So, I think our investors expect that kind of concierge service if you will and that's what we deliver.

We're not at a point where we have so much kind of investor velocity through say our, you know, online presence that we can hire an investor relations person who kind of goes through the basics. I'd love to get to that point at some point but yeah, that's not where we are.

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WS: Speak to what's been your biggest challenge over the last 12 months, Peter.

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PP: Focus, focus, focus, focus. I swear Whitney, it's been like a spiritual journey to focus and let go of things and focus on all aspects of my life. That would be a longer podcast. So I've done some entitlement. I liked multifamily, and then I got to do this, a small 23-unit gut and redo apartment building that worked out. In about 2019, late 19 or 20, I was like, "Okay, we're doing north side properties. We're focusing on apartments." Then all of them were like, "Well, maybe we should consider warehouse because I have experience in that." "Oh, and I've got experience in the office. If you do a small office, we could do a medical office. It's less that's risky."

Meanwhile, time is just going by. You know, I had to let go of all those other shiny things that are like good investments, and frankly, you know we could do them. And let go of all those things to focus on apartment buildings, value-add apartment buildings. The ones like everybody else is going after. And then, try to differentiate somehow in our approach. But yeah,

it's been focused, and also you know this might be helpful for someone listeners is in that process, I had partners kind of come and go. And we're still all great friends and everything. But it was just because their interests became more clear to them, and their interests were not necessarily apartments. It was, you know, ATM machines and funds or development. So you know, there is this process that you can't control of bringing people in, and we're also trying to figure out what we want to focus on. But you have to go through it, and then when I was finally like really dogged in, I don't want to even think about anything else but apartments. That's when we started to get more traction, both in the product type and then, also we were like, "We're gonna focus entirely on Phoenix and Tucson." That really helped.

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WS: Yeah, focus it's a shiny object syndrome, sometimes, a lot of people refer to. And yeah focusing on like you said whether it's asset class or market, or whatever, man it can just make things a lot more simple right, and can help you to move so much faster. No doubt about it. I was thinking through that. Is there anything that's helped you as far as focus cause I think it's a big subject? Maybe there's something that's helped you to think through – am I focused in this area? Or how have I decided what to focus on specifically?

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PP: I think the motivation to focus was like not to sit a little bit over the top, the motivation was through pain and suffering because even if you like, "Oh, I work a lot of hours and all this stuff." For me, I was not getting stuff done, I couldn't see the accomplishments or measurable accomplishments. I wanted to see him, and so that frustration led me to realize I need to let go of doing a build-to-rent project in Austin. We could have done one, and probably would have been good but that was outside of our kind of circle at that time. And so in terms of what kind of got us focused, and I think we had to like, we had to go through some partners. Not in an acrimonious way, but like when a partner leaves he's been working with you for a while like everyone's bumped out. And that's just how it is. And so, you know, I had to go through that a bunch of times, and it's just exhausting because again you know takes away from a desire to focus on, you know, a product type, and we'd love to expand into other like options. But our view is until you know we do 10 apartment buildings,

in the western part of the US ideally, after we do that, we could maybe introduce to our investors who will be more seasoned a product type that might be very similar to apartments, but is a little bit different. And then, you know, we could explore other options that way.

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WS: I appreciate that. Your transparency as well through that Peter A few final questions – ell me what's your best source for meeting new investors right now?

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PP: We're finally kicking off our CRM marketing campaign. And it's still a little too early to tell how that's going to investors who might be interested in this current project or just generally want to like get to know how to get to know you call, how that's gonna materialize. So but I'm making a big bet on that And so we're gonna be, myself in particular, producing more content giving on, you know. podcasts like yours, Whitney. And you know, start sharing our story.

I think that I would say that there's a spiritual process to real estate investing, which I think is another great topic for a podcast. And so you know I'm a believer, and so I integrate my faith with my work, you know, like, very tightly. I had a belief that I needed to find my voice.

“Peter, find your voice.” And I was not even entirely sure what that means. But it does mean, you know, getting on a podcast, and, you know, asking at a conference, “Hey, let me speak for 5 minutes I promise I won’t mess it up.” But the point is, just get out there, you know, speak on and experience like the crashes. And when you do you know you're humble you get back up, that's the spiritual part, right?

And then, you know, keep at it because I feel like that's something I need to do. And that will lead us to, you know, investors and KPs and other people and you know that's for me, one of the greatest things about the real estate are that you meet all of these different people from different backgrounds. I mean it's just terrific in many ways. It's a byproduct of the pandemic where we're all on these zooms and meeting this way, and I'm you know, I'm not grateful for the pandemic but I am grateful for this aspect of the pandemic. Zoom and all.

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WS: Yeah, you know, what it sounds like too, is you know, you're just you're willing to be uncomfortable right? You're willing to get out of your comfort zone, and you even see the need to make that happen. I remember that very well for myself, it's like man, the first time I was asked to speak at a meetup, I knew that I needed to commit quickly or I'd probably back out, right? I just said, "I'll do it." And then it's like, "Oh, boy, you know what am I gonna talk about?" And then trying to prepare for that. But that was the beginning of much more than I ever imagined As far as speaking and whatnot. But it's incredible you know just your willingness to get out of your comfort zone because we all have to do that. No doubt about it.

Peter. what are some of the most important metrics that you track? It could be personally, professionally, or both, maybe one.

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PP: So I use one note as my kind of to-do tracker. It's not big. It's got pages and it's a little bit complex, and then and then I actually just use a kind of like one page which is basically to do. And again, what I like to do is get all like, get all my to-do put them under categories. Then trying to figure out which categories are not that important and which ones are important, both important in terms of like immediate results, immediate benefit, and important in terms of a benefit down the road.

So the immediate benefit might be, you know, I call Whitney and I chat with him and tell him about this investment, and he's like great thanks. A longer-term investment might be you know I'm going to do a blog, I'm gonna do blog posts now, I'm gonna do one every week, or whatever it is, and putting that time to do that work and literally shutting everything off and doing it. And then just having faith that over time, you know, benefits will come.

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PP: What are some daily habits, Peter, that you have that have produced the highest return, or disciplines that you have?

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PP: Alright, I'll tell you exactly. So this works for me, and everyone else is gonna have a different program. But my best days are I get into my office. I probably get in here around 8, and I do this thing. It's a day one diary and I have a template in there, and it's called my daily practice. And the first things are I identify 5 things I'm grateful for then I identified 3 things that giving to God so for me that's very important. But you know it could be just things I'm letting go of, or accepting. And then, if I have the time, I might read the Bible a little bit. But I have not so much lately. And then I do write at prayer because when I say a prayer I like to tune out and stuff. So I write it out, and I try to follow a really simple format that you know kind of is like gratitude, a petition that's like, "Holy Man, help me out here, I'm nervous." And then and then the final one, which is one that I've been really working on is almost standalone is some sort of statement of faith and confidence that it'll happen, it's going to happen. And you know that's part mindset is also, you know, from my Christian Purview. It's also very biblical. And so that's what I do. I do that and I don't do it 7 days a week. But there's a lot of weeks where it's 5 days a week.

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WS: Yeah, I appreciate you sharing. I love it when when I a guest can just say, "Hey, here are some habits or disciplines that are helping me and this is exactly what they are." That's incredible. What about, Peter, how do you like to give back?

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PP: I'd say I'm not giving back as much as I would like to. But one of the things that I've done is, so I went through a divorce. It was a very unpleasant divorce, I don't know of any that are pleasant, but nonetheless. It took me to my knees. So every once in a while, through like a friend, or whatever and my friends know about like this is a challenging time, they'll connect me with somebody who's starting to go through that, or in the middle of it, or on the tail end, and I'll make myself available to them and over text, or you know, over the phone, or whatever. So that's the way that I give back, that means the most. And I would like to continue doing that.

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WS: Yeah, that's awesome. It's often those hard times, we gain so much experience and are not always wanted. However, it does help us to help others who are experiencing the same things, right? And so, I appreciate you being willing to share that and help others in that way as well.

Peter, I'm grateful to have connected again and to have you on the show and to go through just some of your expertise around the investment summary or how we present that story of our investment, how to communicate that with investor investors, some of those things that you do around that. And just your willingness to be transparent and step out of your comfort zone, and I think it's just crucial in almost any business, any entrepreneur, and you're doing that. And I think it's you're a great example in that for each of us as well. Tell the listeners how they get in touch with you and learn more about you.

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PP: Probably the easiest and best way is just by email peter@northlightgrowth.com. northlightgrowth.com is also our website. Or you can go obviously on LinkedIn and hit Peter Pomeroy and shoot me a message. So those are the best ways to get a hold of me.

[END OF INTERVIEW]

[OUTRO]

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