EPISODE 1331

[INTRODUCTION]

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Dallon Schultz (DS): We always were interested in ground-up development. We like the idea of taking dirt and creating something new. And I think part of that goes back to that extreme ownership that I talked about.

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Whitney Sewell (WS): It seems I'm hearing more and more people talk about ground-up development. Our guest today, he jumped right into ground-up, and he's gonna tell you why he chose that path. And also how not everyone's path is the same getting into the syndication business. I think you're gonna learn a lot and be motivated by his path and his story getting into ground up and why they chose to go the way that they did and how they were successful at it, have been successful. He's also gonna go into how he's been successful in a meet-up. If you thought about a thought leadership platform in any way, you need to hear the end of this show as well. Or if you're thinking about ground up, you need to hear the whole thing.

Our guest today is Dallon Schultz. He's an owner, founder of both REV Real Estate and REV Equity Group. Dallon provides the tools, resources and relationships necessary to accelerate people's way to financial freedom through investing in apartments and self-storage assets. Dallon has been investing in real estate since 2018. His first purchase of a cash-flowing fourplex using strictly other people's money ignited a burning desire to begin his journey to financial freedom using the powerful vehicle of real estate. He also hosts one of the largest monthly gatherings focused on exclusively multi-family investing in the state of Arizona. So, he's gonna get into that. But he's also gonna get into many details about ground-up development that whether you are active or passive, you're gonna wanna know.

[INTERVIEW]

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WS: Dallon, welcome me to the show. You are an expert in an asset class that seems to be becoming more popular lately anyway. Seems like I'm hearing more about it, and maybe not the asset class specifically, but ground up to be specific, in ground-up development. So, I'm looking forward to hearing your story and getting into ground up and what that looks like, a few challenges you all have faced. I know there are many listeners and investors who are trying to do the same thing and want to learn from you as well. So, welcome to the show, tell us a little bit about who you are and let's dive into ground-up development.

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DS: Absolutely. Well, Whitney, thanks for having me on the show. I didn't share this with you before we jumped on but when I started my journey about four years ago, your show was actually one of the first syndication and real estate shows I started listening to so I really appreciate what you're doing here. I'm excited to be a part of it now, and I hope through what I could share a little bit today, people can get a chance to get to know me and that I can bring some value in that space. A little background on me, just a quick high level, 'cause I know there are more interesting things to talk about in real estate. I actually have a background in nursing. I have a Bachelors in Nursing. I started getting into real estate about four years ago and through some stuff that I went through and the transitional process, it took time to transition out. But I've been full-time in real estate about two and a half years now. And what it ultimately came down to is that I wanted to take control of my life and my future. When you're working for someone else, you just, you can't, you don't. There's so many things out of your control, and even in real estate, we all know that there's plenty of stuff out of our control but there's a lot more that we can control. Ultimately, I just wanted extreme ownership for my future. If things weren't going as planned, I got no one else to blame but myself and it's proven to have been working out well for us so far.

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WS: I appreciate you sharing that. Even coming from a career path like nursing or something that you didn't just decide one day to go become a nurse, and all of a sudden you got hired to be a nurse. It took a lot of work to make that happen and dedication and taking that position.

And so I love hearing stories of people, it's like, this was a big decision. It was a big decision to leave that, to go full-time, and even you're elaborating on why and you wanna control over your life and future and extreme ownership. I love that, as well, because I feel like I thrive the best in that type of scenario. I want it to depend on me 'cause then I'm like, okay, I can do this right. I'm not waiting on someone else. I can go figure it out. I will, I'll find somebody if I don't know it. So, I love that thought process of just taking extreme ownership. I appreciate you elaborating on that. So, why ground-up though, and maybe you can speak to getting into real estate, was that the first thing you did? And talk about that transition a little bit.

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DS: Not the first thing we did. And, I don't think most people consider ground-up to be the entry point. And so my first real estate investment was a fourplex after reading "Rich Dad, Poor Dad" as I started my journey, like most people that let the real estate bug. And two weeks later after reading that book, we bought our first fourplex without any of our own money. And then a couple of months later we bought a second one and I started recognizing, this is it. This is what I was looking for. The future I wanted to create was within real estate. And then, I attended a syndication conference, out in Texas, never heard of the word. I always thought it was one really rich guy that bought these large apartment complexes, which is probably the case in some cases. But I came to realize that majority of these purchases are done through partnerships, come through people like you and I, Whitney, that combine our resources and our networks, and we together take something down much larger than we could on our own. And that excited me. So, I stopped buying small multi-family and started pursuing my course on the educational path 'cause I didn't know anything syndication and looking back, I didn't know anything by most fourplexes either. I just knew I wanted them. And I learned a lot. I learned by doing, and as I think most people do, I just tend to jump in easier. I feel like than a lot of people that it's easy to get caught in analysis paralysis especially when you're new to the space.

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DS: I started going down that path of education, and naturally it's value-add education. All these conferences, most of them that you go to, it's, hey, here's a property, here is how you underwrite it, here's how you raise capital, go on and get it, right? So, we started looking for a lot of those deals and it's become saturated. The value-add market is just ridiculous right now. It's been really competitive and being new to real estate and being younger, it's difficult to gain some of that traction. So, my partner and I at the time, just started thinking about, okay, where do we wanna be in five years? What was the whole reason we got into this? Where do we wanna be? And we always were interested in ground-up development. We like the idea of taking dirt and creating something new, and I think part of that goes back to that extreme ownership that I talk about. Like for me, I know I would take more satisfaction and taking dirt and then creating this project or this product. And I understand there's a lot more work and a lot more steps involved, and I think that's why a lot of people shy away from it.

But anyway, when we had this conversation, we were like, okay, where do we wanna be five years from now? And we just envisioned ourselves doing ground-up development. And this was after we all are swimming upstream. We couldn't gain the traction that we were looking for in the value-add space. And I see everyone in my network, they're buying a property here, buying a property there, and you start getting this negative self-talk and this negative feeling, and it really messes with your mindset a little bit, especially when you want it so bad. So, we have the conversation, we said, hey, look, five years from now, if we wanna get in ground-up development, the idea was to do some value add syndication, gain some experience and then transition over. And when we talk about it or like, okay, well, if we went that route five years from now, we're still gonna need to learn ground-up development. Like yes, we'll have some experience, but at that point, our investors are gonna know us as value-add investors. So, following this conversation, we transitioned to ground-up development.

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DS: It might be like, why the change? What's going on? And we understood that there is gonna be a learning curve. So, after talking through that and thinking about it, we're like, okay, well, what if we just started today? Because whether we start today or in five years, there's gonna be a learning curve. But if we started today and development is ultimately where we wanna be, are we gonna be much further ahead in development five years from now if we start today rather than waiting? We felt like the answer to that was yes. So we just pivoted a few degrees and still with that multi-family, and within a few weeks, we found this project that had been sitting on the market for over a year. Then it was a smaller deal, it was eight units but next to it, there was an acre of land that was already zoned on a multi-family and we're like, this is it. This is the perfect entry point to get in because these eight units will cover the cost of the land. We're new, so the risk of getting in seemed very low to us. It's worst-case scenario is we just cash flow eight units and we turn around and sell it in a year, whatever the case may be.

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DS: So I called up the agent and we went down there a couple of days later to just look the exterior of the property, and we looked at this one-acre land and figured out how many units we could build on it. As we're in there talking, he casually mentioned that the same seller owned two and a half acres of commercial land adjacent to this property just on the other side of it. And this commercial property was right on the main highway, cutting through the smaller town in Arizona. So a lot of exposure, a lot of traffic, so I asked, well, is the seller interested in selling that as well 'cause it wasn't listed or marketed. And he's like, I think he would be. So, we negotiated a deal and we bought the eight units and in total, about three and a half acres. So, what we decided, that commercial lot, we didn't want to re-zone it. It was in a good spot and we had one of our partners in self-storage. So, we're like, this is a perfect self-storage property. So, we split it in two. We started going after the multi-family development experience and then also the self-storage development experience. And that's kind of how we got into our first deal.

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WS: Wow, it's interesting that those opportunities started presenting themselves. And it sounds like it was almost a gradual thing too. It wasn't like you all started with a $100 million piece of land in this massive development. You were able to do a few pieces of development in addition to another property or something like that. So, that's so neat. But something I wanted to point out there too, is that you mentioned you and your partner were talking about where you wanna be five years from now. And you were envisioning ground-up development, that's where you all wanted to be. You thought, okay, maybe we go this other route, the value-add, gain some experience, but then you ask the question, what happens five years now? Would we be further ahead if we just started ground up now as opposed to going value add multi-family or something else. But, I like how you all had the bigger picture in mind. You know, you all were thinking five years from now, you might have been able to do a deal, more deals faster, maybe, maybe not, I don't know. I'd like to hear your thoughts about what if you all had started value add and hadn't been focused on development at all or really thought you know what, that's a few years from now. How do you feel that that would have changed your path to where you're at now?

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DS: That's a great question, and my personal thoughts and opinion on that bottom line, once you get into the real estate space, the first thing is identifying what asset class you wanna be involved in. You wanna be in a single-family hotel, office. There are so many different in there so gaining that clarity on what asset class you wanna be in. We, hands down feel and believe that multi-family and storage are the best investments to be involved in the commercial space. But having that clarity on what it is that you want and then being able to identify when you feel like you're swimming upstream. I don't know how else to explain that. There are people that are crushing it in the value-add space. There's a buddy of mine I connected with early on in my experience, He's local here to the Phoenix area blew up in the value add space and just freaking crushed it and has an awesome story. You've probably had him on your show, it's Zach Haptonstall of Rise48. It was just incredible to see what he's done over the last few years. So, you see people like that and you're like, well, I want that. We all want that, right?

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DS: But the important thing to recognize is that Zach found his, he found his groove. Whatever it was, he found his groove. And for us, we were trying to find that groove and for some reason, we weren't finding it in the value add space. I don't know why. I don't know why. But it just felt like we were my swimming upstream and when we were actively underwriting and looking at deals for over six months, it just didn't seem like any traction is happening. That's when we're like, okay, do we need to pivot a little bit? And as soon as we have that conversation and pivoted, I felt like our goals aligned with the end outcome. And as soon as we made those minor changes and then change our mindset a little bit, all of a sudden, we went from feeling like we're swimming upstream to now we're going with the flow. Now we're going with the current. And so I think the important thing to realize and recognize is you can still be involved in multi-family. You can still be involved in self-storage. But the way you get there, your path there is very possibly gonna look different than somebody else's. And the important thing is to recognize where the flow is and tuning into what I refer to as the frequency of success. And that's something that is not taught to you. Any conference, any mentors, any podcast, interview, book, that stuff. It's talked about but it cannot be taught. You have to go through it, you have to experience it yourself, and recognize what that feels like.

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WS: And don't be discouraged when your past doesn't look like somebody else's, right?

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DS: Yeah, exactly. And just find what works for you. Gain clarity on your strengths and play to those.

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W2: Yeah, I wanna jump in to ground up a little bit before we get too low on time as well. Won't you speak to some of the challenges that you have experienced? So, that you can help the listener with now, whether they're passive or active. I feel like it's gonna be helpful for them to know and understand some of these things that maybe you wish you had known when you started?

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DS: With the development? It takes much longer than you think it will. So when we started the process, we bought the land and we're like, great, and at that time, we didn't have to go re-zoning or anything. So, I was like, sweet, six months we'll be breaking ground. It's been 16 months, and we just broke ground on our self-storage. The multi-family development, we ended up actually selling that a few months back. We got the land entitled and got an offer for more than twice what we paid for it 14 months earlier. So, we sold it. We re-capitalized on that. But again, when being new, naive, I didn't have a mentor for development. I'm kind of the one that just jumps in before he figures it out. That's truly how I learn the best. So, I thought we

would be breaking ground in six months. That was not the case. However long do you think it's gonna take, multiply that by two. If you take raw land, just to get it entitled and ready to build, especially right now, I would probably average 18 months. Twelve if you have experience and you're on top of it. But with it, there's a lot of stuff out of your control. We'd get our plans and everything over, and then we have to wait a month or two or a few to get them reviewed, to get into the town for the meeting, and so a lot of that stuff just out of your control. So, I guess that's another good point too - really focus on what you can control and don't stress about what you can't control as long as you're doing your part and you're staying on top of it and getting everybody on the team what they need, the city what they need, just be patient. They'll work out. Just keep your foot on the gas through it.

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WS: Yeah, no, that's awesome. I think it's wise to think twice as long as you may think. Speak to that process a little bit, as far as you buy the land and you're saying, you know it's gonna take me twice as long to be able to start breaking ground well, what do we do during that time? As far as these investors are expecting us to break ground and nine months you're telling me we should probably count on 18 months. How do you handle that process? And what are you doing during that time when it's taking so much longer, and what are your concerns for that process?

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DS: Yeah, absolutely. We were fortunate in that this first major development, the equity partners putting up the capital, they were in it for the long haul. They're like, yes, we know it's gonna take 12 months or so to get the land ready, and then another 12 months to build or so. So, they weren't looking for cash flow. They weren't looking for return. They were looking for the appreciation. And so, I think a big part of that, especially with development, is finding the right avatar, finding the right investor 'cause it's not for everyone. It doesn't spit out a six, seven, eight percent cash on cash by the second quarter. It just doesn't. There's nothing there producing cash. You're creating it. You're forcing the appreciation so you just gotta find somebody that knows, likes, and trusts you obviously like any investment. But that understands the outcome. And it's not that you can't. Let's say on a value add, you're projecting a 20% return. You could project that on a development, but they just have to understand that it's not gonna come during the deal. It's gonna come on the back end. So, if you're looking for someone or if an investor is looking to live off that cash flow, they're probably not a good fit for you, and that's okay. So, it's just knowing what type of investor would be appropriate for this deal.

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WS: You hit the nail on the head. It sounds like your investors were very familiar with the process of ground-up development, and it sounds like that was what they were really looking for. Like you said, even earlier in the interview too, it's like you're known for what you do, the type of asset class you're in. Or if you're doing value add and then you're gonna have to...then you're gonna transition to something else which I think is possible. A lot of people do it or add different asset classes and types of investments, but like you said, you gotta find the right investor, and it's not gonna be the same type of investor that won't prefer return with 30 days into the deal versus somebody that's okay with ground-up development. And I think it's a lot based on their risk profile and just their goals as an investor. If they're looking for cash flow or maybe more growth or those types of things. But I know that you have another skill set that I wanted to highlight because I know there're people that are looking at doing this as well before we get too low on time. It's around meet-ups and you have done that successfully and you've been really good at growing your meet up.
Why don't want you speak to why did you start a meet-up? And then let's dive into how you've grown it and done it well.

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DS: When I was transitioning out of the medical field into real estate full-time, I had two four-plexes. That's nothing to brag about especially when you're trying to go down this path of syndication and you're trying to gain experience and exposure and credibility in that space. So, I was actually reading through Joe Fairless's book, the Best Ever Syndication book. I'm sure a lot of listeners have read it, if not, I would highly recommend it. But in that, he starts talking about having a leadership platform 'cause having that leadership platform and instills instant credibility. And you don't need to be an expert in the space. You just bring the experts on, kind of like what you do with your show. In his book, Joe spoke to his podcasting. He was doing a daily podcast, I believe, as well. Hats off to you, Whitney. I know you got a team that really helps on the lot of the back-end stuff, but when you got started, I don't imagine you didn't have that and you did do it all. So, anyway, when he was speaking about that, the podcast, it didn't really interest me. It just seemed like work and the thought of it, just the thought of it, drained me. So, I knew for sure that that wasn't gonna be playing to my strength. Then I thought of doing a meet-up and having that in-person experience. That's where I thrive really is in these in-person experiences, and at the time, there wasn't much going on.

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DS: Phoenix is one of the hottest markets in the country right now. At that time, I could count on one hand how many meet-ups that were focused on apartment education and investing. So, I decided to start my own. I had this vision of creating it more than just a 10, 15 people coming to a bar or the back room of a Panera Bread or something and just talk about real estate. I wanted more structure, more education because that's personally what I needed. So, we started it and it enabled me, again at this point, I didn't have nearly the experience. I had those two fourplexes and that was it. So yeah, I felt unqualified but I also recognized that I didn't have to be the expert. So, it gave me an opportunity to reach out to people that have much more experience than me. And what do people like talking about the most?

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WS: Themselves.

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DS: Right. So, it was an awesome opportunity to say, hey, I'm hosting the event. We have this many people that come, would love for you to come and just share your story. And I've never had one person turn me down from that because they didn't want to do it. If they did, it was because of a scheduling conflict. People are so willing to come out and share their story and help others in the space 'cause at one point they were where I was. We've all started somewhere so connecting with those right people. And it's been great, and that's where the most value has really come for me is hosting event and reaching out to these speakers, these experts because now there's a handful of them that are signing, willing to sign on loan for us and co-sponsor new deals together. So, it initiated the relationship, and then it was up to me to continue nurturing it. In our first event, we had maybe 18, 20 people in the back room of a Mexican restaurant. Then it just continued growing, and we've been averaging 80 to 100 people at our events every single month. We still bring in the guest speakers. We still have some structure and education. But most importantly, it's the networking. There's partnerships that have formed out of our group and deals that have come through the group. So it's been really cool to see and we recognize what we had created and we wanted to expand it. Actually, at the start of the year, we started setting up additional chapters in different markets, and we just help those chapter leaders do what we did. We just replicate it and help them so that they can experience what I experienced growing a meet up here in Phoenix.

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WS: Speak to the structure of your meet-up a little bit. You talked about networking being the most important. Just give us a real quick schedule of one of the meet-ups. We network for a few minutes and then maybe the speaker talks for 30 minutes and then spend this much time on this. How have you found to be the best schedule?

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DS: Yeah. So, the first 30-45 minutes is all networking. We've actually implemented a system so people can identify their personalities, where their strengths are, and they get a colored dot based on that. We have four different colored dots and based on their strengths, they throw that on their name tag. Then, we have the little key that says, if you're an orange, you wanna look for blue and green dots. So, we've implemented that to help influence and encourage the networking. Because at networking event, you might go in and talk to five, six, seven people and the person you need to be connecting with was right next to them and you don't realize it. So, the first 30-45 minutes is networking, and then we do some welcoming. I usually get up and do a 10-minute presentation. I love mindset, personal goals, self-development. So, that's usually what I speak to with a real estate flare, a multi-family flare. And then, we'll typically bring on the guest speaker and they'll speak for usually 20-30 minutes. Then, we conclude the event and we wrap it up the networking, and we schedule about 30 minutes for that follow-up

networking. And it typically goes for an hour and a half to two hours to the point where the venues end up kicking us out, and I feel bad because we were there a lot longer than we should have been.

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WS: I know. That's great. Yeah.

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DS: It's hard to stop people when they're in the group.

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WS: Speak to what caused the growth from 18 people to a hundred.

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DS: I think consistency was a big part. I definitely think that was a big part. We started January 2020 right before Covid hit. So, we had January, February, March, and they shut everything down. So, we didn't have an event for two or three months, and when we did come back for our first event, five people showed up, Whitney. And I was crushed, five freaking people showed up. I had this big dream and a vision of throwing something bigger. But I said, you know what? I believe in what I have. I believe that this is important. Let's just keep the foot on the gas so I think that consistency was huge, and bottom line, just bringing as much value as we can. When I prepare my events, I'm constantly asking myself if I was here as an attendee, what would I need to walk away with to feel like this was worth my while? That this was worth my evening? And I think just forcing that empathy within myself and putting myself in their shoes has really helped me envision and create the content and the experience that we have. In fact, we've termed it the Rev Experience because it's much more than a meet-up. There's definitely a feeling and an energy that's there that you don't find out of your typical meet-up.

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WS: That's awesome. It's great to just think that way. What are people coming for? What do they want when they get here? And it sounds like you've really thought through that and

pushed in a big way. It's incredible. I know there are many that are listening that have thought about doing a meet-up. Maybe they're hesitant, they haven't taken that step yet. So, I appreciate you elaborating on the benefits 'cause there definitely are many benefits of having a meet-up. I wanna jump to a few final questions. So, Dallon, what I wanted to ask you too relating to development is, why is right now the right time for development?

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DS: There's a shortage. There is such a shortage of housing and you could keep going after these value-adds and it's not a bad play. It's probably the smartest play. Honestly, I'll go after the value add 'cause you're buying something that's cash flowing. But there's such a shortage in housing, especially in Arizona. So, it doesn't matter how many value-add deals are getting flipped, that doesn't take care of the problem of the housing shortage. So for us, that's a big driving factor. We look at markets that are appreciating. They have the population, the population growth, income growth, median household income growth. There's some key metrics that we look for 'cause construction costs for rising as well. So, you gotta make sure you're in the right market to be able to mitigate some of that risk. One of the things we do as well is we underwrite the development as if it was built today. So, that's one of the things our team does when we look at the numbers and the analysis, knowing that very likely it could appreciate in the two, three years by the time it's finished but we're underwriting it today. And if the numbers look good, that's kind of another metric we use to move forward.

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WS: What's your best source for meeting new investors right now?

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DS: That source for new investors, honestly, for me, it's been the meet-up. Because people come and they get to know me and have made introductions, referrals and the fact another development deal that we're gonna be potentially partnering on in the next week or two came through the meet up that I hosted.

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WS: That's awesome.

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WS: And then just getting out, talking to people, following up. But people need to know that this is what you do. And that's part of the reason I left the medical field. I had a foot in two different worlds. People really need to know that this is your life and then it instills confidence.

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WS: What's the most important metrics that you track?

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DS: The most important metrics?

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WS: It could be business or personal.

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DS: For me, the only person I'm in competition with is myself. So, as far as metrics go, I don't have a specific number. It's more of a question, a daily question I ask myself and it's - have I done more today than I did yesterday? Have I improved? Have I learned something new today that I didn't know yesterday? So that's more of an evaluation, self-evaluation question, if you will. I ask myself on a daily basis just to make sure that I'm continually learning and growing.

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WS: It's awesome. What about a couple of daily habits that you are disciplined about that have helped you achieve success?

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DS: Exercising. In high school, Whitney, I used to exercise for the girls, curls for the girls. Not any more, man. I'm happily married. And honestly, my wife probably doesn't care what my body looks like. But I exercise now, 98% for my mind. It's a good way to decompress and I just feel like, if I could crush it in the gym or crush in an exercise that just carries on over to the business and the professional side of things.

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WS: What about the number one thing that's contributed to your success?

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DS: Relationships.

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WS: And how do you like to give back?

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DS: I love educating, I love talking. I probably do it to a fault where you gotta manage your time effectively when you're in this space but I love helping people. I love seeing that light turn on when you start talking about real estate, especially multi-family, and then it clicks and they get it. I love that. So, I'm always willing and happy to talk to people

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WS: Dallon, it's been a pleasure to have you on the show and get to know you a little bit and just really help us to start thinking about ground-up development too, and some of the challenges that you have had. Even getting into your path to getting there. I just think you really shone a light on, our paths are not always the same and we shouldn't be discouraged if it doesn't look like this other person that you feel is successful. It may not be the same way. You even talked about focusing on your strengths as well which is so important, but then even to the point of focusing on your strengths to do a meet-up. I like how you thought through that. It's like you love the in-person so much more, you lean on the meetup versus a podcast and how you thought through that. And I think that's helpful for the listeners as well, and even how you were successful to grow it. So, grateful for your time and having you on the show. How can the listeners get in touch with you and learn more about you?

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DS: Absolutely. They can shoot me a text. I'll throw my number out there, it's 480-486-9324. Or they could shoot me an email Dallon@revequitygroup.com. That's D-A-L-L-O -N. And I'll usually respond within the day. I intentionally set up my schedule in a way so I can make myself available to people.

[END OF INTERVIEW]

[OUTRO]

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WS: 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 the LifeBridgeCapital.com where you can sign up and start investing in real estate today. Have a blessed day.

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