EPISODE 13789

[INTRODUCTION]

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.

Don't forget to like and subscribe but also go to LifeBridgeCapital.com where you can sign up to start investing in real estate today. I hope you enjoy the show!

[INTERVIEW 1]

WS: Our guest is Daniel Holmlund, thanks for being on the show Daniel.

Daniel Holmlund (DH): Thank you, Whitney, it's a pleasure to be here.

WS: It's an honor to have you on the show. It's been great to get to know you over the last year and a half to two years and just see your success and moving forward as well in this business. Daniel is an engineer at Intel who started and runs the real estate investment education club Intel. He also owns a real estate investment firm named Aalon Capital LLC, where he partners with people to purchase multifamily investment properties.

Daniel is also the host of WIN Multifamily Show, a show that focuses on learning to move from Wall Street to Main Street, love that. Daniel, thank you again, give the listeners a little more about your background and getting into the syndication business. Let's jump into this transition that you're helping people with and you got a whole podcast on it, so I'm looking forward to learning more myself.

DH: Absolutely. As you said, I am an engineer at Intel, that has been my day job for 20 some years, but somewhere along the line, they actually figured out that I was a software developer who could actually speak to people too. I transitioned into the role of a teacher and I've been with the developer relations group at Intel ever since.

That's actually parlayed quite well into the investment world as well because I work with investors on syndications, like a lot of us in the space do. It's a technically complicated area and so we really focus on trying to make it a clear avenue for people that have full-time jobs and to show them a clear way that they can get involved in getting their investments from Wall Street to Main Street.

WS: Nice. I think it's a great resource when you can show people that. I think it's something in our industry that investors – a blind spot there, right? When you've been stuck in Wall Street or the stock market, you know, forever, that's all you've been told your whole life, it's hard to believe that there's this option over here where you can just go and invest with somebody in real estate.

You know, let's dive into that a little bit Daniel. I'm sure you've – especially doing a podcast on it now, where you work as well, that you've been able to grow probably your knowledge base and in your ability to help investors that are in that path or in that place. Get us started a little bit on helping us show somebody that clear way, or maybe how you do it from Wall Street to Main Street?

DH: All right. You know, one of the first things that you need to do, of course, is have a clear vision of what you're trying to do. I started back – real estate is always kind of been in my family. I learned about real estate really from my grandparents. My grandfather worked for International Harvester his entire career, and then was only once he retired that he and my grandma decided to go in and purchase. They purchased a 125-unit building together with their brother, and it was actually only once he retired that he started building actual generational wealth, which he left to my parents. It was more than he had accumulated in his entire W2.

I was 10 years old when this happened and watched the entire process. I've done some single-family home investing along the way, I rode the wave of 2008 and single-family homes, but I actually really got around to investing in syndications in 2017 or so. Mostly listen to Joe Fairless and to your podcast. Thank you very much for doing that. I learned a ton from just the past podcast that you've done and, in doing that, I decided hey, I need to figure out this real estate syndication business.

I kind of looked at it in two different ways. I said well, I can go find somebody who can be a mentor to me and educate me, or I can go educate myself with people that are already doing it. I actually chose that second route. I became a limited partner in syndication down in Houston, Texas. It was 56 unit syndication, it was called Sycamore Grove, it was in Pasadena, Houston, and it turned up to be a pivotal point for me because when I invested with them, I asked them for all of the paperwork. I asked them for the legal work, the insurance, the underwriting, and all the papers that were associated with the rent roll in two 12s.

I went through the whole thing and just really made sure I understood what was going on. I did a lot of emailing with them, just back and forth, great pleasant conversation. I started doing some small tasks for them to help them in their business, and eventually, I guess they appreciated it enough that they invited me to be a co-GP on one of their deals, two of their deals actually.

I did my first co-GP in Houston, Texas as well. A 122 unit and then a second one. I'm involved in raising capital and asset management on both of these, the second one was 196 units. These were great experiences. I was part of the key principal package there, so I also got my Fannie Mae card during that. Then I decided hey, "I got to bring my business to the next level," and so I went out and I just started talking to other investors.

I actually ended up joining – I interviewed a couple of different groups and I ended up joining the Mark Kenney Think Multifamily Group. I'm part of that group as well and we are trying to align ourselves with people that are strong in this business in terms of boots on the ground, in terms of relationships with brokers and loan officers, and we're building our business from there.

WS: Nice, the path that you took, you know, you found somebody that was already doing it and you used that to help educate yourself by partnering with other operators but ultimately, by investing first, right? Is that something that you recommend? If somebody can, before they're actually going to get into the syndication business and try to be a syndicator or operator, do you usually advise, say, "Hey, why don't you invest passively first just to learn a little more about the industry," or not?

DH: Yeah, it's definitely a progression, an educational progression. I recommend people listen to podcasts and read books first, to be honest. And then once they have an understanding of the process, then they can venture out a little bit further and yeah, I recommend that they passively invest in somebody else's syndication. Somebody who has the track record, somebody whose track record you can dig into and investigate.

In the case of this group, they already had seven syndications before and they had a good track record, and good returns, I could go through and investigate all of it. I ran a criminal background check on them just, you know, just in case.

WS: Wow.

DH: But definitely go in, investigate it, and learn everything you can from passively and syndicating. A lot of people will want to keep it there because a lot of the people, for instance at Intel that I work with, have full-time jobs. They're very busy people and they are not specialists in real estate, they're specialists in engineering and marketing, and HR. For a lot of people, you know, that's the sweet spot to be. But then some people like to get their hands a little dirty and they want to continue going on to an active manager route and so for those people, we actually – I love talking and working with those people as well.

WS: Awesome, let's talk about the people who have been in Wall Street, in the stock market for most of their life, those people that you're helping to really break that mindset, right? That this is the only way, this is you know, the way everybody's done it. You know, I just think there's – you got to learn a little bit, right? It's out maybe outside of your comfort zone a little bit to jump into syndication. You know, I'd like to hear just how you've helped some people that have really, maybe only invested in the stock market, to really open their eyes to this opportunity.

DH: Sure. One of the first things that I did was, realized at Intel that there is a stock investment club, there's a startup investment club, but there was no real estate club. I immediately went to Intel HR and I said, "I want to run the real estate investment education club at intel." It's a club where there are no sales pitches whatsoever, it is purely educational. People come in, you know, they can talk about what they do in their business and leave their contact information afterward so that others can contact them if they wish.

It's really opened my eyes to the spectrum of types of real estate investments that busy individuals like to do. Some of them are – a lot of them are interested in things like house hacking, and so we bring guests in on those topics, we bring guests on mortgage note investment, on buying mobile home parks, on buying single-family homes, it's a large amount of the talks that we do there.

It's a generalized real estate group. And it's great to really get to know the people that are there, and just to understand where they're coming from in their investment process. I've been running that now for almost a year and we do weekly guests, we bring in people every week to speak at that group. It's grown to a couple of hundred people now. You were a guest there, not too long ago as I recall, we had a little over 300 people for that particular group.

WS: Yeah.

DH: I was very thankful that you were there, it was a great group. I think sitting down and talking to people one-on-one is the best way to get to know them. Just hearing what their issues are, where they want to be in three years, how they're going to get there, and understanding and helping them with their real estate.

I recently, actually, just had a person come up and ask me to be a mentor to them at Intel. In terms of real estate. I'm starting to put together a curriculum – not something that's paid, just a one-on-one, sitting down, let's talk about real estate and let's figure out what works for you type program.

It’s been an exciting journey, it’s all about the people that are in that journey.

WS: What’s been some of the pushback that you’ve received from people who say, “Wait a minute Daniel, you know, I’ve seen the stock market work for this many years,” or as long as you keep investing, you know, “How can I trust some operator over here that’s going to go you know, blow all our money and in some real estate deal?”

DH: Yeah, I mean, I haven’t gotten a lot of pushback in that area yet, to be honest, it’s probably because, to be honest, it probably just goes silent. It’s the people that I don’t hear from that are thinking like that more. But we have had a lot of people that have said, you know, “What is the process?” and, “How do I know that I can trust these people?”

Once you start bringing them to the process of explaining, “Hey, the SEC requires that we establish a relationship with you ahead of time. It requires that we be partners in this business that we know your accreditation status,” and all the different things that the SEC requires. Once that process is explained and how a real estate syndication works, most people get it. I really find that the obstacle is more one of education than anything else.

WS: Yeah. I guess, elaborate then on how you’re going about educating some of these people? Or maybe some things, as we’re speaking to investors, we’re speaking maybe even at a small event, you know, or something like that. What are some things that you’re sure to highlight about the syndication business, as you’re speaking to these investors and, you know, just why they – I know they’re busy professionals, right? Why they should invest in real estate?

DH: Right, the number one thing, and I take a lot of these reasons from my own personal experience. The reason why I got into real estate is that, as an engineer, I realized I could sit down and calculate out and look at someone’s five-year projection on a particular piece of property, and I couldn’t do that with my stocks. I said, “Well hey if I want to build a plan where I could retire then I need to start doing some projections so that I can actually understand where my money is and where it’s going.”

I think that’s a really powerful argument for talking about real estate, in that, you can talk about the projections, and you can talk about why they are recession resistant, or why there might be exposure to a particular sector of the economy. You can tell the strengths and weaknesses of a particular real estate deal and talk about them in depth. Just being able to go through and dissect that.

You would not believe it, that some of the – engineers give you so many questions when you send out information about syndication. I have sat down and literally written four-hour emails answering questions that people will come up with about a particular deal that's gone through, and all the numbers, and how they work, and it's incredibly detailed. I really enjoy real estate because you can go through and you have knowledge about the resistance to financial circumstances and you can make projections based on it.

WS: Yes and I would imagine, I know when I am talking to an engineer it is a different conversation. I mean it just is right? I mean I've got some engineers in my family as well and so I'd understand this is different but numbers is something that most of them get very – I mean to a high degree, right? I mean it is part of what you do, it's how you think and what you've been trained for and then so much a part of your job and so the numbers are so important in our business as well.

So the questions are so different. So maybe you can give us a couple of those questions that we could be prepared for, a couple of things that you know that are going to be asked, no doubt when we're speaking to people who are engineers or have been stuck in the stock market.

DH: Oh gosh, so I mean one of the most common questions that I get are just questions about the financial projections and how they work. So that they'll start going through, you know, "This is a year one projection, year two projection, year three projection, and how do you do with the calculations here? Shouldn't it be this value instead of this value?" and I say, "Oh no, you have to include economic vacancy." You know you have to explain how all of the numbers are calculated.

I think a lot of what it takes to talk to an engineer is to first connect emotionally with them and understand that this is a business where you are going to be investing in real estate, rather than investing in a traditional avenue of investment. Then second of all, how does that all work, and then what are the protections for it? So obviously some of the common questions or some of the questions that all real estate syndicators get, such as:

When can I get my money back? How do I know my investment is protected? What do the returns look like? What are the different points that we get distributions from? Who determines who gives the distribution and when they come? You know so a lot of standard questions but then just a lot of going through the numbers as well. For the people that are within our group that does start to learn more about real estate syndication, we also have a group that is external to Intel called the WIN Multifamily Network.

And that is where I do my podcast on. We try to do all of our business outside there, keep the Intel side as purely educational, and then if people come to me and they're interested, we go talk over in this external group and it is a group that helps people from any company, not just Intel.

[INTERVIEW 2]

WS: Our guest is Terry Hale. Thanks for being on the show, Terry.

Terry Hale (TH): Hey. Thanks for having me, Whitney. Looking forward to it.

WS: Now, Terry is an active investor, trainer, and CEO of a private commercial real estate firm that provides acquisitions for all commercial property types and investment opportunities. The firm executes value-add strategies through direct and joint venture investments. Terry's commercial real estate training provides the techniques on how to find, pre-screen, evaluate, structure, and use negotiation tactics for repositioning and stabilizing commercial properties.

Just getting to talk to Terry a little bit before the interview, it's incredible just to hear the length of experience and different types of real estate investing and commercial real estate that he has, so a pleasure to have you on the show, Terry, a pleasure to get to meet you. Give the listeners a little more about who you are, and let's dive into the commercial real estate business a little bit.

TH: Yes, yes. I love this stuff, Whitney. Thanks again for having me. I really appreciate it. I've heard nothing but great things about your show, and now it's wonderful to be a part of it. I do have 25 years of experience moving forward and basically identifying properties that are ready for repositioning, meaning filling vacancies, raising rents, and stabilizing. So we have a T12 going back to the market, trading it at the market cap, and selling these properties at top dollar at their highest and best use. That was a strategy I used for a long time once I got my niche down to a science.

Then, of course, if the deal is really good, location, location, location, and it's pulling in cash flow after debt service, depending on the structure we put together, getting creative, then we go ahead and hold those on our long-term portfolio. Primarily, at any point of a potential recessionary situation, we want recessionary-proof properties. So we focus on these value-add opportunities for self-storage and also multifamily, some RV parks, and mobile home parks. Those are basically the sectors that we look into.

I'll just give a little bit of background of how I started out. I think that's important for folks to know that I'm qualified to be both on your show and as a trainer, mentor, and out there as a seasoned investor. So when I first started out in this business, what I started recognizing were opportunities to look at a certain formula that a lot of standard investors use, waiting which is the cap rate formula. Looking at that cap rate formula, I get out there and I look for property, dig around. This was even before the resource of the Internet was available. So I was out there traveling, really pounding the pavement, and doing it old-school style. I hate to age myself by saying that but it's part of it.

I recall one deal in particular where um I'm out here in California and I was in Florida. It was right around the Fourth of July and it was so hot, a different type of heat. I remember sitting there speaking with this gentleman about this opportunity. It was on John Young Parkway by the Millenia Mall. Maybe some of your listeners know it. I was looking at this project. It was a ground-up type of opportunity. I was just going to do acquisitions and secure the land, and then I would just sell it off to builders and developers. That was part of my strategy at the beginning of my career.

In that hot sun, it was so humid. I almost fainted right there in front of this guy. He asked. He said, "Well, why do you travel all the way out here? We could have just done business over the phone?" That was kind of like my aha moment into, okay, there are other ways to do business and more efficient ways and by doing so and just using the phone and being able to smile and dial and connect with people and really honing in on the fact that I need to focus on reposition property where people have to sell not just one sell. That's kind of how I entered into doing what I do today.

We move forward. We tie up anywhere between a deal with three deals a week. It's a massive amount of energy that goes into it. I have the folks that are sitting just across me right here in my office even today doing acquisitions, and we're basically thrown against the wall and see if it sticks and makes sense of it. If it looks good, we go ahead and put our time and energy to take it to the next level.

WS: That's awesome. I appreciate you elaborating too just on your experience and what you all are up to now. Maybe you could – I wanted to back up just a little bit. You talked about like getting your niche down to a science. Maybe you could just speak to the importance of that. Does that mean to you just finding one kind of asset class or – Obviously, you're talking about the repositioning properties? Maybe you could highlight that a little bit. But how has that changed your business, just really finding your niche and even getting it down to a science as you mentioned?

TH: It's changed dramatically because before like I was saying, we throw everything against the wall to see if it sticks. Time is your most precious asset. So if you're out there and you're working with projects and you don't have really a laser focus and you're more so like doing that shotgun approach, just kind of sporadic. It's just going after all these different, as you mentioned, asset classes and different locations. It's kind of like being blindfolded with a

© 2022 The Real Estate Syndication Show

handful of darts being thrown at the map wand you're all over the place. How can you justify a good opportunity and an investment of your time and energy and capital to move on?

So we've really toned it down. We started looking at certain markets that are appreciating. We do look at crime reports obviously, like all the basics that any investor that's been in the game just for a very short period of time would want to know. We want to know are more U-Hauls coming in or more going out. We want to understand exactly is there large master plan communities coming in. Is the place saturated? If you're dealing with self-storage, how many other facilities in the area? Are you the big fish, the small fish? All these little things come into play as far as our metric of how we move forward.

Then I really hone my skill set for myself and my team and all my clients that are out there to use something that, Whitney, I call a three-prong approach. Diving deep into really my niche, we're looking at dollar per door, we're looking at dollar per square foot, and we're looking at an income approach. A lot of times, we're looking at these reposition properties, so they don't qualify for bank financing because the books are so bad. There really is not a P&L. There's not a trailing 12 months.

So if it comes down to it like I literally just put this deal under contract two weeks ago and I've been waiting for the P&L and for all of the expenses and everything to come through and all the supportive info for my due diligence, and it came through on handwritten pieces of paper that were scanned in. I hand it to my guy, Matt. I'm like, "Here try to make sense of this one." So taking that time and energy, we need to understand that a lot of these deals, they don't have intelligent documentation, and so we're very patient with that. We have to look at it as replacement value, as if it fell to the ground. What would it cost to replace it? That's going to be our dollar per square foot or a dollar per door if there really isn't any deferred maintenance. Or if there is deferred maintenance, we need to add that to our purchase price to know what our total skin in the game is going to be on our purchase.

Once we kind of dial all that in, we look at an income approach, and this might sound crazy to some of your listeners. But we're buying property that is ready for repositioning, that is suffering, and we're buying it for 10 cap with terms. I have four deals right now. All four of these deals, and I'm just talking specifically about these, they have 10-year seller finance notes, which is amazing. They're all low on cash outlay but they need – Where the capital goes is not so much into the repositioning of the property as far as the cosmetic and deferred maintenance. It's more so into plugging it through with either an e-commerce for self-storage or getting the right management for multifamily.

Believe it or not, that takes some time. It takes some energy, so I'm not dishing a magic pill here. It takes time, and I'm sure your listeners that are out there being investors, they know.

They have to pick and choose the right deals. If you don't, then you could end up taking over a headache that can't be cured. So we're very careful in our niche with acquisitions.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being a loyal listener of The Real Estate Syndication Show. Please subscribe and like the show. Share with your friends so we can help them as well. Don't forget to go to LifeBridgeCapital.com where you can sign up and start investing in real estate today. Have a blessed day!

[END]