**EPISODE 1392**

**[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.

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[INTERVIEW 1]

**WS:** Our guest is Dan Kennedy. Thanks for being on the show, Dan.

**Dan Kennedy (DK):** Whitney, thank you for having me. Big fan.

**WS:** Thank you. Dan has been actively investing in real estate since 2011. Focusing on single-family homes in attractive neighborhoods requiring improvements to optimize rents and long-term value in three separate markets across California and Texas. He's an accredited limited partner in a 34-million-dollar student housing development project in downtown Los Angeles.

Recently retired from a 12-year professional soccer career where he most recently played for the LA Galaxy. He is passionate about educating all professional athletes on real estate investing and the tremendous benefits of establishing a strong real estate portfolio leading into life after an athletic career.

But Dan, you're now in the syndication business as well, isn't that correct?

**DK:** Yeah, thank you for the little tidbit in history to reflect on. My 40th birthday is right around the corner, so you're making me feel lit. Yeah, really, I just – Whitney, I started off knowing that I wanted to create passive income and the one certainty was that as a professional athlete, you just never know when your career is going to end and you'd know for certain, it's not going to be long.

My whole goal when I started to make a buck was to purchase cash-flowing homes and that opportunity was huge in 2011 as you experience and you grow as an individual, my mind has shifted and changed and there's a real reason why I'm no longer investing in single-family homes and why I'm investing in commercial real estate and it's just because you have the ability to achieve scale, you can purchase higher quality assets that have a better return profile and a more consistent expense, annualized basis and more consistent expense level that helps you understand what your return is actually is going to be.

It was fortunate timing in 2011. I was buying a lot of things at discount, which didn't mean that I was any good at what I did, it was a market opportunity and now Matt Shamus and I have started Driven Capital Partners a few years ago and we're syndicating and raising capital and putting deals together.

**WS:** Awesome, I was just telling, we were talking about this before we started recording just how we've had a few professional athletes on and I just think it's something whether it's professional athlete, whether it's military it's like that drive and maybe Matt even talked about that in which just a listener knows Matt Shamus is a partner with show number WS536 and it wasn't too long before this show is airing so I would encourage you to go back and listen to that as well but just the driven part of driven capital partners, that's interesting.

**DK:** Our wives are best friends. Matt and I's wives are best friends. And Matt and my wife, they grew up together in Stockton so we bought a lot of homes in Stockton when it was so depressing. We were on vacation. Matt and I had been working on Driven Capital Partners for a handful of years. We were both at the same point in life where we were ready.

I knew I was retiring from soccer, I was finishing up my MBA at USC and he was ready to exit Facebook. We're like, "Well, we got to come up with a name. What's the name going be?" And there's one common denominator to both of us as soon as we have the drive. We're willing to hustle and work hard and that's what we enjoy doing so it's helped us create a little bit of a portfolio to date, but we definitely are excited about where we're going.

**WS:** Yeah, tell me a little about your all's roles there and what that looks like. I know a lot of people that are listening are starting a partnership or maybe they've started one and anyway, that's always a question I get often. Well, what do you do? What does your partner do? You know, what does that look like?

**DK:** The key to whatever success we've had to date is how we're able to work together and this is one thing we've identified just early on in our friendship was like we're two very different people, we think differently and the skillsets that we bring to the table are complementary to one another.

What it's turned out to be is Matt was an investment banker, directly out of undergrad. He's got a really strong financial acumen. I went to business school, picked up my finance in business school really, and I've sharpened the pencil and gotten more comfortable in my underwriting but Matt leads our underwriting and our acquisitions and we were both identified assets through our network of friends in the industry and in the end, Matt's the one that's got to take the reins and really dig into the analysis of how the asset's going to perform.

And on the back end, once the property's acquired, that's when I take ownership of it and do all the asset management, investor reporting, take care of the properties and the property managers and drive the strategy behind what we're trying to achieve with the business plans that we've set out. And then we both go out and raise money. It's funny because every single deal we set out, we're in contract on a deal and Boise right now and we're going to raise the money for and you never really know or the capital stack's going to end up and you never really know who is coming in on the deal.

And that's one of these things that's exciting and exhilarating about what we do is every property, every asset, its own investment, and every deal presents its own unique opportunities to get out in front of people. End of the day, we both do a decent job of striking this quarter raising capital and that's – I mean, it's key in this industry right now.

**WS:** No doubt about it, you got to have the capital or you definitely do not have a deal.

**DK:** Right, that's how we started, we started saying okay, well our first deal, we're going to go out and we're going to buy like – if it's just Matt and Dan buying it, we're okay with that. We're going to share it with people, we're going to try to raise some money but we felt like okay, we'll backstop this and in fact, that's kind of where we've gone and so it's like okay, we know we can backstop this a certain amount so if we can go out and we prefer to raise 90% of that equity needed. If we have to raise 60, that's okay.

**WS:** What does your all's schedule look like? That may be an odd question but sometimes I get – Whitney, how do you maintain a schedule and you know, you and your partner and what does that look like and you know, are you often afternoons at a certain time or do you get to spend any time with the family? Just quickly, what does that look like for you all?

**DK:** Matt's in San Jose, I'm in Long Beach. We're not down the street from each other but what that means is, that our day is starting from a business perspective on the phone with one another. And it's good, it's a good way to kind of flesh out your thinking for the day and set some expectations. My days typically start at about five and we both have young kids so it's about managing all of that and I try to get some think time in the morning, help out with breakfast around the house with the kiddos. Have a little bit of a workout and then by 8:00, really often running.

Typically, I'm just planning on 8 to 4:30, not leaving my desk unless I'm going to meet with investors or see a property. Whether it's a property we want to buy or we manage. And then I try to check back in with the family around five just because the nature of our kids right now is about 7 o'clock, they're heading to bed anyway. And then, after they're down, that's back and just kind of check any oversight and if any creative work needs to get done, that's the time to do it.

When you think about how we do everything, Matt and I. We outsource some key roles but for the most part like right now, I'm building a deck on some apartments in Paso Robles California. You just kind of prioritize, well, if we're working on some refinancing and the majority of that work needs to happen in banking hours, right?

Just shifting your schedule to execute the task that you have in front of you and right now, we're in the bootstrap and growth stage of building a big business. Big, not in the number of people that we want to work for us but in the scale of real estate, we want to own, it just takes a little bit of work and we're okay with that, we're comfortable with that.

**WS:** I wanted to briefly mention or back that one thing you mentioned about multi-family instead of single-family or switching to that from single family or switch into that from single-family and said more consistent expense, expenses. I haven't heard many people say that but I would agree completely I just thought that was interesting.

**DK:** Well, the only reason why I have that perspective is that I have experienced it and I just sold a house in Stockton that I purchased in 2011 and I sold it a month ago. It was like, purchasing $100,000. Sell it for 250. Unbelievable investment. You can't find that opportunity in a marketplace today and I deal work all day long because mortgage tax and insurance on it was like 600 bucks a month and I just knew we could rent it for $900.

Well, that's all good until you have people move out and when people move out, it's like well, the fence, this, that, the other, you don't, as a single-family homeowner, you don't often forwardly project your expenses and so it can dig into the returns. Another property, a beautiful home in Plano. Unbelievable, 3,000 square foot single family, single story home, 12-foot ceilings, really nice rental property, and with how that town's growing, you have executives moving there that don't want to buy right away.

They have to adjust to town and it was right next to the main hospital, the tech hub in Plano. Fantastic location and we had a sewer line break. Sewer main breaks and you know, okay, insurance will cover this, no, it's below the slab, it's outside of the shell of the home. $18,000 later, I'm like, "Man, this property cash flow is $1,200 bucks a month." $18,000 later and you're now scratching your head gone man, that just wiped out a year and a half of return.

Insurance policies and commercial real estate are stronger in stance than they are in residential. We purchased triple net leased deals where the expenses are all in attendance and that's perfect. And in the apartment game, you can go and little tricks to maybe decrease some expenses and offload those to the tenants and often, people are purchasing thinking where they can take rents. Well, any trouble we've ever been in, is large because of the expenses.

[INTERVIEW 2]

**WS:** Our guest is Charles Dobens. Thanks for being on the show, Charles.

**Charles Dobens (CD):** Thank you, Whitney. Thanks for having me.

**WS:** Why don't you give us a little update of who you are just for the listeners that haven't heard of you before and your focus? Then I want to jump in to just, especially with background and your experience level, some of the upcoming trends that you see happening in the multifamily business, and just with everything that's happening.

**CD:** Yeah, absolutely. Listen, thanks for having me, Whitney. I am what I call multifamilyattorney.com, and that will get you to my website. But one of the things when I was starting off in multifamily and doing everything wrong, I realized that there's nobody there looking over your shoulder. You can hire a coach, and I did and I hired attorneys, and they all – They were great attorneys. They could close a title, they could draft contracts, but they couldn't tell you if the deal was a good one.

That's when I realized that there needs to be someone in the marketplace that can really protect the students in a way that the same way an attorney is your zealous advocate throughout the legal system. Somebody who can look over your shoulder and make sure you're doing everything correctly. That's when I started the owner forum and that was almost 10 years ago right now, Whitney. It is amazing how long it's been but it's been an absolute blast. I love it.

My owner forum is made up of students who have become friends of mine. That's what happens in our group, and I make sure that they're protected. I want to make sure they're doing everything correctly. This is something that is key. I do not partner with my students. I know there are a lot of these gurus out there that take a cut of the action. I can't do that and still really maintain my law license because if I did and part of my compensation is derived by you doing the deal and it's a bad deal, I could lose my license. I'm not – I worked too hard for that, so better off just making sure you are protected. That's my job as an attorney.

**WS:** When did you get into real estate versus when you became an attorney? I couldn't remember.

**CD:** I actually started an insurance company many years ago and did that for many years and then said, "If I don't get out of the insurance business, I'm going to be in an early grave." So, I quit the insurance business and started buying apartments. That was probably about 2005. Then from that point on, we bought good properties. We bought bad properties. We survived the crash. We didn't survive the crash. I mean, we've been through so many different transactions. I say we, my wife and myself.

It was after the crash when I had a lot of friends in this business, and they came to me and said, "Hey, can you represent me? The bank is looking to take my property. Can you – Anything you can do." Of course, I said yes and I said by that stage, being an attorney in that situation, it's pretty reactionary. I mean, it's – There's nothing you can do. You can't be proactive. Everything has already been done. You're just holding the guy's hand through the foreclosure process. This is back in 2008, 2009 when things were really bad.

What I realized was that I looked at some of these deals and I asked the investor. I said, "Why did you buy this property?" "Oh, it's a great deal. I took this guy's class and he said that this is exactly what you're looking for." I came to the realization that these are terrible deals. The guy – Not only is he going to lose it but he should never have bought it the first place. I said they need – "These investors need help at the beginning to make sure they don't get themselves into a bad deal."

That's kind of where we went, how the Multifamily Investing Academy started, how really I stopped practicing law. That's what I tell my students. "I'm a lawyer. I'm not your lawyer. You will hire a lawyer because my template is not good in all 50 states. My purchase and sale contract is not good in all 50 states. You're going to have a local counsel. I will work with that local counsel and make sure everything goes right but I can't represent you as your attorney. I'm only licensed in Massachusetts." That's how the whole process got started.

**WS:** Awesome. I think it's a very interesting or unique dynamic that you have that background in addition to the real estate, just knowledge, and ability as well. I love that dynamic. But with that experience that you've had over many years now and many students and many deals, let's jump into just the trends and upcoming trends, the things that you see happening. But maybe you can even highlight a little bit on through the pandemic and what you've seen happen and how you've seen that affect even students or your properties both.

**CD:** Yeah, okay. If we talk about the pandemic, it's going to be a discussion in the micro world of multifamily, because I'll tell you right now the fundamentals of the multifamily business are so strong and they're not getting any weaker. A lot of that has to do with the demographic shifts that are going on in our country, and nothing says the story better than Chris Porter and John Cole's book, Big Shifts Ahead. I did a whole webinar on this particular book, and it's a lot of fun. If you are looking for it, send me an email or go to my website. I think my assistant has got it posted there somehow. But I went through that entire book with a multifamily bent or slant as I went through it.

The things that are going on right now in this country are so positive for multifamily. Of the kids that were born in the 1990s, 73% of them will only rent homes. They will never own, 73%. That's what we're looking at. That's one of the shifts that we're seeing. Because of those shifts, that is just going to make our business so incredibly strong. It also talks about the shifts of where people are moving to. They have a great slide that I talked about on Dan Hanford's program the other day where the south grows while the north slows. That's people are moving to the South.

I know – Believe me, I got about five more years in this place and I am done. I think five years is going to be a stretch. I can't wait to get down south where I'm warm all the time. I'm so tired of being cold.

[END OF INTERVIEW]

[OUTRO]

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