

EPISODE 1405

[INTRODUCTION]

Bryan Underwood (BU): And so the easiest way to get comfortable with being uncomfortable is literally sit down and think about what are all the things that make me very, very uncomfortable. Is it cold calling? Is it actually putting together my first letter intent? Like what is it like what are the things and doing them. Just doing them and fail terribly? That's okay. It is okay.

Sam Rust (SR): This is your daily real estate syndication show. I'm your host, Sam Rust. Joining us today is Bryan Underwood, who's a self described real estate geek, who have \$2 billion family business to start building homes. He's the president of Responsible Real Estate, a firm that develops built the rent townhome communities and high density infill multifamily developments in several markets, including San Diego, California. Bryan, welcome to the show. Thanks for joining us today.

BU: Thank you, Sam, appreciate you having me. I'm a huge fan of the show. So really excited to be here and talk with you a little bit.

SR: Fantastic. You mentioned in a recent LinkedIn post that there's five paths to success or five things that are needed for success. But two of them that were on there, I kind of wanted to ask you about because it piqued my curiosity. One was you dinner with your family every night, and the other was forgive freely. I'm curious if you could just riff on that a little bit? Why those two things? How has that played out in your life? And why do you speak to that so strongly?

BU: Love it, man, what a great way to start the show. Because yeah, I very much feel passionate about those five things. Of course, we could expand that list greatly, you know, but if I focus on why eat a meal with your family every single night, to me, that's a set of priorities.

My family is an absolute priority for me, and they give me the freedom to do what I love to do, which is real estate, right? And real estate also gives me the freedom to be with my family. And as an entrepreneur, as a guy that is now been on his own quote, unquote, you know, not an employee for five years, there is always something to do. And I know people resonate with that. I mean, there's always a list, I can leave my desk every night, and I have a list of things that I have to get done. And you know what, I could get them done that night, and I can sacrifice the time with my family, or I can say, you know, when I wake up tomorrow, those things still need to get done. But I can attack it in the morning, maybe I come in an hour early. But family is a priority for me. And when I get to be with my family every single night at 5:30, sit down, have dinner, and have a conversation, I put my phone away that like recharges me. My wife's my accountability partner in life, and my kids I love and it's like they get to spend time with me, I get to spend time with them. And that's more important than work. We need both. But that's more important than work. So that's the family component.

The second one was to forgive freely. Yeah, that's a huge one, I read the Bible, I do my best to follow it. And time and time again, like I try to be like we read about in the gospels, I want to be like Christ. And when we don't forgive people or sit down with people that we love and talk to them about things that truly matter, things that are on our heart that create bitterness in our heart, and bitterness in our heart is only hurting us. And so, I say forgive freely is nobody here is perfect. I can pinpoint everything. And I can say you did this wrong. And you did that wrong, and you did this wrong. But you know, they can do the same thing to me. Don't forget, like you're doing stuff wrong, too. So if you're not forgiving people, you're essentially saying I'm perfect, I don't need to be forgiven. If you forgive freely, man, you just recognize the humbleness of we're all at fault. But together, we're better. So like, forgive freely. And let's just keep moving on.

SR: There are a lot of folks that talk about how bitterness is a time suck. And it'll it changes your mentality and really unhelpful ways. But not as many people will connect it back to forgiving freely. And just speaking from personal experience, it can be hard to forgive, especially when the other person hasn't necessarily asked for it. You know, there are ones you

don't want to hold on to. And we all were created with that sense of justice, right? And that gene is really strong when I'm the one that has been wrong.

But it's so important to be able to move past that. And part of that, like you just so eloquently spoke to is the humility to recognize, hey, for the flaws I see in this person, I have just as many if not more so on my side. And so while there's a lot of blessing in being able to forgive and move on, it frees up your mind all these different things, it's also just the right thing to do. So yeah, I appreciate you speaking to that.

BU: Yeah. Well, thanks for the question that was asked.

SR: So I'm curious. You are in a family business, large family business. And then if I'm reading between the lines, right, you get the entrepreneurial bug. What's the story behind that? What's the transition like? What brought you to where you are today with residential real estate?

BU: Yeah, love it. I can unpack this a ton, but I'll try to keep the show moving here. In every phase of our life right there. There's just tons of stuff. But look, I am extremely fortunate and blessed that I do have a family business. While it's small in nature, the holdings are quite large. It's a one self storage, mainly located throughout California. We have a couple of assets outside of California, and I got into real estate before the family business. So I sort of had this bug of real estate and I won't get into that story because it'll take up a lot of the show.

But I got into real estate before the family and it wasn't until that I knew absolutely that I wanted to be in real estate. Like I just love everything about it. How do I get better at this is when I really went to the family knocked on the door and said, "Look, here's what I've been doing. I would love a job." It didn't come right away. You know, it wasn't like there's no nepotism you know, come in your family, right? I had to like fight for it. So fought for it, got in, spent 10 years there. And that's really where I got to hone my skill.

So I feel very fortunate that I spent 10 years there, I got to spend \$60 million buying land over the 10 year period. I got to work with municipalities. I got to work with architect design teams,

securing entitlements for a million and a half square feet of self storage. I mean, you name it, I was just really where I cut my teeth from like soup to nuts on like, how do I wear all these different hats and put a deal together?

You know, as you said, sort of the entrepreneurial bug I think I was born with that have a little bit of my grandfather in me. And so as I was working with the family business, you know, my job was acquisitions manager. And while it was awesome, I got to, you know, basically, my was tasked with finding the best two deals I could find every single year. Okay, well, it's kind of like the 10,000-hour rule.

I mean, once you do that, very specifically, in specific markets for a long time, it didn't take very long or much effort for me to find two deals in a year. Okay, I'm looking at 2-3,000 in a year, I could find two good ones. And so I'm always trying to rotate in a position of growth, both personally, professionally, spiritually, you name it. And I found myself just kind of like going through the motions in the family business.

And I reached out to my uncle that runs it and was really transparent and say, "Look, I'm kind of struggling here. Like I need to keep growing, like, are there other things that I can take on in this business, that's ancillary, but complementary, where maybe I can continue to grow my net worth, and you know, make some more money, but also keep doing what I'm doing." And the response was always, you know, keep your head down, you'll be you'll be fine in 20 years. And I'm just not keep your head down kind of guy.

You know, once I realized that I'm fitting into someone else's box that I'm uncomfortable in, and don't get me wrong, you know, on paper, it's the best job you can have. I'm family, I worked my way in there. I'm the acquisitions manager, my income would always grow, my net worth would always grow. And I was next in line to be CEO of a \$2 billion company. I mean, who wouldn't want that? Right? But I was dying inside. I was just dying inside. It wasn't for me.

And it was because I have this bent to just take on these challenges and always grow and finding two deals every single year was just like, "okay, like, money is important, but it wasn't

that important that I'm gonna sacrifice my soul over, right?" That's kind of the way I felt. And so ended 2015 that I started going, "Okay, I'm leaving. I don't know when I have a family of a mortgage. But I'm going to start a company. And I have no idea what I'm going to do, but let's just start working towards it. Right?"

And so I ended up leaving and it was actually I track it because my daughter was born May 17, 2017. And I left two weeks later. So it's like June 2, 2017. So like, just over five years, right? So I track it every time my daughter, you know, turns a birthday. I'm like, oh, it's been another year. Wow. That's crazy. I have more gray hair. Okay.

SR: Wisdom, right, Bryan?

BU: Yeah, that's what I tell my wife. So anyway, I then transitioned was it wasn't you know, how much money can Bryan make? It's like, I want to enjoy life. I love people. I always want to be challenged. I'm gonna take on new things. And so when I left, I didn't want to go start a self-storage company that competed with the family. I have no interest in that. I love self-storage. I am still a recovering self-storage geek. Like I am a real estate geek. I track it. I love it. I love everything about it. But I'm not other than my minority holdings. Like I'm not tracking that.

I fell in love with homebuilding. So I transitioned out. And it was actually a deal that I was brokering was my very first residential deal that kind of brought me down the rabbit hole of housing, what does it mean? What are the demand metrics, you know, costs, etc, etc, just tapping my network in San Diego. And I realized there's so much demand for housing. It's incredible. I mean, it's mind boggling when you compare it to something like storage. Yeah, we all have our demand metrics, but a quick demand metric self-storage, I need 14 new people to create demand for one self-storage unit.

Well, usually the self-storage facilities we're building are like, you know, 900 to 1,000 units. So if you're not already building, there's something that already has sort of this demand in there that I can make pencil like growth areas, you need a lot of new bodies for one new self storage,

right? Were in San Diego here, I need two and a half bodies for one dwelling unit. And we're 108,000 units behind. So I mean, it's like it was just mind blowing to me that there could be that much demand that is unmet in a market. And so I just got fascinated with it. Because the fundamental level like I'm a deal junkie, and I love hunting deals. And every single housing developer that I talked to that are friends of mine in San Diego, I said, "How come we're not doing more of these?" they said, "Go do one and you'll find out," right? It's time consuming. It takes a lot of talent takes a lot of effort takes a lot of capital, but more importantly, they kept saying over and over, go find a site, you know, go find a site that you could actually build on.

And that seems like really easy at face value, right? But they're basically telling me like it's very challenging to go find a site that you can just go build on without this huge long political entitlement process. Right and I'm going well shoot, this is like what I do. Not only is that a challenge like this is what I did in self storage like like housing you can put anywhere if you look at like and use and you look at zoning maps, like pretty much you could put anywhere. Self-storage, you could put like right here the you know, it's like this, like this dot, this dot or that dot. Go find a piece of land, you know what I mean?

Like it's very difficult, but I'm like, "Okay, now I've got the whole county to look at, I think we could find some deals, you know." So anyway, I say that a little bit cheeky but it was the reality of it just kind of exposed me to this great opportunity. And so a deal that I was brokering, which is our townhome development in Santee as I was going through that process, finding potential buyers exposed me to this massive opportunity. And I said, "You know what, I have a relationship with the owners that I'm helping broker this deal. I think this is my first residential development deal right here like I'm staring at it. I know more about this deal than anybody else in the entire world. Let's go put it together."

So we did and we're actually just finishing up that project. We're in lease up right now I've got seven or 10 of them leased up. And that is a townhome community. So it's mapped we went through the DRV process, I could sell them as townhomes. But we built it from the onset, we built it as a build to rent townhome community,

SR: Oh, that's awesome, man, you've ripped there, I've been taking notes. There's a lot that we could unpack. But one of the things that you reference a lot in your journey away from the family business and your own was this idea of challenge and fulfillment.

And I think there's a segment of the population that just has that need to constantly be challenged. But then there's another segment that maybe wants to get to that point, but they're trying to break out of the shackles of maybe they were just always been told to work your way up the corporate ladder. And they see out the entrepreneurial path has a lot of promise, but they don't even know how to start thinking that way and start building those habits that to where you enjoy the challenge instead of seeing it as a massive obstacle.

So if you were to give advice to someone who's wanting to get started in real estate, or just in life in general and wants to adopt that kind of a mindset where you know, the obstacle is the way, where would you start? What would you encourage people to do?

BU: I would think through a list of what's the top 10 things that make me feel the most uncomfortable and start doing those one by one and checking them off. Because that's really what it comes down to you sit back and you always talk about, you know, analysis by paralysis and all these different things that we talked about. But at the end of the day, we're sitting back saying to ourselves, and really it's all a big fat lie. We're saying to ourselves, "Oh, I've not done that before, oh, I don't have what it takes, I don't have that experience." What if they call me out and say you don't have the money, like whatever it is like, we just sit back and come up with these stupid reasons about why not to take risk, or why not to take the next step.

And so the easiest way to get comfortable with being uncomfortable is literally sit down and think about what are all the things that make me very, very uncomfortable. Is it cold calling? Is it actually putting together my first letter of intent? Like what is it like what are the things and do them. Just do them and fail terribly, that's okay, it is okay. But the point is, is like you're doing because the next one you do, you're gonna be sharper, and the next one even sharper, and the next one even sharper. So I often talk about like, the biggest thing that we can all do, which will help, you know, in this sort of thinking of do what's uncomfortable is like, what is

your next step in that an uncomfortable thing that you're talking about? Just the next one, not the next 10 or 15? Just the next one, go do it.

And when you got it done, sit back and say, "Okay, what's the next step?" Right? Because if you think about what I have to do over the next 20 steps, you get overwhelmed and you won't do it, you just won't. So what's the next step? Take it what's the next step? Take it Gosh, a year from now you're gonna look back and go, "Holy smokes, I'm not even the same person." And in fact, your friends and family will probably say you're not even the same person, you know? So anyway, I'll get off that horse.

SR: No. Just to add on to that a little bit. People ask me all the time, how'd you get into real estate syndication? You know, it's, there's so many moving parts in so many pieces. And you really adopted that exact mindset that you're saying, you know, here's the goal, where I want to get to, but what can I do today? And just breaking it down into bite sized chunks? What's that next thing?

You know, I gotta know what a good deal is. That's like the foundation. Okay, so let's focus on that let's not focus on how we're going to structure investor returns, we'll get to that will get to title work, we'll get to property management. But right now, the next thing is to just be able to identify a deal. And so you'll go to loop net, start figuring out why deals are not on LoopNet you know, by and large.

But taking that sequential approach and focusing on what you can control in the moment is really important. And you pair that with the willingness to go and challenge yourself with being uncomfortable like what you just said, and the growth that you can see over a pretty short period of time can be amazing.

BU: Absolutely. I love the way you said that. That was very well said, echo that completely. The only thing that we can add on to this so like practically speaking, someone might be sitting back said "okay, that sounds good. But practically speaking, what does that mean?"

Well, have you ever tried to or do you currently have a mentor right? I mean, we talk about those things all the time we talk about them because they're important So listen, you have to have a mentor. This is how you learn you know, you can add value to them the same way they're adding value to you. So like give without the expectation of ever being reciprocated, but it will be reciprocated because that's human nature. Okay, but find a way that you can get in help somebody we all need help. Get in and help somebody you say, Man, I really liked what that person is doing. I don't want anything from you. I just want to help you. Is there anything I can do? Oh my gosh, if someone said that to me tomorrow, I'd be like, I've got 1000 things you can do. Okay? Right.

But if you're green, you don't know where to start, or what you're doing, gosh, you know, like, what an awesome opportunity to just start getting immersed in the language, seen some deals, doing some data entry, you know, just like you just you see it at all. It's a huge, massive piano that has to play. While some tasks might seem very, very, very important. They can't help it happen without the data entry. Do you know what I mean? So it is just the whole piano has to play. It's a lot, absolutely.

SR: Well, and I think kind of an implied point in your statement if you're going and looking for a mentor, do a little bit of homework and figure out how you can bring value. I get asked fairly routinely, "Hey, will you mentor me?" It's like, that's the wrong way to approach that question. It's not hard, whether it's real estate, or really any other business, you do just a little bit of research, pop in three hours with the podcast, and you can pretty quickly figure out, "Hey, here's a pretty menial task, or something that's repetitive that these guys don't enjoy doing."

But it's a must, you know, whether that's cold calling to find new deals, or it could be one of several things. But figure out what that is be willing to do it and then offer that skill. Don't just come in and say, "Hey, will you give your mind share to me?" It's just it's not. That's not how it works.

BU: Yeah, no, that's right. And look, I'm gonna go back to this statement, right, you have to give freely without the expectation of anything in return, and add your value to the process.

Trust me, you will get it back, you will get value back. You don't have to ask for it. You will get it back.

SR: That's so true. Alright, so we're a real estate podcast. So we should probably talk about real estate. So you mentioned build-to-rent communities, those are all the rage, we've been looking at those we're actually in the process of wrapping up horizontal development on what I think is going to be our first build-to-rent, a townhome, single-family mixed-use.

But if you could define for our audience, what's build-to-rent? And why is it attractive? Why is why are people looking at that really seriously now in our shoots from the development end?

BU: Okay, so you know, this is going to be market sensitive, okay? So I can explain to you my market is I'm building -- so build-to-rent, whether that's single-family or townhome, you're building, you're either subdividing property, or you're doing a condo map, okay. That's important, because instead of selling a whole chunk, like 100 units of apartments at one time, in the future, if I chose to sell 5, 10, 15, or 20 homes at one time, I can, or I can just sell them one at a time, right? So I like the flexibility of the exit.

But basically, it's a subdivision or condo map that I'm building, but I'm financially engineering the whole project on the right up front that I am building these in a way that I'm going to hold them long term, and I'm going to rent them out. And oftentimes, not always, it depends on the market, oftentimes, you're going to do a different build level and a different spec level. Again, it doesn't have to be but you're not going to build you know, a super high end home and then build it to rent out, you're not going to you're going to build a very nice home in an area that is in dire need of housing, instead of somebody renting a two bedroom apartment, they can rent your three bedroom home for maybe even about the same price, which is mind blowing to me.

But I liked the fact the reason why we and I wasn't familiar with the build-to-rent sort of acronym, or or the term that we're throwing out around these days, because it very much is sort of a thing that people are talking about. But when I started the townhomes, it was a financial equation to me, I said at the time, okay, what's worth more? Are these worth more as

an investment property? Are these worth more as townhome. And to me, I said, "Well, I could sell them as townhomes and make money. Or if I sold them as a 10 unit investment property, I would make more money." So why don't I just build these as a rental project, but go through all the brain damage, which is a lot I don't know about in other states, but it's a lot in California to get what's called a white paper.

Okay, so white paper is like, you know, the golden child. So all my work with the city, with the state, with Department of Real Estate, I have a condo project that if I wanted to sell one townhome I can or if I want to rent all 10 up I can I could keep it long term as an investment property, I can sell it as an investment property, the new buyer benefits from the future of me doing that work up front, there's no risk to them saying one day I can condo the works already done.

We love that, as you know one of the things when you get in this business, which you know, Sam, but some of the listeners when you get in this business, we're always contingency planning. And if you're not, start. You have to continuously plan because nothing is a linear path. And like we're experiencing right now today in the capital markets, investors, interest rates, like you name it, right? Like it's constantly changing.

And when you're doing a development deal, it's impossible to look out three years from now and go, "Oh, I know exactly what we're doing." You just don't. So you have to have contingencies in place. And so I love the multiple exit strategy that the build-to-rent provides.

So if it made sense to sell these as townhomes, I'd sell them as townhome, if it made sense to sell as investment property, I sell it as investment property. If it makes sense to hold it long term, I hold it long term. So I love that part of it. And so contingency planning is key. And that's just an element that doesn't exist in other properties that exist in the build-to-rent.

SR: Yeah, the word that we use a lot at Life Bridge Capital is just optionality. The more options you have, the better prepared you are to react to various circumstances. And in development, especially, I think that's crucial. Another thing that I would add, I mean, you covered a lot of

bases there, Bryan. But one more thing for our listeners, there's a lot of folks that are in their 30s now, they're millennials, and maybe in the middle of that generation, they don't really love the apartment life. But we still have that itch. We don't want to be tied down.

So we want something that's, you know, the flexibility and ease of a rental product but more space and not sharing four walls and a ceiling and maybe a floor if you got a middle unit on a three story walk up. So there's more demand for this type of product from a homebuyer or home renter standpoint, they want that nicer quality of life, and they're at a different stage. And so the build-to-rent is a perfect match for that. We're seeing a lot of that in the southeast, and really on the coasts in some ways. I've talked to a lot of developers and both and it's slowly working its way inland. We're excited to be participating in that trend. I think it's going to be here to stay and love the long term outlook.

BU: Yeah, good summation.

SR: All right, Bryan, why the four markets that you guys have picked up -- Brawley, Austin, Boise, San Diego? I think I can detect a pattern there. But I'm curious for you to expand on that for our listeners.

BU: Sure. So to be fully transparent, I don't have any properties yet in Raleigh, North Carolina. I have family there, who build self-storages. And so I've gotten to know the market, I look at a ton of property with him. But I don't own anything there yet. But I love it. It's a growth area that continues to be so when you got jobs, you got people moving to areas, like you know, I say why.

And a lot of times it's job growth, it's quality of life, it's cost of living, it's a lot of things that we all can read about. And Raleigh, North Carolina is one of those as I transition over more to the west, and I say Austin, Texas. Austin, Texas, I also have family there. I also spent four years there, it was the very first market that I spent time in outside of San Diego. And I took a trip there once a month for four years. And it took me two years to get to know that market, two

years, not that I wasn't making offers on property. But two years before I was very confident about a piece of property. And that's just how long it took.

I'm one of those like, I'm a pretty hands on guy, right. And it's like if I'm going to do a deal, like I need to know that market, not just know that market, I need to know people in the market, I need to know all the competitors in the market, I need to know the zoning, land use, like the political structure, like I want to know everything. And so I know that market because I spent four years there and I have family there, I have minority interest and a self-storage facility. I did two deals there in the past.

And so we're looking heavily, a lot of the newer stuff that we're looking at is a little bit more West like Dripping Springs, we've got a couple things that we're tinkering with, but nothing like concrete. And then the third one would be Boise, Idaho kind of all throughout the Treasure Valley, this is a place that I've come to love. My wife is from Idaho, I have family that lives there. And so for three years, I've spent building relationships, getting to know that area quite a bit, making offers on property. I've made offers on properties in the Treasure Valley for three years. Finally, I just put my first nine unit under contract there. So I'm very excited about that. Small bite size, but a perfect entry to get into this. It's got you know, tons of upside, nine units on an acre, we could build up to 22. Just a really, really good deal. We're going to close that in 30 days, really pumped about that.

And then San Diego I think goes without saying born and raised here. I mean, my family alone, I've got you know, 75 years of relationships here, our team that we have building housing in San Diego combined, we've got 100 years of relationships, our brand that we're building the high dense stuff in which is urban housing partners, urban housing partners is synonymous with building residential towers in San Diego. So I'm one of five partners in that company. And it's a place we love, it's very difficult to build high barriers to entry. But gosh, if you've got a team that knows the process that can actually get it done, you can create some tremendous value. So those were the four that I hit on. I think that was your pointed question why those markets.

SR: I appreciate you expanding on that market selection is so key optionality in a lot of things. But picking your markets, once you're in, you're in, you can't really pick up your real estate and move it somewhere else. So the it's important to spend that amount of time and it sounds like you've done a lot of due diligence in the markets that you're in. That's fantastic.

As we're wrapping up towards the end of the show, Bryan, curious if you could share with our audience, what's one way that you like to give back?

BU: Great question. So when I started Responsible Real Estate, obviously responsible has certain connotations associated with it, when you just hear the word. A lot of people say, "Oh, that's kind of an oxymoron into real estate," which I'm like, well shoot, we could all do better if that's what you're saying, right? Because we want to be good stewards of the land. We want to be good stewards of other people's money and we want to build good projects.

But really, I started Responsible Real Estate as like my, it was deeper in my soul than that, it's a gross centric term. To me, it's my ability to respond. So when you say it's my ability to respond, that's a way of saying that, no, I don't know everything, but I can respond to you. I could respond to a project and the more that you and I engage in each other, the more growth we're both going to have. And so I love that sort of thinking behind my ability to respond --
Responsible Real Estate.

And one of the things that we do is we partner with nonprofits on every single one of our deals. I've got a few hot buttons love pro life, huge behind pro life movement. And so we support a lot of pregnancy centers, and we partner with them also Fellowship of Christian Athletes. I love these guys. Huge fan. And so whether I broker a deal with the team, whether we're building a project, we associate one of these nonprofits with every single one of the deals that we have, and it's just one way that we can give back it's a financial give.

I spent a lot of other time with, you know, not just the treasure, but you know, some talent, a little bit of time, all of its thin, but we use our vehicle of creating wealth and funneling dollars to

help these organizations so they can spend a little less time fundraising and a little bit more time on their God-given gifts.

SR: Oh, that's fantastic. Awesome. Well, Bryan, it's really been a pleasure to have you on the show. Thanks for joining us and sharing your knowledge. If folks want to learn more about what you're doing, where can they reach out and get in touch?

BU: Yeah, you could go to investwithbryan.com. That is Bryan with a "y". So investwithbryan.com.

SR: Fantastic. Thank you to our listeners for joining us. This has been another episode of The Real Estate Syndication Show. I'm your host Sam Rust signing off.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being with us again today. I hope you learned a lot from the show. Don't forget to like and subscribe. I hope you tell your friends about The Real Estate Syndication Show so they can also build wealth in real estate. You can also go to LifeBridgeCapital.com and start investing today.

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