

EPISODE 1423

[INTRODUCTION]

Peter Richter (PR): That constantly communicating our strategy to investors, a monthly communication to investors does a lot in my opinion.

Whitney Sewell (WS): This is your daily real estate syndication show. I'm your host, Whitney Sewell. And over the next few days, we have some great segments around Investor Relations and Communications. Man, it's so important that you're communicating well with your investors. Right? But often we don't do it as well as maybe we should. And we may or maybe we think we are but our investors may think otherwise. Why our guest over the next few days is an expert in just that his name is Peter Richter.

He provides direction on matters affecting investor communication capital markets and functions as a liaison to new investors at Interwest Capital Group. Prior to joining Interwest capital, he served as the director of Investor Relations and asset management at an investment firm where he oversaw the placement of over \$85 million in equity as well as spearheaded the implementation of ESG initiatives. Peter graduated from Arizona State University with a BA in interdisciplinary studies with a focus on business and design. I hope that you enjoy the show, and learn a lot, please leave a written rating and review. Please subscribe. Tell your friends, if they are learning about this business or they're wanting to invest in the syndication business, they can probably hear the operator on the show could just be better educated right about this business or about commercial real estate before they invest.

[INTERVIEW]

WS: Peter, welcome to the show honored to have you on and somebody that's got so much experience in many different parts of the syndication business and no doubt, specifically in investor relations as well. I'm looking forward to doing numerous segments with you and diving into this. I know internally for us, we have just strived to exhaust this, you know, how do we do

this better? Right? This department and everything about it, our investors are so important and how they feel how we communicate all these things. What questions are we asking them? What questions are they asking us? What do we do with all that stuff? Right?

So looking forward to getting into that, before we do it, just so the listeners know, Peter is gonna be on a few segments, and we're gonna dive into how did he become an expert in investor relations? And what does that look like the inside of their company, right, and different parts of the syndication business and investor relations, or even the communications around investments. And even after an investment or deal is closed, what happens? We're gonna dive into some of that over the next couple of days.

So please stick around, if you understand. I hope you do that your investors are so important to your business and the syndication business when you're raising capital. And you're gonna want to listen to these shows.

Peter, welcome to the show. honored to have you. Let's dive into who are who's Peter, and what are you doing right now? Let's talk about how you became an investor relations expert.

Peter Ritcher (PR): Thank you, Whitney. And good morning. I really appreciate you having me on the show. Yeah, I would say trail that led me to investor relations is a bit of meandering one, and it begins in property management. When I first moved to San Diego, about 10 years ago, I was searching for a job in vein the economy was still clawing its way out of the recession and jobs for new grads were few and far between. I met a gentleman who owned a bunch of houses near San Diego State College Reynolds. And he was looking for a property manager entry level and I was looking for a job worked out great. It was a bootstrap operation. But his vision was clear. And through organic growth, we acquired actually another management company and grew. And within two years, it had grown from about 60 units under management to about 300. That was really where I learned how to manage owners expectations. And in a sense, from a property management point of view, the owners are your investors in a way. And that was really my first taste. And that's where I learned the basics of investor relations.

And I had to communicate with these owners the performance of their properties, some of them had larger, some of them had, you know, small apartment buildings, some of them had single family rentals, and we would have to communicate with them, you know, what's going on with the leasing strategy, how we can push pricing, what are we seeing in the market, you know, it became part of my duty to really communicate that to them through good times and bad right. And I think that's the essence of investor relations.

As you know, you're going to have highs and lows and it's important to effectively communicate through both of those. Eventually, I was recruited from there to a large nationwide vertically integrated Multifamily Management and Development Company, Holland Residential and I started there as an assistant manager at a building you know, assisting with leasing, printing lease files, dealing with tenants, and eventually worked my way up. Soon, I found myself recruited by another company to manage a high-rise downtown. And then I got started working for a national REIT, UDR that's really when I got my first exposure to true investor relations because I was managing a portfolio of high rises in downtown San Diego and they were part of a joint venture with a large lifestyle.

So it was my job to communicate our business plan and the budget variances and operations to our joint venture partners. I found that I really enjoyed it. I really enjoyed taking what often seems mundane day-to-day operations and crafting it into a story that makes sense. And then with an action associated with taking the performance of a property and saying, "Hey, I think we should do X, Y, Z to improve the bottom line."

Yeah, I really, really enjoyed it. And I was then recruited by a San Diego syndicator as the director of Investor Relations and companies called Davlin Investments and they managed or they owned properties really invested in just California. They've since expanded to Phoenix and Las Vegas, but that's where I learned the importance of investing. There that's where I was working on the deal flow, starting to finish the rapid lifetime investment, what's going on? And then obviously, towards the end of an investment, communicating how we're going to dispose of.

WS: Sounds like you've been recruited many times, you've worked out, and been recruited, worked up, recruited, and kind of been in the same industry, it's a big part, but you've gained a lot of experience. And I would like to go back a little bit. Why were you pursuing that first mentor, that first guy, you know, where you all went from what 63 units or what made you want to pursue that type of industry or real estate or what was before that?

PR: I didn't have too much exposure to real estate before then, to be honest, he was one of those just gregarious, outgoing personalities that you want to be in the same room with. And truthfully, it was him, he was the person, I chose for that job because of him. And he was just one of those people who, you know, you talk to for a couple of minutes and are ready to run through a brick wall farm.

So it was again, it was a bootstrap operation. It was three of us working in one room out of a small office, but it grew quickly. And you know, since I left they've they grew even more and become a pretty well-recognized company here in San Diego.

WS: Now, that's awesome. It's just interesting to hear the sequence of events that, you know, somebody gets from and you know, wanting that mentorship or learning and diving in with that guy to all the places, you know, that you've been taken to get to where you're at now. And so tell us about maybe a big challenge that you had in invest investor relations specifically. And you know, what happened or how, what the outcome was?

PR: So I would say, you know, there's day to day challenge, of course, but I would say the largest kind of existential threat, if you will, would have been COVID. And its impact on deferred rent, specifically. At the time, my portfolio was was exclusively in California, and California had some pretty strict, pretty forgiving rules regarding deferred rent, so it was very difficult to collect rent, and it was very difficult to account for collect rent as you're simultaneously writing it off the books is bad debt.

So communicating that to investors was extremely difficult. Telling an investor "Hey, we're not making a distribution this month." It's a difficult conversation. Anyway, you got it. We were

having those conversations, we were far below projections. Later on down the road, California rolled out a program that actually paid people's rents. But until then, it was very difficult to collecting rent, very difficult to collect rent, we had really no power because there was an eviction moratorium, it was really just us asking our tenants, please, will you pay rent, but nobody was forced to. And that was extremely difficult.

So we had to communicate that to our investors. And we had to do that in effective manner. And we had to, you know, we were modifying our strategy almost on a monthly basis. And that constantly communicating our strategy to investors, a monthly communication to investors does a lot in my opinion. If you're communicating something of substance on a monthly basis, it's difficult, and you get a lot of questions. So that was probably the biggest challenge I've faced so far.

WS: I agree. It is difficult. And we are continually working on that in house and is a constant battle to improve and figure out what investors, what's helpful to them, right, what's not. But okay, so difficult time, no doubt, thankfully, we did not have any projects in California.

I'm interested to hear, you know, how you did communicate through that time? What did that look like? Were you calling investors? Did you all send out an email that said, "Hey, this is kind of what's happening. And we're sorry, you know, but here's the details." What did that look like? So you're, you know, you're ensuring that you're giving the investor all the information, you know, that you can being transparent, right, but it's still bad news, right, that nobody wants to hear. But it's just sometimes that's the way it is, right? And we want to be transparent and honest, and all that. So how did how was that handled as far as communication?

PR: So I'm a firm believer that it's really important just to communicate things of importance, because if you over communicate, I find it sometimes gets rinsed out and overlooked almost as spam. So before COVID, we were communicating to our investors with a quarterly report basically tied to the summarizing the performance of a property. But during COVID, I rolled out a new report. This is COVID impact Summary Report. And it was basically telling the investors on a monthly basis, how much deferred rent we had, how much we've collected from that

deferred grant and what we're projecting as a monthly distribution, and it was extremely time consuming.

And you also have to remember Whitney, at that time throughout the process, we also want to show compassion to our tenants. So it's difficult communicating to your investors. Hey, you know, we wish we could evict people who aren't paying while also simultaneously showing compassion to people who are really down on their luck and some people were really we were for housing, and a lot of people were really negatively impacted. So we did our best on a monthly basis to, you know, work with our, obviously, behind the scenes, we were working with our tenants trying to help them show compassion and also keeping our investors up to date on a monthly basis. Where are we at with deferred rent, and at times certain properties had hundreds of 1000s of dollars in deferred rent, and we didn't really know when you're going to be collecting. And there was a lot of different legislation that was passed very quickly. And it was our job to read through that legislation, decipher it, and then regurgitate it to our investors in a way that made sense. It was tough.

WS: That is a great example of how that was handled. I appreciate you just you're elaborating so so this COVID impact summary report. So that was separate from maybe the typical monthly report or quarterly report, you said?

PR: Yep, it was the COVID impact report was a monthly report, while our quarterly reports come out four times. Yeah.

WS: Okay. Yeah. So I appreciate how you are up to the level of communication, right? But like you say, we focused on some of the most important things, right? We didn't put a bunch of fluff in there. But it's like, here's what's important to investors, was there a way that you determine that? Did you reach out to investors? Or was that did you just already know that I just wondered.

PR: As far as the contents of the report, it was something that we cracked. And when we modified it, right, the first report looks very little, did not have much similarity to the last report,

they're very different. But we got investor feedback along the way, and modified the reports as we went. And to include information that was really pertinent to investing they were asking questions, they were asking,

WS: Could you speak to the process of gathering the information for that report? And maybe we'll get more into some of that later. But I just, I was just thinking through that, as you have to do it on a monthly basis, you know, who owns that? Was that you? Did you have to gather everything? Or is it used in the whole team?

PR: So that was very difficult. It was a heavy lift on the accounting side, because like I said, it's tough to quantify deferred rent when you're also writing off that debt simultaneously. So if somebody if we decided that anything over 60 days, we would just write off as bad debt, but we still want to include that in the total deferred rent amount. So it became very difficult. It was an accounting process that was very fluid and changed as we went. But it was, again, that was mostly on the backs of the accounting team.

WS: Yeah. Okay. So it wasn't just you being able to pull this up. And it took numerous team members, right? Absolutely. How did you get buy in from the whole team. So they are also putting importance on investor communication like this?

PR: I think it's important. As somebody's investor, I understand how important investor relations are and how the investors are really the driver of the business. Getting, you know, your accounting controller and a lot of other people on that same boat is difficult, but you have to sometimes remind them, these are the people that put food on our table, we are able to buy these properties because our investors are trusting us with their hard-earned money, their savings, life savings, in some cases, we owe it to them.

And there were some conversations when people, I mean, we had people working late into the night sometimes to get these reports out. And it was sometimes we had to give our team encouragement and say, Hey, guys, we are investors are the lifeblood of our company. And we fiduciary obligation to them to keep them in the loop.

WS: Yeah. Okay. Now, I appreciate just the transparency around that, too. I can hear I can I can just see potentially the controller's face when you say, "Hey, we're gonna start providing monthly reports now. And we need this information that only potentially they can provide, right?" Just the burden of that, right?

But I also appreciate the diligence of wanting to provide the extra level of transparency for investors speak to how that maybe transfer or changed the investors thoughts about COVID. Right? And then the impact, right, where they are maybe even there, how they felt about you, all right, this may be a difficult time, you all have had to maybe stop or slow distributions. I mean, your level of communication picked up and I just wonder, you know, where are they more confident now? And you all, you know, because of this, or, you know, or was that a hindrance? You know, for some time to build that confidence back up?

PR: No, absolutely. It was, I will say, coming out of COVID. Our first raise was grossly oversubscribed and the investors who we had communicated with during that whole process, appreciate it. And they felt like they weren't we, you know, we were going through this together.

And we made sure that they understood, you know, we might have missed a distribution or distributions might be a little bit lower, as we're collecting, in some cases, 60% of charge strands, but we're on it and we're doing our darnedest to try to come up with ways to collect more rent to encourage our tenants to pay or to put new tenants in.

You know, there were times where we didn't result with we're close to you know, doing cash for keys giving people money just to turn their unit over to us. That's a tough bargain to explain to investors that we're paying somebody to move out who owes us rent is difficult. But I think again, the key was that we showed our tenants compassion, and we were also empathetic to our investors and again, coming out of it. They felt I think stronger, our investor base felt stronger the level of Trust and competence had just gone through the roof.

WS: That's incredible. Oftentimes, those are times to shine. Right? If you're thinking long term, it's a time for you to gain so much trust in your investors, even though it's difficult conversations that you must have. So no doubt, you know, this was probably somewhat stressful, right? I mean for the whole company, right? And definitely being that voice to investors and the face to investors. That's hard, right?

And to be the one to say, "Hey, you know, Mr. Investor, I'm sorry that, you know, we're not going to be able to send out that distribution this month, like we projected. But here's why." Right, and here's our plan, you know, moving forward. Speak to even how you may be handled those stressful situations and area could be any stressful situation, would you have any techniques or tips or even the time sensitive situations or any ways you think through some of that?

PR: I would say, sometimes you need to slow down. I think it's important that if somebody calls, you don't have the answer, and you're not positive of the correct answer, just hey, let me do some research on this. And I will get back to you know, investor relations, my my kind of motto is measure twice, cut once, you don't have the ability to take back something you said. And if you make a mistake in the correspondence or even over the phone, it really it shows a level of unprofessional ality that you don't want.

So I always, sometimes I hit the pause button. And I say, alright, let me sit down. And let me either write this out or beat to it after I learned more. And I think that's sometimes the best way to do it. No one's expected to have every answer on the spot all the time, pump the brakes, do some research, and then get back to them, I would say is great way to move forward.

WS: Yeah, that's awesome. But what about how you prioritize those things, and maybe even on a daily basis?

PR: I learned this method to prioritize, I learned a long time ago from a CEO of this REIT I was working for and he said, you know, make a list of everything you have to do, right at some during the day, all of us have, we get backed up with tasks to do and he said, think abstractly

and assign \$1 amount to each one of those tasks. And it doesn't have to be a direct dollar amount. But how could that financially impact the business as a whole. And that's how I prioritize things.

And you know, with investors, it's a little bit different, because I like to treat an investor who invest \$25,000 the same way I treat investor the investor million dollars per deal. But outside of that, I would say prioritizing tap my to do tasks throughout the day my to do this, I tried to put \$1 amount to each task, and which one is really going to impact the business the most. And again, you have to think abstractly, right? I think that helps me get focused on what needs to get done.

WS: That's awesome. I've not heard that before, as far as assigning \$1 amount to each task or thinking about how is how does this impact the company or all, you know, just to prioritize it that way. But I'll have you focus too on each investor, right? We feel the same way. It's like man, that the 25, \$50,000 investor, they gotta get there somehow, too. Right? So that was each of us at one time as well.

PR: I would never prioritize one investor over another because in the end, that \$25,000 that a school teacher invested or whatever, that to them is just as important as the million dollars that the banker gave to them.

WS: That's exactly right. Sometimes you don't know just how much somebody has to invest either. Right? I agree completely man, that that teacher work just as hard for that. 25,000. Right. And it's important. And so I appreciate your outlook on that.

Peter, an amazing segment. I love your transparency around the hope COVID situation and also your transparency around how you all handled it. You know, you didn't back off you didn't shy away from potentially bad news, right? But it's just really it's real news. Right? This is exactly Mr. Investor. This is what happened. This is how we're handling it. I love how you broke down Hey, these are the important things that we're sharing now even more often than we were. But

before we move to the next segment, tell the listeners how they can get in touch with you and learn more about you.

PR: Sure my company Interwest capital. We are a nationwide real estate investment firm. You can email me at peter@interwestcapital.com Or just go on our website and we also have some contact information there.

[END OF INTERVIEW]

[OUTRO]

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

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