EPISODE 1424

[INTRODUCTION]

Peter Richter (PR): I think to understand why investor relations is important, you really need to look at what investor relations is and understand its purpose. Ultimately, investors are the driver of the business.

[INTERVIEW]

Whitney Sewell (WS): This is your daily real estate syndication Show. I'm your host, Whitney Sewell, we are joined again by Peter Richter. Peter, welcome back to the show.

PR: Hi, thanks for having me back.

WS: Yeah, Peter, had a great conversation yesterday, I'm so thankful to hop right into how you all handled COVID, what happened to just the communication is so important to investors are so grateful for your transparency around that, and how you all really stepped it up there, right and back off, you hit it head on, and it sounds like did an amazing job. And I learned some stuff I hope the listeners did as well.

Today, I'm looking forward to this conversation as well, because we're gonna jump into how do investors receive communications from us through their entire like, lifecycle, I call it right, you know, they first learned about our company, and then there's, you know, they may get numerous pieces, I hope, anyway of communication from us, but then, you know, eventually they do get an offering as well, you know, or the deal that they could potentially invest in, and what does that communication look like? How often and then, you know, through that process of closing the deal, and then even afterwards.

So looking forward to jumping into that, let's get started. And let's hop into you know, what does that look like Peter for you? How do investors you know, first learn about you all, and you know, what, what communication looks like after that?

PR: Sure. Thanks, Whitney. Well, I think to understand why investor relations is important, you really need to look at what investor relations is and understand its purpose. Ultimately, investors are the driver of the business. Real Estate syndication is really a value exchange, the sponsor brings expertise and accesses stable and in our case at Interwest, Capital, institutional grade real estate investments, and we make them available to retail investors. Then those retail romcom, LP investors, bring their capital. In return for this exchange, the sponsor gets outside returns, and the LP investor gets access to the deals.

And once certain hurdles are met, right, there's when the GP or sponsor really good says outsized returns. The investor relies on our expertise, management skills, and successful execution of a strategy to achieve the projected returns. The first interaction generally with investors comes with an introduction, whether that's them reaching out to you looking asking about potential offerings and learning about the company or maybe somebody in your network introducing investor but that's when you describe -- the first communication is really an overview of the company. What are you? What do you do? What is your particular skill set, your core competency? And in many cases, what markets do you invest?

It's also That's your chance to build credibility. You speak to your track record. Track record means a lot, of course, somebody starting off in syndication might not have a developed track record. So maybe it's important that you consider other ways to build credibility. And then after you've established credibility, and they've expressed interest, this, you know, keep me keep me in the loop on your next offering. You know, the next step is once you have a deal under contract, sending out that offering.

WS: Before that, give us some examples of maybe how you establish that credibility, right? Or maybe some, you know, how often are you communicating with investors? Or you know, how many emails are going out? Or how, you know, after they come to the website or their referral, or however, they found you? What does happen then? Is it just emails? Is there a phone call in there as well?

PR: Sure, definitely a phone call. I think a phone call is a great way for them to hear your voice, can put a voice to a name, a zoom call is great. So they can see who you are. They're talking to a real person. But I would caution anybody work investor relations to not spam people. I think that if you start blasting investors without an actionable item, without an offering, if you start blasting them with communications prior to that, they might write you off as spam, or just, you know, people have lives.

And the whole point of passive investing is just that to remain pass. And I think that after an introduction, you speak, you answer any questions they might have, sometimes show them an old deal, and walk them through the deal points, I think is a great way to get them familiar with your approach and strategy. But after that, I would keep communications to really communicate when there's something that they can act on, whether that's a new fund or an offering of an individual asset, don't want to spam them at all.

WS: Okay, you feel it's important. I like to there's more importance of not spamming or not communicating maybe about things that aren't as important, right, or filling up their inbox that you put more importance on, hey, let's not just send them anything. Let's wait till we actually have an offering of some kind.

PR: Sure, exactly. Or, you know, if you do a really insightful report, which we sometimes do, I'm on whether it's on a particular market or asset class, whether it's flow of capital here at Interwest, we have we're making a big push to ESG, making our assets more environmentally sound that we're trying to have a positive social impact. Sometimes those initiatives are worth communicating. But otherwise, I wouldn't bother your potential investor too much.

WS: All right. So now you essentially have that offering, and how's that going to be communicated? What does that process is it email? Is it phone calls text? What does that look like? And what are you communicating?

PR: Sure. And you know, just before you have that offering, I think it's important and you and I briefly discussed this before, but making sure that the investor relations team is working closely with the acquisitions team, there can't really be a disconnect their acquisitions needs to know what investor appetites like, the investor relations team needs to have input on what our business plan is, they need to understand every single detail of the value add strategy, for example, so that they can effectively communicate that once they send the offering.

So it's important to make sure that those two departments are not siloed. And that they're integrated so that when the investor relations team presents a deal to investors, they understand every single aspect of it. And then that brings us to the offering. I think, when you present an offering, I usually like to do it in two parts, you know, an offering memorandum or presentation, which is usually a deck of the individual asset, in our case, the asset, you know, the market, comps, but also provide financial projections, because there's different types of investors out there. Some just want to look at maps and pictures and renovation specs, others want to really dive in to the underwriting. And you want to provide that to both options to them.

WS: Incredible speak through on through that process, right. If the deal or you know, what's being presented to investors about the deal and what they know, or then how how you go on through that?

PR: Yeah, so a lot of information is presented, I would say in the initial what the asset is, how many units, what market, why you'd like to market, everything that you present them should also be accompanied by why you like it. And if you're not doing that, then you're really just sending out information without any strategy behind it. I also think that investors appreciate a risk summary as well let them know what some challenges we might face. What is the risk here.

I saw an offering recently for a, it was a government building, the risk was that the organization's doesn't renew their lease, and this commercial property becomes vacant. So I think it's important to present all risks, but also the upside to investors during the offering. And it's also very important to be realistic. Here in Interwest Capital, we are categorically conservative with our underwriting and that gives investors peace of mind, instead of them trying to calculate what is the risk, they get to focus more on what's the potential upside, that's not highlighted here, nothing is more difficult than missing projections, or aggressively underwrite a deal, and you don't live up to the that underwriting, and then you're trying to do a raise simultaneously.

So you then you're having two conversations at the same time, "Hey, sorry, we missed projections. But we've also got a new deal going." So you don't ever want to be in that position. I would rather under promise and over deliver 10 out of 10 times.

WS: No doubt about it, if at all possible. Right. I mean, that is our goal to make that happen. You don't want to have that conversation, like you just mentioned. For sure. You know, let's speak to as well, you talked about, you know, everywhere the investor relations departments involved right through that process, right? I think sometimes, like you mentioned earlier, I think it's so important to note here, the acquisitions team and the investor relations, they gotta be communicating, like you said, not siloed. I love how you describe it like that, because it can feel that way. Right? I know, we've experienced that at times, and we're working hard to improve communications, I mean, just constantly around the entire team. And so everybody has a better understanding of what is going on. Maybe speak to how you all do that? How do the investor relations know what the acquisitions team is looking at or doing and vice versa?

PR: Sure. It's something great about company I work for Interwest is twice a week, we have a deal meeting. And during the deal meetings, the acquisitions team goes through basically their pipeline, and we give them feedback. And they also look to us say, you know, where is investor appetite? And we can ask questions about particular deal. Oh, what's the incoming supply in this particular market? Are there a lot of new buildings being built? What are we talking about market comps, that's the first time we get exposure to deal when we start learning about it.

So the idea is that by the time we're ready to create the offering presentation, we know this asset inside out, we understand the business plan, we understand what the renovation spec, what color backsplash we're putting in. So, and that again, we also bring in asset management or advising on the renovations and the business operations. So I think integrating all aspects of the company, whether it's three people, you know, for small syndication, or if it's 50 people, everybody having input is really what makes, I think it adds incredible value to the company and to the investor.

WS: I love that speak to and this may be a little more technical about the meeting itself, but I think it's helpful and we've recently done a lot of those are learning and then trying to implement. What does that meeting look like? Who's leading that meeting? Is there a specific department that leads that meeting? How long does that typically last? Give us a few details there.

PR: So the meeting will last anywhere from 30 minutes to an hour and they have a spreadsheet, they put up on the screen and it has every single deal that they are monitoring, every single asset they're monitoring, and they prioritize it by offers out or sometimes you know we'll have a deal in escrow I mean, that could be we're under contract and then kind of works its way down all the way to monitoring. And monitoring, it's just we're hanging around the hoop seeing what happens with this in case someone else falls out but we go through each one we talked about the strategy what's going on with the brokers are saying, are we best and final, are we in the mix, how far are we, and then if it's something of interest, we then pull up the underwriting right there in the meeting, and we discuss what the IRR is shaking out to be.

And you know, sometimes we'll dive deep into the underwriting. And that's where from an investor relations side, that's where I really learned the guts of a deal. But it's put on by the acquisitions team. And it's really a collaboration between the investor relations and acquisitions team.

WS: Okay, how long does that typically last?

PR: 30 minutes to an hour. I mean, if there's something really interesting, and we've got, we're in the final stages of negotiating a PSA, or NOI, then we'll really dive deep into a property. The one we had one, just I guess, yesterday, and it was a little bit briefer, just it really depends on what's in the pipeline.

WS: And then, you know, I was thinking through that, and how, and it's so great that more of the teams involved, right, the understand about the deal, but you mentioned didn't when you all move forward on a deal, you can go and create that investor deck or summary, different people call it different things. But you all have so much more information to move forward with that. Is the investor deck, say the investor relations, you know, do they own that, creating that? Or is that a bigger thing for the entire team? Or what does that look like?

PR: They own that for sure. Ultimately, they're the ones sending it out investor relations puts the same behind it in the results. You know, the raise is the responsibility of investor relations. However, the acquisitions team is very much involved. The market data that's included in that deck comes directly from the acquisitions team, the deal points come directly from the acquisitions team, sometimes the strategy if it's a value add, we're getting some of that from asset management, how we're going to staff it, how are we going to execute on our strategy, a lot of that comes from the asset management team, but ultimately, the presentation and the offering is owned by investor relations.

WS: Okay, that's great. It's oftentimes we're trying to figure out okay, we need this thing done. Well, who owns it? What makes most sense for who right to own this and move forward with this project? And that is something you know, that investor deck where we go over and over those things, right, trying to figure out hey, is it accurate? Is everything correct? Is everything the way we want it? So that's great to know. As you know, investor relations team, anything else going on?

PR: Yeah. And that was just that, you know, I think it's important to play to people's strengths, your acquisitions team. I mean, we've got guys on the acquisitions team, who just the Excel wizards, the way they buzz through it, but they might not be as proficient as crafting an offering. So it's really you got to play to people's strengths. I think.

WS: How many people are on your investor relations team right now maybe speak to how those roles are split up, you know, the investor goes through all the stages, but do all certain investors that you all, you're the investor relations person for this many investors and somebody else does the rest? Or how does that work?

PR: So we have, I would say, three people on the investor relations team. One of which is he's really focused on institutional relationships, those tend to be a little bit more sensitive in some ways. For instance, you don't send, if we have an institutional investor who's really looking at class A suburban product, you're not going to send them a ground-up development in a downtown area, do not want to over exercise those relationships, you only send them deals that you think are in their wheelhouse. But otherwise, I would say we all work together. And people don't own particular investors. I don't think, I mean, that might work for some groups. But you know, I think that we all bring value in different ways. And why not tap all of our value?

WS: Yeah, no, that's great. I've heard it done both ways. And just wondered how you all did that. I guess, you know, before we finish this segment, go and speak to maybe some other times where you're communicating with investors through the deal process, and then, you know, to quarterly to the selling a project, what is some of that look like?

PR: Sure. So we do a quarterly report, and we call them asset summary reports here at Interwest. And they basically outline our strategy, any deviations from our original strategy. We have a project right now in Arizona, for instance, that we're getting the same rents, it was a value-added deal. And we're getting the same rents right now without renovating units that we had budgeted post renovation because of that, we're and we're kind of pumping the brakes a little bit on the renovation strategies, because why invest the money if we're not really getting paid for it, and we're getting those rents anyway.

So that kind of change in strategy needs to be communicated. Investors appreciate it. And you really, it's your obligation, above all, they've invested money with you, because of the strategy you laid out. If there is any deviation, I believe that you're fundamentally obligated to tell them, it's their money. So that comes out in the quarterly reports. And then towards the end of the deal, I think it's very important to communicate with them, depending on what dictates the end of the deal.

So in some cases, it's the maturity on the debt. In some cases, it's just good market timing to exit whether you're going to refi or sell the asset. I think that's a great opportunity. Again, I think it's important is all investor communications are opportunities, the opportunities to build credibility, to show value. One thing that I think is very important is throughout the life of the investors get cash flow from investments, theoretically.

Another, I mean, but a lot of their return comes from appreciation, appreciation is unrealized until you exit an asset or some kind of liquidation event. So I think communicating the appreciation of an asset throughout the lifetime, I mean, investors love that. See that okay. Based on current cap rates and our NOI, what is the value of my investment now? And if you can communicate that over the five, three to seven year timeline, I think that they would be much more inclined to reinvest, even if that deal hasn't seen its horizon. Yeah.

WS: Incredible. Great. I love numerous things that you've mentioned there. But, you know, even earlier, just then you said they've invested because of your strategy, right from from what you presented to them early on, I don't think anybody will say this, either. You know, it's like, if that changes, hey, we owe it to them to tell them that the strategy or the plan has had to change and why. So I like that thought process. And I'm gonna share that with my team probably today.

You know, just to think about that, maybe that, you know, we make decisions about a specific deal. And it may change our strategy a little bit, we may feel it's best, and we may be able to justify it, and it'd be best, but we don't always think about how we should communicate that probably two investors as well. And so I just love that thought process. Also, anything else about maybe the frequency of communications? Before we end this segment.

PR: I think quarterly should be the default, unless there's anything out of the ordinary, I think giving investors quarterly reports is adequate, keep them updated on the progress of their investment. And then of course, any major event. Like I said, COVID rolled around, we were sending out monthly reports, just because of the severity and really the unknown, and we want to make sure that they had full visibility. Also, towards the end of investment, I think it's very important to communicate your exit strategy with them as well. They're not just caught off guard up, we sold the property. Here's your check.

WS: You know, I've heard often I mean, a lot of guys will do monthly reports, right? So why quarterly? Not monthly? And how do you answer that question to investors? I'm sure you've had.

PR: I think sending out a monthly distribution summary could be valuable. But I can't imagine a change in strategy or a change in the market happening on a monthly basis. I think that it takes a few months to really see the impact of a particular decision, in a changing market, I think that if you start communicating monthly when you do have an important communication, it might get overlooked because the last four are the exact same and it didn't have any relevant information in it. That's an opinion, people might have different opinions. I just would hate to, it's kind of, like the boy who cried wolf scenario where if you over-communicate, then when you do have something really important, it might get overlooked.

WS: Yeah, I love that. I like how you mentioned to hey, you know, if you're doing monthly distributions, maybe you do send out a monthly distribution strategy. You said, I like that thought process as well. I can see that being very important to investors as they're receiving those distributions. We're going to dive into that potentially a little more in the next segment.

Peter, thank you so much, again, for the information you've provided today and for talking about communication, how we care for investors, and how we still care for our tenants, right? We want to communicate that but man, how often and how do you know, what's too much to communicate with our investors, which you shared so much with us today? how can listeners get in touch with you and let them know and then we're going to dive into another segment tomorrow diving in a little more on these communications.

PR: Sure. Peter Richter at Interwest capital, you can reach me my email address is peter@interwestcapital.com. We're a nationwide real estate investment firm.

[END OF INTERVIEW]

[OUTRO]

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