

**EPISODE 1464**

[INTRODUCTION]

**Andrew Brewer (AB):** I think partnerships are very important. I mean, you can't do everything yourself. I mean, you can, but probably not going to do as much.

**Whitney Sewell (WS):** This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Well, another part of the syndication business, there's so many asset classes, that we can syndicate, that we can find investors, we can pull all our capital together, we can buy something. Sometimes it's a building that's already existing, right? And there's issues, value-add structure, whatever, you know, we can go in and fix and create value there. But other times, there may not be a building there, right? There may not even be plumbing there yet, or electricity there yet, or even permits that are going to allow you to put anything there.

And we're gonna talk about that today with our guest, Andrew Brewer. He's a real estate investor, developer, well-versed in all aspects of land development. His very background real estate has participated in projects as an owner, developer, operator, engineer and consultant.

During his career, Andrew has acted as a construction manager on a commercial reconstruction projects valued at over \$12 million each, and consulted in construction defect litigation lawsuits, in excess of \$60 million each, which I felt was interesting. We talked about that a little bit, and kind of what happened around this project and some issues. And he's been an operations engineer and commercial facilities valued individually at over \$200 million, a developer responsible for directly planning and overseeing multiple ground-up development projects totaling over \$160 million in assets.

So, I did numerous segments with Andrew. I'm getting his background a little bit, but then we're gonna dive into ground-up development and some of the risks around ground-up development, I thought we're gonna be, it's gonna be very helpful for you whether you're active or passive.

[INTERVIEW]

**WS:** Andrew, welcome to the show. honored to have you on I am looking forward to diving in today. And actually numerous segments, and your specialty is something that I've not become an expert in. So, I may have a lot of hoping, I'm gonna have a lot of questions for you today and to learn from you. And the listeners are going to learn a lot as well. Give us a little more about who Andrew is, though, so we can learn more about you. And we're gonna dive in to a topic I know, many listeners are very intrigued about as well where they're passive or active investing.

**AB:** Well, thanks for having me on. I'll give you kind of a brief background kind of extended elevator pitch as it were. I'm originally from the Bay Area, California, born in San Francisco, raised in a small town called El Torito, which is just north of Berkeley. I spent the first 20 years of my life there. And then I moved to Colorado, spent a couple of years there, and Denver and Boulder back to LA to finish my undergraduate degree at UCLA. And then I moved to San Jose, where I worked as a building engineer for several years before finally making the move to Austin, Texas, where I live now.

Presently, I run Iron Gall Investments, which is a real estate development company that I founded back in 2017. And how I got started in real estate development, which is something that everybody always asks is a little out of the ordinary. After I graduated from college, I got a job as a building engineer. I was working in a high rise in San Jose, California, was a mixed-use facility, 27 storeys, 197 residential units, and ground floor commercial. So a ground floor commercial parcels, and then three floors of subterranean parking. So massive facility over half a million square feet.

And you know, as a building engineer, I was responsible for a wing of asset management, as it were. So I worked very closely with the property manager dealing with all of the physical aspects of the building. So you know, dealing with, you know, mechanical systems, plumbing systems, electrical systems, fire life and safety, you know, anything that needed to be done

physically to the building, because what I was in-charge of. And during my tenure at that job, we are, you know, the building was having a lot of issues. It's not very old building was built back in 2009. And I began working there in 2017.

So you know, it was only about eight years old at that point, but was having a lot of issues, the kind that you would see from buildings that were, you know, 40, 50, 60 years old. So it's very out of the ordinary. And we were approached by a law firm out of Las Vegas, who said, "Hey, we've heard about these issues that you've been having." And I'll say that this law firm was a firm that specializes in construction defect litigation. So they kind of identified a pattern with this building, I came to us or they you know, they came to the HOA, who owns and operates the building, and said, "Hey, you guys are having all these issues. We believe that this may be the result of construction defect, and we'd like to explore that and if we feel that there's a case represent you the HOA, and a lawsuit against the builder."

And so, the HOA said, "Sure, we don't like having to pay, you know, hundreds of thousands of dollars every single year in, you know, capex to fix, you know, multiple leaks and plumbing leaks, leaky windows, you know, everything messed up there." So we started that process, my team, which I was working for a different company, at that time, an engineering firm. So it wasn't my company of our investments. But you know, my team there, we worked hand in hand with the law firm, as consultants on that case, it was a three year suit. And, you know, as the building engineers, we had that knowledge of the facility, like we kind of knew, where all the issues were, what exactly was going on. And so we were able to, you know, put together a strong case, we sued the builder, we won the lawsuit, reached a settlement, that was a \$60 million case. So once that concluded, we took those proceeds and did a reconstruction project on a facility to fix all of those issues, which was huge. You know, we had to repipe the entire building, we had to replace all of the windows, you know.

If you can imagine, you know, repiping, over half a million square feet of commercial space, you know, ripping up people's walls, like going into every unit, like pulling everything out, replacing it, you know, replacing all of the windows, you know, it's like three sides of the building are just glass windows. So we'd be out there on the lift, like, you know, taking these

like massive bulletproof glass panes out. You know, resealing everything, putting them back in, you know, redoing the roof, redoing the pool deck, all this kind of stuff.

And through that, you know, of course, we had to work with the city, you know, we had to get permits, all that kind of stuff. So ended up being, you know, about a four year project, all said and done. And, you know, through that, I learned an incredible amount about construction, about redevelopment and development, you know, what it takes to be able to go down to the city, negotiate for permits. You know, and for anyone that's listening that has ever tried to develop, or do anything government related in California, it is a nightmare.

**WS:** That's another animal Yeah.

**AB:** So it's really tough to do anything like that in California, in my opinion is like, if you can, you can develop in the Bay Area, like you can develop anywhere in the world, like, it doesn't get much harder than that. So it was really informative process.

And while I was, you know, working in that job, I started investing in properties on my own. I got married pretty early in life, and my wife was always kind of intrigued with real estate, you know, she wanted to buy properties, you know, her mom had purchased some rental properties when she was younger. So she had been kind of exposed to just, you know, what it takes to do real estate investing, the benefits of buying property and folding it and, you know, asset appreciation and rental income, and all those great things that we know and love. So, you know, her and I kind of started on that journey, very small stuff in the beginning, you know, I was doing that on the side, in addition to my normal job, and buying small properties, you know, single-families, small multies in California. I was actually out of state, so it couldn't afford to buy in California. I was in Kansas City, actually, that was the first market I started buying in.

I chose Kansas City because my grandparents lived there. And so I knew the area a little bit, you know, better than some of the other markets that people go to. So it just kind of made sense to go to that market. And did that for a little while, didn't really enjoy it, it was pretty hard

juggling, you know, full time engineering job and a family while trying to invest out of state as well and manage that whole animal which can be a full time job in its own right.

And so, once I've, you know, kind of was coming to the end of my engineering job, you know, project was wrapping up, I could have stayed, but I felt, you know, I kind of want to go off on my own. And, you know, my wife and I were chatting, and she was like, well, hey, like, as we're looking for the next steps. I mean, you done all of this, you know, engineering and building work, so you know, what it takes to develop and work in a large commercial facility, but you've also bought properties on your own you understand from a business and financial standpoint, what it takes to buy a property to operate a property, you know, what? Return metrics, you want to look at what it means to have, you know, cash reserves, so that's not something I really did in my engineering job. It was just kind of like, curate your way. Here's the bill, you know, pay it, you know, figure it out. point, you know, like, that's not my job.

So she's like, why don't you take these two sets of knowledge and put them together and go, you know, start a development company or commercial real estate company and really use those? I was like, "Yeah, okay, that makes a lot of sense. Why don't we do that." And so we started developing properties are looking towards that, at least, you know, that kind of coincided with our move out to Austin, just about three years ago at this point. So just started looking for properties to develop. I connected with my development partner, his name's Rick.

**WS:** How'd you connect with him?

**AB:** I was working on a redevelopment in Austin, and I ran into some issues on that deal. I was connected with, you know, another fella had another partnership that kind of went south a little bit. And, you know, project wasn't working out, we had to figure out how to kind of pivot away from our original business plan and not completely lose our shirts. And so I was just connecting with, with other people in the local market, like, you know, putting out feelers to people like, "Hey, I'm working on this project, I'm having this issue, you know, does anyone have any ideas of, you know, how I could work through this?" And he just kind of hit me up was, like, "I have an idea." And we got to talking and weren't able to do as much on that one deal as we wanted,

but I think developed a good relationship there, kind of enjoy working together, realize that we had some complementary skill sets.

And another deal popped up, you know, just a couple months later, we're like, "Hey, why don't we try to take this deal down together?" And we did. And then, you know, from there, it just kind of became a case by case basis, but we're still very close, you know, it's, we, either one of us will find a deal. And, you know, we kind of bring it to the other person, or like, "Hey, you want to take this deal together?" "Yeah, sure, let's do it." And so we've done five deals together at this point. And, you know, we just, you know, and we have other deals as well, that will kind of help each other out on in various aspects.

You know, we're both pretty busy, we've both got other stuff going on, outside of our core deals, but, you know, we'll have deals where it's like, "Hey, I'm working on this deal. You don't really have time to be, you know, full time partner in it, but I still like to, you know, have you involved." If I've got some questions, bounce them off, you, sometimes we'll pay each other just like a, you know, a monthly consulting fee, as it were to just like, "Hey, like, I'm gonna take X amount of your time every month, you know, a few hours a week, how about I, you know, just kind of put you on payroll, as it were, like, you know, 10, 99 bucks a month, 1000 bucks a month, or whatever.

**WS:** Speak to your skill sets that you and your partner have, that have helped you all to take down these deals, you know, together?

**AB:** Yeah, definitely. So my partner, Rick is grew up, building spec homes with his parents, parents owned a home building company, and then, you know, he went out. He was 18, and started working for some other companies doing the same thing. But one of the companies he worked for, he was the land acquisitions guy, kind of so you know, he'd be the one that would go out and find land and get it entitled for, you know, these spec home developments. You know, smaller scale, it wasn't like, you know, hundreds and hundreds of units. But the work is basically the same whether you're, you know, subdividing one acre into, you know, four quarter acre lots or whether you're subdividing, you know, 100 acres into, you know, 400 lots. It's the

same basic process, you have to follow the same steps, you have to do the same kind of stuff, you know, you got to think about drainage, and, you know, roadways and access, and, you know, you still have to pay, you know, tap fees, and all this kind of stuff. So, he, you know, he had that skill set, which, you know, I hadn't done actual, you know, like development from nothing at that point, I've only done redevelopment. So he was very helpful there.

And he's also worked in Texas, you know, his whole life. So he's very connected into the, you know, the Texas builders market, pricing for stuff in Texas is a bit different than in California. So that, you know, helped in being able to properly underwrite deals with the right price for things. You know, and then the skill sets I brought is, you know, I've networked with some capital raisers and capital partners a bit more than he had. You know, I a lot better at structuring a deal that is going to be beneficial to, you know, limited partners and general partners.

I've been a limited partner, you know, several times before, so I understand like, "Hey, this is what an LP is going to look for, this is what their concerns are going to be." So we'd kind of be able to we, you know, we'd look at it, we find a piece of land, look at a deal and say, "Okay, you know, what's the highest and best use here kind of come up with that together," and then be like, "Alright, now that we know that, is that feasible? You know, let's go figure that out in due diligence."

And then once we determined that there actually is a project to be had, it's kind of like, "Alright, now can we make the numbers work for an investor because I mean, you know, it can be an awesome deal that you can get over the finish line. But if the returns are really low, or you know, it's super risky, nobody's going to invest in it, and you don't actually have a deal."

**WS:** Sure, I asked, because oftentimes, people are not willing to partner or they, they don't want to give away a little piece of a deal, or even a bigger part to get started, you know, and, you know, finding somebody that has complementary skill sets. But I felt like, you know, as we're syndicating, or we're, we're developing, I mean, there's so many pieces of that project that you need some skills in, right, and it's hard to become an expert in two or three of those things, much less all of them, right?

And so I just appreciate your willingness to, you know, you saw this guy, you saw some, some mobility there sounds like or you're clicked, and you are willing to step out and do a deal together, you know, and now, you know, look what it's grown into.

**AB:** Yeah, no, definitely, I think partnerships are very important. I mean, you can't do everything yourself. I mean, you can, but probably not going to do as much. And the deals that you do might not be, you know, as good because, you know, it is it's hard to be an expert in all of the different things that you need to have an expert in, on any given projects.

I can fulfill a number of different roles, but I'm not the best at every role. You know, I'll give you a really good example of that we have a 330 unit apartment development in Seguin, Texas that we're developing right now. And that deal was brought in by a partner of mine, that I've done a few deals with a different partner. And, you know, she brought the deal in and, you know, said, "Hey, I think this could be a good deal." We looked at it together, it was a great deal. But it's a big project, you know, 330 units, that's an institutional grade asset, there's going to be a very specific investor that's going to invest into a deal like that there's going to be a very specific buyer.

It's a whole different animal, same process, but it is a different animal than, you know, smaller development if you're doing you know, 15 or 20 units or something like that. And while I'm a decent underwriter, you know, I can underwrite a deal. I'm not the best underwriter, and I'm not the best underwriter that I know. And so when we were evaluating this deal, you know, I just I said to myself, you know, I can underwrite this deal, and probably do a decent job at it. But in order for this deal to really be a success, I need someone that understands institutional equity in a way that I don't.

Like, I know Institutional Equity somewhat. It's not my expertise. It's not my forte, and I have a partner whose name is Gil, who works for private equity. And you know, what he does? His job is to underwrite deals, and do, you know, massive private equity deals. So I gave him a call and I said, "Hey, I've got this deal. Are you interested in joining the team as the you know, the

underwriter and financial manager. And what I need is for you to underwrite this deal to appeal to private equity. You know, what they're going to be looking for, you know what this deal has to show, you know what the return metrics have to be, what the cash flow is gonna have to be, what the IRR is going to have to be, what the structure is going to have to be, like, do that."

And he did, and, you know, and it's one of the reasons why, you know, the deal is going to be successful, because I was able to kind of take myself out of it and say, like, yeah, I could do it, but I'm not the best person for the job, in this instance, better to bring in somebody that, you know, is truly like a better expert in that arena, you know, and that is going to make the deal better, you know, and in my mind, at the end of the day, the success of the deal is more important than any one person's involvement in it, including myself, I'm out there to make deals successful for everybody involved, you know, for myself, for the investors for all of the other partners, if that means that I have to take a step back, at some point, like, that's what I'm gonna have to do. And I hope that, you know, any of my partners would do that as well. And you know, I try to make sure I partner with people that share that same philosophy and value.

**WS:** Of course, no, that's incredible. It's great that you had the network and the relationships that you had built to find so even somebody that was better at underwriting this specific deal than you felt like you were no doubt I tell her by now I'm, I'm the manager of all the people on the team now. I'm in my job now is to find people that are better at all these things than I ever could have been. And that's how we've scaled and grown to say the least.

So to speak to though, leaving the j-o-b, stepping out there to do this big scary thing, right that most people are not willing to do. It sounds like your wife was on board with it or encouraged it, which is a blessing because that's not always the case. You know, as we talk to different people on the show, no doubt, that we take this big step, but you know, it's not always, there's not always a ton of support right at home to make that happen. But to speak to that big decision, say, "You know what, we are going to do this, we can do this." You spoke to it a little bit, you know, you'd learned all these skills, and sounds like you had encouragement from your wife. But any pushback?

**AB:** No pushback whatsoever from her, the pushback was really more from me. My wife is very entrepreneurial. You know, she's awesome. And, you know, without a doubt, I wouldn't be sitting here talking to you today, if it wasn't for her encouragement.

**WS:** Neither would I.

**AB:** She comes from a much more entrepreneurial background than I do. You know, her father founded and ran his own company for many years, and, you know, her mother's very entrepreneurial as well. And, you know, her father made decent money. And so they, you know, bought some rental properties with that. So she was just exposed to that growing up -- value of, you know, starting your own company, purchasing real estate, having assets, she understood that in a way that that I didn't, because I'm from a very blue collar, midwest background.

You know, even though I'm from, you know, Silicon Valley, both my parents are from the Midwest, my mother's from Iowa, and my father's from Ohio, you know, they were both, you know, the ones in their families that went out to California, the rest of the family, you know, stayed very much in that, you know, Midwest, well, they're actually all in Texas, Now, believe it or not. But you know, my grandfather was a railroad engineer, my grandfather was, you know, an executive for, you know, steel company and did pretty well. I think families both came from farming backgrounds, you know, prior to that, and kind of I was raised with the attitude of, you know, well, you go to school, you know, you go to college, you know, college is the way to move up in life, you get a job, you know, find a good job with the company, you work really hard, your boss will notice that you're working really hard and give you a promotion, and you kind of do that, get a pension, like all that kind of knowledge that most people in the middle class grow up with.

**WS:** The safe way, right, quote, safe way.

**AB:** The safe way, right. And we had some, you know, we lost our house in 2008. You know, so I saw the downside of real estate investing, before I ever saw the upside of it. So I was, I

always knew that I wanted to own my own home and do something but I didn't really start leaning into that entrepreneurial itch in my mind, until, you know, I met my wife, and she was like, "Hey, you need to like, read this book, you know, why don't you read, you know, Rich Dad, Poor Dad. Once you read, you know, Secrets of the Millionaire Mind." I think, even before we got married, when we just like, met each other, she got me Investing for Dummies, you know, and was like, just read this, like, start thinking about it. You know, what I did, she just kind of, you know, pushed me that whole way.

You know, I still went to college, and I've never used my degree. She was very encouraging throughout the whole thing, you know, she's the one that kind of pushed me, I think she would have liked it if I would have left my job and started our own company a lot sooner. But, you know, took me a little while to get there in my own head. Yeah, but she was she was completely supportive of it. But you know, we're able to do that, because, you know, we're very frugal, you know, we live very cheaply, and plow all of our money back into investing and into our projects, we drive, beat up old cars, you know, we have attack, you know, I live here in Austin, I have a seven bedroom house that I bought, we rent five of the rooms out, you know, and that more than covers our mortgage payment, you know, so we don't have a housing payment. And, you know, we don't have car payments, because we drive, you know, cars from 1995.

And so it's those kinds of lifestyle choices that allow us to have a very, very low basis of living, which then allows us to make riskier moves because we don't have \$10,000 a month of you know, payments and you know, mortgage payments and car payments and all this stuff that we have to make, you know, we're like, as long as we can, you know, make enough money like to buy food every month, you know, we're pretty good. And so that's allowed us to be a little bit riskier, even though we have a family and have to think about that.

So, but yeah, definitely couldn't have done it without encouragement from her and in her support, and I get freaked out a lot more than she does. You know, she she pulls me back from the edge sometimes, you know, I get out and I'm, you know, really leveraged in a bunch of stuff and I'm like, stop for a minute to think about it. I'm like, oh, geez, like, we're like really out there

right now. She's like, "No, it's gonna be fine. Like, don't worry, like, I know how you work, you have a plan." Like, we wouldn't even be leveraged like this. If you didn't have a solid plan if you hadn't done your research, like, we're gonna be fine. And we have been.

**WS:** Yeah, no, that's a real blessing. And it's not always that way, that's for sure. Yeah, it's incredible that you've had that support and really push right to go do it sounds like you all are good team as well, at home, it's incredible, even house hacking and some of those tips around, hey, let's watch our expenses. You know, especially as we're moving into this, this new arena or you know, starting a new business and you all are well on your way now and just doing numerous projects. It's incredible to see and hear about your growth.

And so, Andrew, grateful for your time today. So, to the listeners now, we're going to numerous segments with Andrew, we're going to jump into the ground up development and versus value add and numerous aspects of development that he has become an expert in. So thank you again for being with us today. I hope that you are are going to be with us again tomorrow. Thank you for listening, and we will talk to you again tomorrow.

**AB:** Definitely, thank you so much.

[END OF INTERVIEW]

[OUTRO]

**WS:** Thank you for being with us again today. I hope that you have learned a lot from the show. Don't forget to like and subscribe. I hope you're telling your friends about The Real Estate Syndication Show and how they can also build wealth in real estate. You can also go to [LifeBridgeCapital.com](https://LifeBridgeCapital.com) and start investing today.

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