

EPISODE 1549**[INTRODUCTION]**

Ivan Barratt (IB): So you're starting to get into smaller family offices and some pretty successful families, you're seeing more allocation to real estate there. So, how that translates into strategy is finding good deals that those investors are going to get to like to see inside our funds. We don't do single assets very often anymore, we typically raised in a fund format which some of those larger investors really want.

Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell, I'm grateful you have decided to listen again today. Our guest, Ivan Barratt is back. And we are going to talk about capital raising during a recession. He's got so much experience in this space. You heard him yesterday talking about getting started and in his bedroom, his management company to now have purchased over 6,000 units. He's raised over \$250 million. He's so experienced in raising money, and you're going to hear some techniques of what he was doing when he got started, versus you know what he's doing now. What he's spending on marketing, which blows my mind a little bit, but you're gonna learn a lot from Ivan.

Also, I want to remind you to like and subscribe to the show. If you leave us a written rating and review on iTunes, and you'll send us a screenshot of that to info@lifebridgecapital.com, we'll send you a recommended book of mine as a gift.

[INTERVIEW]

WS: Ivan, welcome back to the show, and welcome the listeners as well. And, I hope that you listen to yesterday's show with Ivan where he went from a property management company in his bedroom to over 6,000 units acquired is AN incredible story. I know you're gonna learn a lot from Ivan. I'm looking forward to jumping back in today.

So, capital raising during a recession. You've raised a lot of capital and just very experienced in that regard, to say the least. So, I know many of the listeners are trying to raise capital, and many are passive investors as well. So, I just think you know, both sides of that coin, they're gonna learn a lot from you today.

But, what about some strategies? Let's jump into strategies you've used to raise capital, specifically during a recession or just your thoughts around during a recession and trying to raise money?

IB: Yeah, first, I'll say that this year with the market volatility, certainly the air coming out of a lot of speculative assets, crypto stock market, the housing market is certainly correcting, especially in some of the red hot post-Covid markets where prices swung way off the mean. So you're you're seeing this, I would say like tale of two investors right now, my larger, more sophisticated investors, some might classify them as the ultra-high-net-worth, where in most circles, that's north of \$30 million in net worth.

So you're starting to get into, you know, smaller family offices and some pretty successful families, you're seeing more allocation to real estate there. So how that translates into strategy is finding good deals that those investors are going to get to like to see inside our funds. We don't do single assets very often anymore, we typically raised in a fund format, which some of those larger investors really want. Some will do both, but some really liked the diversification in the spreading out of risk in a fund.

And then on the other side of the spectrum, you've got your smaller LPS that are maybe putting 50k 100k bets down on 4, 5, 6 sponsors. They've seen their stock market portfolio crushed 20, 30% in some cases. Maybe they invested in crypto, maybe they didn't. But they're a lot more sensitive to the volatility in the market. And even though they all say what Warren Buffett says right? Be greedy when people are fearful. When it comes to putting that into practice, they may just not have the liquidity to put any more money to work, or they may just be too fearful of where we are in the market cycle and what might happen.

So I'm kind of rambling on here about this. But one strategy that really helped me in particular, I'm sure there's other ways to do this. But we've really doubled down on education, from an investment standpoint to our investors trying to not only shoot them when we get a good deal, and hey, just checking in, we've got you know, an opportunity to allocate to but also sending out some brief memos or some brief videos on how we're looking at the market, why we think this is now a better opportunity to buy maybe not to sell as many assets but a better opportunity to buy there's there's more deals to be had. But not just saying that really getting into the root of why that may be occurring, where we look for our assets. Why rental housing, in many markets across the country is still very strong due to supply and demand and other ways of educating them on how we deal in the short term in the long term. We're finding those investors are quite curious and asking lots of questions.

And so, it really starts there with the education. I think it is going to be harder for newer syndicators that don't have a track record. My track record comes up quite a bit in new investor calls, and we've even gone so far as to start auditing our exits. We started doing that about a year ago going back and forth. auditing the exit. So we can say to our new potential investors that this track record I'm showing you is in fact, real, it was audited by an independent third party accounting firm. Yeah, those two things have been pretty good. And yeah, really just trying to reinforce with the investor, that it is a buyers market right now. And we don't think it's going to be 2008. There's not a subprime wave of foreclosures coming. There's not much likelihood of a big capital markets freeze, but there are there are opportunities to transact assets, where we can add the value with a high degree of confidence that we need to have a high degree of confidence in delivering the returns, that we say we're going to deliver.

Because if that starts suffering, it becomes harder to raise capital for the new investor, you know, something I learned a long time ago in any market, Whitney is you got to stuff that funnel, you've got to stuff your pipeline, right? You've got to fill it with potential investors, because some are not going to invest with you. Some might sit in there for six months or six years, I had a guy that just wrote a check for 2 million bucks. He's been on my slow drip list for eight years.

WS: Wow.

IB: Out of nowhere, check for \$2 million bucks. Right? And I just pleasantly, you know, how did the guy for the last eight years and I say how did I kind of I'm kind of joking, but you know, kept in front of them, hey, this is what we're doing. No big deal, drillship great. If it fits into your portfolio, awesome. It's a little bit of that soft approach, you still got to sell.

But it's, it's kind of like dating, if you're a little bit too desperate. You know, that's, that's not going to be as attracted to the person that you would like to date, right. But if you stuff that pipeline full enough, and you do these little things, like we talked about in yesterday's show about those those right actions, no matter how small they are, every day, those can add up and compound over time. But I often find operators that are counting too many eggs before they've hatched too many chickens before the eggs have hatched.

And you know, at the last minute, an investor gets cold feet, and says, you know, I can't invest right now. And they're coming up short, versus stuff in that pipeline over raising it having to

give some money back, which creates that urgency for investors the next time,. It reminds me of that 60-unit project I told you about yesterday's show where I had to raise \$600,000 on that one that was before the big million dollar is.

But I'll never forget, there was one gentleman that I've been talking to for a year and a half, I thought he was going to invest, right. And he kind of went radio silent there towards the end of the commitment time. And I just backed off and had enough people in the pipeline to keep doing this in my sales funnel, right? And ended up raising the money elsewhere. So he calls me a couple of weeks after it closed and says, Hey, sorry, I was I was busy, I'm ready to invest. And I said, "Gosh, I'm all invested now. We close that asset." And he was like, "Oh, my gosh, I can't believe you closed it like please, you know, next deal. Make sure and tell me ahead of time."

And that gentleman has invested in nearly every project I've done since. So, that's maybe 20-22 assets, he's allocated to whether a single asset or around inside our fund. And I think now he's invested close to maybe \$15 million with me.

WS: Wow, that's incredible. It was a big turning point for us as well, when we could start filling up deals or say within the first few hours or the first 24 hours. And then all of a sudden everybody else gets an email that says you're on the waitlist, you know, like that changed things for us to where then the deals after that just started filling up that much faster.

IB: Yeah. And the more you do well in this business, and the more you show returns, and communicate and respond quickly and show transparency, the more that momentum builds. I'd say it's slowed down a little bit this year. But we're getting bigger checks from a fewer amount of people. So it's sort of even down.

WS: What's been the best ways to fill that pipeline, like you're talking about or ways you would recommend now, you know, operators to increase that funnel?

IB: Well, before I get into that, I do want to tell the operators in the office, you know, there is other ways to raise capital. You can go out and get joint venture capital from you know, one source to write the check. But as you and I know, in that scenario, you're typically going to give up more economics, you're going to give up some control. And a lot of those groups out there want to operate guys like you and me like a puppet.

And if you don't like the idea of that and you're willing to put in the work and the time and grow a business of raising capital, there's absolutely a better bigger reward down the line. It's some of the stuff we're going to talk about right now. It's pretty simple. But it ain't easy.

WS: Right.

IB: It ain't easy. You wanted to go what we do now, or what I did early on?

WS: Maybe you could briefly hit what you did early on. However, you know, a lot more now, you're much more experienced than you were early on, right? So maybe you can briefly say what you did then, but how you would even advise someone now to hammer?

IB: So for me, I'm just gonna do my journey here. Everybody's journey is different. I'm gonna do my journey here, I was a door to door salesman. And I say that tongue in cheek. But I first started my own market, my own network, my own neighborhoods. And I took I made my first CRM was Evernote, and I just every time somebody popped into my mind, I would list them on a list. And most of those people never invested. But a lot of them led me to somebody who did. I just started taking out every successful person in any business medicine that I could get to listen measure said, hey, I want to show you what I'm doing. I'd love some feedback. And I would do a breakfast, two lunches a day, meet somebody for drinks or dinner at night, and I was just constantly, constantly meeting with people.

Now, of course, now, you know, that was before zoom. So you could do a lot of this on Zoom, I'm not quite sure that that would work, as well as actually going out making the rounds, shaking the hands, kissing the babies, and really maximizing the value in your own local network. And if you're in a small town, and you want to go big in this business, you might be in the wrong town. But that was the real start of the momentum.

So today, gosh, go 1000 investors or so I'd say now, only maybe 30, 40% are in the Indianapolis market. And the rest are across 45 states and a few countries. But in the beginning, it was way more concentrated here that I had this little growing concentration of California investors, like we talked about yesterday that I started growing through management. I've raised a ton of capital on Bigger Pockets. A ton.

WS: Doing what?

IB: Well, I'm just gonna tell you, I'm just going to tell you if you keep it to yourself, I'll tell you.

WS: Okay, go ahead. Just let me record.

IB: It's not rocket science here, folks adding value.

WS: Yeah.

IB: You know, now I've got a team that does it. But we get on there. And sure we've advertised on Bigger Pockets podcast now. But for years, all we've done is just added value to the ecosystem. People have questions, we answered, we give them my ideas, or we or we try to help when we can. And we doing that early on, you know, I got some people that now that are on there that refer me all kinds of business from Bigger Pockets. And it doesn't solve the entire pie where investors come from, but it adds millions of dollars to what we raise on a yearly basis.

And then, gosh, treating everybody the same has been a big one. My favorite story is I've got a realtor that's invested maybe a hundred grand with me over a couple of deals, he referred me to a friend to his, it's now invested \$8 million bucks with me, you just never know where those referrals are going to come from. And my dad built a business that way, taking care of clients. Clients tend to refer you to their friends, and that can grow. And that is, you know, still one of our greatest sources of capital.

Number one is repeat investment. Again, go back to doing what you say you're going to do. Having the discipline to do deals, you only have a high degree of confidence in especially you capital raisers out there, you're teaming up with a group of syndicators. You better know who that lead sponsor is, and they better have a great track record, know what they're doing. Because you're putting your name on the line when you're bringing a million dollars from your friends and family to the deal. And that deal goes south, it's going to be your reputation that follows. I was gonna say something else there and I lost my train of thought. Let's see, repeat investment. Yeah, referrals still second greatest source of new capital. They're the best leads you can possibly get. Or somebody says, "Hey, I invest with them, you should check them out."

WS: What's the majority of your marketing dollars spent on right now towards you know, finding new investors?

IB: Oh, crap. Now, I don't want that to be a blockage to any young entrepreneurs out there. But now, I mean, we're spending across content generation and advertising and testing different advertising channels, you're probably spending a million bucks a year.

WS: Yeah.

IB: You know, but a lot of that's still testing what's working and what's not. And we've only started doing it in the last year and a half or so. Before that, it was much more organically concentrated.

WS: Yeah. And if you could pick one or two avenues that you're spending that on now, where would you focus? Or let's say if you had to scale that down to like, you know, \$100,000 or \$50,000, like where would you put that?

IB: Who am I talking to right now? Am I talking to somebody? That's my talking to you? Or am I talking to talking to?

WS: You're talking to me right now.

IB: Well, listen, it's wild. I spent 25 grand on a LinkedIn campaign, they got me zero, got a one investor, okay? We thought it was a total flop. And at the last minute, we had one investor come through, and he's put \$2 million bucks with me. I've had other success with Google keywords, but then that all changed again, like a month ago.

So, I think the best thing I could say is, what we do is we have several different channels going but then we have somebody tracking the dollars spent and the dollars coming in. So when that lead comes into our CRM, we're doing our best to keep track of those leads, and what ad spend channel they're coming from. And we're constantly rerunning a cost of capital on that channel. And so, channels that seem to be doing well will increase the spend and the ones that aren't we decrease the spend.

WS: What CRM Are you all using now?

IB: I use Copper, which is CRM.

WS: Okay.

IB: Yeah, it's like a Salesforce. If I had to guess I'd say we probably honest Salesforce the next couple of years, but Copper is a great one to you know, it's a per user deals, if you only got a couple people operating out of it, it's pretty inexpensive. And you can customize it to what you're looking to do. It's like any other tool Whitney, it's really about the operator and how well you're using it. Bad data in you're gonna get bad results coming out.

WS: Yeah, we're using Salesforce now or we've just migrated. And so it's been a massive mountain to say.

IB: How's that migration?

WS: Oh, my goodness, it's like Mount Everest. I believe it's a bit similar. However, I take no credit for it. My team's done all of it, which has been just amazing. But we're getting there little by little. So I think it's gonna be good long term. But man, it's a lot to bite off to say the least. Unfortunately. I mean, we could talk about this so long. But we don't have a ton of time left in this segment. But I do want to ask you, as you think about raising capital, almost want to go to the passive investor side of this, though. How do you see a past investor right now preparing for a downturn? What should they be looking for in these deals that they're looking to invest in to ensure that these deals, these investments are prepared for a downturn? Or you know what you even expect over the next six to 12 months that, hey, I need to ensure that my operator knows this or is prepared for these things?

IB: Man, that's a whole another topic. It's a great one. In a few short words, I would say the cycle we're entering the education as an individual investor is incredibly important. You know, we're coming out of a period where just about everything work. And a lot of people, a lot of mediocrity got bailed out with low interest rates and cheap money. That's going away. Right? So we're seeing now this flight to quality and investments where you really got to understand the investments you're getting into. The downside as much as the upside. So I invest passively in a few other asset classes with people I know, and I'm not going to get into acid climate share, because I don't want to steer anybody. I think people should get educated. But when I look at deals, I look at the team and the track record. I bet on management teams and sponsors before I look at the deal. That's been a big transition for a lot of my investors because they get to look at what the deals are, but they get a lot less insight in a fund than they did looking at single asset deals. And I have to educate my investors. Look, you're not betting on the deal. I a good sponsor can take a mediocre deal and eke out a pretty good return. A mediocre sponsor can take a great deal and screw it up pretty quick. So I think you're gonna see some people leave our business, Whitney. I think there's some people that don't really have any business being in it. And they went to where they thought the easy money was, and they're realizing right now that this is not easy. I think that pretty much captures what I want to get out there. You know, get educated, know your sponsor, look at a lot of different deals. That'll help with that osmosis portion.

WS: What I hear is like the fundamentals don't change even if we're going into a recession. It's still looking at the operator the deal. I mean, the operator, their track record, man can do it. Can they handle the deal anyway, much less in a recession?

IB: Absolutely. Yeah. And operations is where we're getting probably about a third of our value-add is from the operation side. It's not just improving units and increasing rents. It's also keeping costs down and finding ways to cut costs. That's what we that's one of our favorite things to do is find deals that are spending too much money on operations. We'd love taking those off. Operations is going to be critical moving forward.

WS: Yeah, no doubt about it.

IB: Good news is for you and me is that housing can't be disruptive. You know, there's not going to be some new technology that comes out and we don't have houses anymore. There's always going to be a portion of the population that that needs to rent. And there's a lot of signs that show that will likely grow in the coming years. And that just comes down to finding markets that are emerging. It's the old emerging markets play. Go where the puck is headed, right. And that's the other part of adding that value is finding those markets where we've got job growth, population growth, good schools, people want to live there. Right? And so pairing that with the forced appreciation, I like to call or the value-add, that's how I can get my returns to the upper end of my target.

WS: Ivan, man so much we could talk about. I wish we could just spend like the next five hours going into, --

IB: Well, you know, the operators out there that are learning, you got to talk to your investors,. Now's a better time to buy than it has been the last few years.

WS: Yeah.

IB: There's better deals out there right now. You know, and don't try and time the market thinking there's going to be even better, better deals a year from now, a bunch of people did that during COVID. And what in prices do my friend Yeah, they will end up.

WS: Yeah.

IB: You remember be on that call together. We were on a call. It was a bunch of us. And people were talking about negative rent growth into the model and sitting on the sidelines. And it was it was gonna be Armageddon, right?

WS: Yeah.

IB: And what happened a bunch more people looked for garden apartments in the suburbs, and rents went up and demand went up.

WS: I had somebody approached me at a conference a few weeks back, and he just said, "Hey, I got out like four or five years ago." He was preaching that it's just the end, right? Yeah, you shouldn't buy anything, shouldn't buy anything, shouldn't buy anything. And I mean, he was --

IB: The big one's coming.

WS: Yeah. The big things -- you just can't find anything right now. And he was so open about it. And now he was very transparent about it, even though he just said I was wrong. I wish I'd stayed on, you know, wish I'd kept going.

IB: I'm in the school of thought that 2008 was in 80 to 100 year event, those sorts of real estate crashes don't come along all the time. And if people are operating right now, like, it's going to be 2008, they're going to miss out on opportunities because while we are going to hit a recession, this one's going to be different than the 2008 and different than 2001 and different than the double dip in the 90s. They're all a little bit different now. They all happen for different reasons.

WS: Can we get your thoughts on that in the next segment?

IB: Sure.

WS: All right, let's do that. Ivan. Thank you so much, man. Tell the listeners how they can get in touch with you.

IB: I'm easy to find on Google. My name is there. Oops, down here. Ivan Barratt, Google BAM companies. I think we're theBAMcompanies.com Pretty easy to find out there on all the socials. 317-762-2625, 317-762-2625.

[END OF INTERVIEW]

[OUTRO]

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