EPISODE 1603

[INTRODUCTION]

Whitney Sewel: This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today we've packed a number of shows together to give you some highlights. I know you're gonna enjoy this show. Thank you for being with us today!

[INTERVIEW 1]

Whitney Sewell (WS): Our guest is Pam Scamardo. Thanks for being on the show Pam.

Pam Scamardo (PS): Thanks so much for having me Whitney, I'm so excited to be here.

WS: Entrepreneur Pam Scamardo is the founder of the Create Wealth Network, the number one free educational resource for commercial real estate investing. Officially retired, Pam discovered the ability to become job optional through passive income after realizing she did not need to be a millionaire to begin investing in commercial real estate. An aeronautical and mechanical engineer by trade, having been employed by Lockhead Martin, Boeing and UTC Aerospace. Pam made a career pivot almost 10 years ago and founders are first multifamily acquisition and investing company, TPK properties.

Pam, welcome to the show. Looking forward to hearing just the – how you made that transition, that's such a big deal to transition from a career like that, you know into an operator or a passive investor and sounds like you've done both.

Looking forward to hearing a little about that and just how you talk about becoming job optional, it's so interesting. But get us started about who Pam is and let's talk about that transition a little bit.

PS: Sure, yes, it's definitely not a conventional path I believe. As an aerospace engineer by trade, I work for those big-name companies and I really enjoy the technical work that I was doing but I started realizing as I was getting promoted, moving on up.

The work was coming in but I was having less time to myself. I realized that I was trading a lot of my time and effort for the money and I was beginning to think gosh, maybe there has to be a different way to kind of diversify my income streams and that's what really began my journey into what would eventually allow me to arrive at my job optional status was I started researching different ways of investing and the first book I read was Commercial Real Estate Investing for Dummies by Peter Conti and Peter Harris. One of my favorite books, I had Peter Harris who became my mentor and he taught me and helped me to acquire my first deal and so after I secured that first deal, I thought wow, let's do this again, it was so fun.

And then the misconception, at least I know I had going into it was I thought I had to be like a millionaire or a billionaire and the truth was that I didn't need to do that. That's kind of the

beauty of syndicating deals and so I was able to quit my job, my full-time engineering job in two years after acquiring three properties, syndicating them between my friends and family and that's kind of the beginning of how it all started.

Now I'm just happy that the passive income comes in like clockwork, the rental income and I'm just here to now spread the word on that, that it's possible, especially more than ever of just a rough year it's been. I really want to help, especially women as well to understand that you can get into this while you're working full-time. It's not easy but where there's a will, there is a way.

WS: That's awesome and I'd love to talk about that as well because I know there is women listeners as well as men also that can benefit just from your ability to make that happen while also being a wife and mom and I mean, business owner, working. I mean, that's difficult stuff, right? I mean, difficult to manage all those things, right? Spending all those plates, a syndicator already has to spend many plates but when your mother, you have many things happening and I know how busy my wife is and we could not make it without her and as hard as she works, it would be no way and I can't imagine she was trying to be a syndicator at the same time.

But you mentioned trading time and effort for money and time is our most valuable asset, right? You can't get it back. You know, once it's gone. It's interesting to think about that, you know? As a listener, you know, are you thinking about where your time is committed and if you're in that J-O-B, it has to – you have to spend it there, you don 't really have that choice and it sounds like Pam, you know, you realized that and you created an option so you didn't have to have that J-O-B.

Let's talk about those two years you talked about a little bit, syndicating three deals, congratulations by the way on making that happen and in two years also. But can you just speak to the listener who is pursuing that, maybe in the middle of that right now also. Maybe not to their first deal yet but maybe they are a mother or a father but you know, you have a J-O-B and you're trying to make this business happen.

Just some of the difficulties that you can speak to and encourage them.

PS: Sure, yes. It's definitely is not easy. I recall, I would wake up probably a couple of hours before I had to head into work to work on my real estate investing business and then, during my lunch breaks or during the daytime breaks at work, I would be focused on that as well and then when I came home in the evening, it was the same thing and so that's kind of the one thing that I realized early on was as hard as it is, you have to just puzzle as much as you can in the beginning because Whitney, as you can probably attest to, a lot of the upfront work will become beneficial later on, it's setting yourself up, it's a system, right?

Once you find a way that works for you and you set it up properly, then things will start to flow in. For me, the hardest part was definitely a lot of hours beyond my regular 40-hour work week and to be frank, it was actually turning into a 60-hour workweek ready at my JOB and so I needed to find different ways to work around it and thankfully, at that time, my husband and I, he was my fiancé and he fully supported me and I think that's something that a lot of people don't often talk about but it's the support network, that gives you the extra umph.

Whether it's your religion, your family, your friends, that gives you the extra effort and energy to keep you going along that path and I remember I was very upfront with him and I said, I don't know if you're going to be in my life permanently yet because I did not know if we were getting married or not and I said, you're either in with me or you're not and that's okay but this is my path and right now, I need the support and he took the back seat and helped supported me throughout it all and he wasn't demanding on my time in a sense so if I had free time, I was so passionate about it because I think when you have that first taste of getting close to buying your first property or you're in the mist of exploring and learning.

You get so excited you just want to pour all that energy into it and that's kind of what I'm doing now is I've decided to give back, I created the create wealth network at www.letsgocreatewealth.com to provide free educational resources because there's so many paths one can take, right, Whitney?

For me, it's multifamily real estate but we have others who might do storage unit rentals or single-family homes or whatever have you in the commercial real estate umbrella and to do syndications. But for me, that's what spoke to my heart and I think I was very overwhelmed starting off and so, now that I'm gathering my thoughts here. I feel that you know, having that support network really helps out, I found a mentor as well, he was very instrumental and getting my mindset straight on focusing my network and growing it with intention and being mindful of who I am, who I'm talking to and how I can collaborate and that really helped out a lot.

I think the hardest thing though, when you are wanting to syndicate is getting that first deal down. When you get that first deal down, that's when the fun begins and I say fun, but it can get exciting, it can get stressful as well but truly, when you can close that first deal with working with other people and learning how to utilize raising capital, those skill sets that are lifelong and also making friendships that are lifelong as well throughout the process and bringing in a team of advisors to your wealth team.

Like you said, you're spending a lot of different areas as a syndicator when you learned how to do that. Gosh, it's just so rewarding to see that you're making everyone happy in the process including your tenants, your investors, your team mates, yeah.

WS: That is awesome.

PS: It's tough but it is doable and that's what I'm here for is to help motivate everyone that even if you're working right now in your essential job, in the job that you need to have to pay those bills, you can still try to grow your passive income stream on the side just takes time, takes a lot of hard work but don't give up, you can do it.

WS: I think it's great that you bring up just your – the support network that gave you that extra umph and talking about your fiancé at the time or just family because it's something I talk about when I'm speaking at an event or own a podcast, being a guest, people ask about that and I'm like, I could not have done it without the support of my wife at the time and family, you

know, it's such a sacrifice for not only me while working full-time and making deals happen, working with investors, doing all these things, right?

We're spending all these plates, I could not have done it if my wife wasn't completely on board and supportive because she was doing everything in the home, everything. Well, I'm working so many hours so I can completely relate to that and I just appreciate you talking about just the transparency. Really, with your spouse, this is what I'm pursuing and painting that picture, right?

They need to know, they need to be able to see that, the hard time that's coming but also painting that picture of where we're going is important and also you found a mentor so important. What about just – any current misconceptions about multifamily investing that you see, you've been in the space for a while now and on the passive side and as an operator.

PS: Sure, that is actually a great question and I started writing a blog on that and I haven't published it yet on my website but one of the main things I do want to focus on are the current biggest misconception I see is that you have to have a lot of money, you have to be backed by a lot of money or you need to be really well off before you throw down and buy that property.

That's just not true. Because, the sooner you learn how to work with other people's money and how to properly syndicate a deal, that in itself is a skillset that you can take anywhere. Whether it's from a small deal to a large deal and so that's the common misconception I get and these days, a student outreaches is at the heart of everything for me and when I speak at colleges or real estate clubs, a lot of the students have that misconception of gosh, I have so many student loans, I'm just trying to graduate.

I want to do this but I don't have any money. Where can I go get money and the first thing I tell them is that, well, maybe you need more of the experience versus the money. The money will always come, when you have a really good deal, I am a firm believer in that and knock on wood here, I haven't been proven otherwise with all my deals that I bring to the table with my investors and talking with people land so that's kind of a misconception to me. You have to be like a millionaire, a bazillionaire just to be able to jump into this.

[INTERVIEW 2]

Sam Rust (SR): Dusten, excited to have you on. Thanks for joining us today.

Dusten Hendrickson (DH): Hey, thanks Sam for having me, I appreciate it. And I hope you have a fantastic day and I'm excited for this interview.

SR: Yeah, definitely. I wanted to touch briefly on Mailbox Money in why, you know, we talk about this often in the syndication space, this idea of passive income, but there's a lot of people, perhaps even listening to the show that are somewhat new to this idea of money that comes in the mail on a regular basis. How have you leveraged real estate to achieve financial freedom for yourself and some of your clients as well?

DH: Well, I've invested in a lot of buildings that pay me monthly rent, and I hardly have to do anything 'cause I've set it to be more passive. I got a really good team, a good property manager, and they know how I like to operate – I don't need to know about every little thing that goes on at the place. So it allows me to just do what I want during the day. Like I'm busy all day long, but my schedule is wide open, like I can pivot and move, if an opportunity comes up, I can go and attack it right away. If something becomes very important, we can just focus just on that 'cause almost everything we do now is proactive, it's not reactive.

SR: You make a lot more money both for yourself and your investors when you can move to pro-activity versus reactivity – having a plan executing on it and controlling for as many variables as possible is certainly a key to success.

I noticed Dustin on your website, I was looking at some of the areas of the country that you invest in, and you're very well-traveled. I think I wrote down you've got investments in San Antonio, in Phoenix, Atlanta, South Dakota. I mean, are you just trying to hit all four points of the compass, or how do you pick your markets that you're investing in?

DH: So my markets are landlord-friendly. So we don't really invest in liberal cities, plus the cash flow in these bigger cities is less, and you gotta be more in the institutional investor, and I'm just not at that level, and most of my clients aren't at that level either, they're just regular Joes that wanna have more time freedom. So the Southeast is an excellent market, and then Texas, anywhere in the Midwest. I was told by some statistical guru that the Midwest is a two-to-one risk ratio, so the coast are a much higher risk factor. What you can make way more money, but then you can lose more money quicker too. The farther end or the middle you go, the less your risk is, and I suppose it's a tutor up one risk factor in the very center of the country. So we've got that covered from South Dakota all the way down to, you know, Texas and then we got the high appreciation in Phoenix, in Atlanta, which is happening right now.

SR: Yeah, that's very interesting. I've been doing quite a bit of homework on some of those upper Midwest states that you're Kansas, Nebraska, I guess that's maybe center-Midwest, but then on up into the Dakotas, which is where you're based. In South Dakota, your governor has definitely achieved some level of notoriety, but beyond just the headlines, what are you seeing there in that local market that excites you about South Dakota?

DH: The demographics are really good and the metrics really good. So it's a high cash flow environment over a high appreciation environment, and then we don't really participate in recessions here, I guess they barely are blips on the radar, and you get high economic occupancy because everyone pays and they pay on time. There's a good work ethic. The further north you go, the usually the better the work ethic gets as well, but it's all…it's harder to raise rents, you know, that kind of stuff. You can't get quite the appreciation, but it's very risk-averse, so it's good to develop here 'cause you don't really get caught in any boom-bust cycles. And so if I do some development here and then I invest passively down south, we got another deal coming up in Atlanta as well…or not Atlanta. Orlando, I mean. Sorry, Orlando.

SR: Okay, so you're investing maybe, would it be fair to say more for appreciation in the southeast markets and for yield in your home state?

DH: Correct, but they're still great yield right now, currently, if you get on a good operating team down south. Though we get, right now, we're getting both, but the appreciation has been bananas.

SM: Yeah, I get this question a fair amount. I'd be curious for your thoughts Dusten, and we have a lot of different investors that invest with Life Bridge Capital as you do, and different people have different goals with their investments, and some people are fairly new to investing in real estate, and so they're looking at all these different markets that you're in, and different deal profiles, and they're wondering "What's the right deal for me?" How do you explain the difference? And what some rules of thumb for investing in different markets that you're exposed to?

DH: Some rules of thumb… Well, I think niche location is actually more important than overall location for as far as cash flow 'cause have high occupancy always. But location to me is pretty much everything, and then operator is after that. They're both super, super important. If you get a great operator and a great location, you'll make tons of money, just as easy as that. If you get a bad location and a great operator, you still make good money. Even if you get a great location and a bad operator, you'll probably still make money, but if you get, you know, a poor location, poor operator, it's not gonna be good investment at all. It's just the operator and the location, if you have those two things, you almost like… What else is there? I mean, you gotta buy right and all that stuff, but those two things are to me, by far the most important, 'cause a good operator will figure out how to finance it and do everything right.

SR: You've partnered with a collage of different operators, so you have some experience and kind of vetting and doing your due diligence on your investor's behalf. What are some of the tip-offs that you look for for a good operator?

DH: You can trust your gut and find a good operator. I think the only way you really find a great operator is to actually put your money down and go through the whole process. And you need to go with multiple operators 'cause even your gut telsl you a really good operator, but they just may be lacking this or that they haven't found the right partner to fill that gap. But some, all of a sudden you'll find the right team that's getting off-market deals like Zac happens, the Rise48 equity team. You'll find a team like that and the returns are just completely outsized and then the deals just come in and you get on their list, and then once you're on their list, then you can't get in after a while 'cause it's too full, but you get on their list initially and… Well, that otherwise, I don't know how you actually just go ahead find the best operator right off the bat. I don't know if that's possible, that's why I like to just bring in my own money on the new guys for, find an operator that I like. I just put 50 down on one of these deals and see what happens.

SR: Well, I think that happens all Rise48, they're a perfect example. A lot of LPs that I talk to, they're like, "Well, I will only invest with somebody who's been through a full cycle." You're unnecessarily capping your market, I'm not saying that every new syndicator that comes up or it started in the last three or four years is gonna be the best thing since sliced bread. But

ultimately, doing your due diligence, placing a little bit of capital and exploring what's out there could lead to outsized returns, especially if you pair a really good operator with a really good market like Phoenix, like a DFW, some of the other markets that are really hot right now.

DH: I'd say you're way too risk-averse if you can't put 50 grand down to test an operator in a new market that you like initially off the bat. You like them, they're gonna be fine unless they scam your son, which… I don't know, it's pretty hard with all the stuff you gotta do and the way that you get approved for these loans and stuff, these guys are vetted pretty well. I mean, some people are scams, but it's not… from what I run into, I haven't run into any of that stuff yet, so yeah.

SR: It's definitely not as prevalent as some people would have you believe. There's a lot of good actors in this space, but there's also a lot of mediocrity. I think that's your biggest enemy is not the scam artist, but it's the guy who's just operating in a mediocre fashion.

I know Dusten, as part of a GP team is taking down some of these deals. You bring kind of a design eye with some of your construction background, and something that you talk about on your website and in your LinkedIn content is wellness design. What is wellness design? And could you expand on what that means specifically for apartment investors?

DH: Wellness design is very simple. It's a living quarters, dwelling, whatever gonna call it, a unit that makes you feel better when you live there. So it increases your wellness and that's the purpose of it, like we design these things, and it brings you to nature, like the dwelling is supposed to bring you closer to nature than another dwelling that's comparative to it. So the ultimate wellness design is usually in middle of a forest and it's like complete windows all around and everything's perfect, and you feel like you're outside. So that's the goal is to just bring you closer outside, bring you more outside, have this space more lit up, you know, more bright, have good lighting, the flow is good as well, it's a very efficient space, and then usually you need a lighter palette with some raw woods, just real natural stuff, the colors that you see in nature, some plants, different things of that variety. But it mainly has to do with the windows and how you frame your surroundings.

SR: And so, when you're coming into an apartment complex, and much like Life Bridge Capital, you guys are focused on value adds. We're typically talking 70s, 80s product perhaps, a lot of garden-style apartments. I'm not guessing Wellness design was huge in the 70s, at least based on the complex as I've seen. What are some things that you can do to incorporate some of those elements and make the compound a more attractive place to live and track new tenants? You know, all those things.

DH: You can hover landscape, you can paint lighter pallets on the interior, you can expose the windows better, you can remove overgrown landscaping at the same time, like sometimes when you shouldn't remove the stuff that's too close to the unit and it gives you a sense of space and it brings you a little bit more outside. It's pretty hard though to really incorporate wellness design into a really crappy design, but there are some things you can do, but it's a lot harder, it's better to start a song that has good bones. So you can also, when you're shopping apartments, pick ones that have better bones, pick ones that have better floor plans like would

be going and don't wanna live in those floor plans. There's a reason, it's just they weren't assigned very well, so the better design floor plan too, which is kind of wellness designed, the better you'll have long-term tenants and you'll…the longer you'll keep your tenants. And it plays into the community aspect as well, like do you wanna have the coolest property manager, like you can't have anyone negative either on your staff, if the maintenance man's negatives up, drives people away, so you gotta train those guys as well, in my opinion. But that whole thing is kind of all community-based friendly kind. All that stuff, so that people are, you know, good energy, so people are encouraged, they wanna be at that place, like they wanna bring their friends to that complex.

SR: That's interesting. We have two complexes that are pretty near by one another there maybe half a mile, very similar vintages, but one of them was designed. It was a two-story apartment, the other one was a three-story, but the two-story has vaulted ceilings and natural wood paneling in the second-floor units makes a huge difference what you can achieve on a per square foot to your turnover, all those different things just attracts a totally different style of tenant, when somebody who's typically willing to pay more, it has been somewhat eye-opening for us, the difference that a well-laid out unit will make. It's not just all about square footage.

SR: So I'm curious, of talking to a lot of operators that either were completely sidelined in 2020 or some that were more aggressive and got comfortable, we opted to take advantage of that historic spread between interest rates and cap rates because cap rates froze with fear in the marketplace. How did you solve that problem? Obviously, you were investing in 2020, you were placing funds and closing deals, what was that process like for you?

DH: So there was a point where for what, three months where there was no deal low. But during that time, I went and refinanced my entire portfolio, so I shamed a point off of all my existing loans and very minimal fees 'cause the banks like…there was so much capital to do on the sideline. Nobody was buying anything. You can still refinance. And so the banks were like, "Okay." And they just negotiated down and it almost cost me nothing, and I reset my entire portfolio at one point, I don't even know how much cash flow, extra casual, that was a massive, massive move that was very easy to do, just completely took advantage of the market.

And then, as soon as we were looking at the entire time because I've always been on the mindset that multifamily, if it's a deal, it's a deal like, you know, when it deals a deal, you can buy multifamily anywhere as long as you're gonna put these and data on it and you're fine with holding it, you can buy multifamily. But if you wanna sell in three or five years and you might not be able to buy a multifamily, but even five years, we've gotten through everything in a five-year cycle. And then we started getting deal at the end of the year, and it's just like, bang, bang, bang, and then everyone by then was getting deal flow again, and then we were back in the cycle, but and take one day off.

We also had a development that we stabilized. It actually worked out in our favor probably, because I don't think we would have gotten that thing. I don't know if we would have gotten that apartment done, like COVID happened, and then we got all these additional people to come help us work. So we finished off the complex and then everyone moved in, you know, it was past the pause and then everything moved in and stuff started opening back up a little bit

again. But yeah, that first three months I was like, nothing was really happening, but we just went to work and hammered out this development we're doing in downtown Brookings, so it was great, I wouldn't… I never say out at home, and a day I actually, I was kind of jealous 'cause we had such a tight deadline that I basically was working from 7 AM to midnight or some bullshit, but we got it wrapped up, that has been a great project as well. We got a pain the bottom of the commercial space now, so we have… that whole building is full now, so it's pretty cool.

SR: So it was a mixed-use development then in Brookings?

DH: Yeah, mixed-use. I had to deal with the Historical Society, and it was adaptive reuse. We set the building in through the old historical buildings, so we kept…

SR: Wow.

DH: The main floor is concrete when we had to go through the floor with these little holes, and then down on the basement these massive footings and then to drill all these pilings, they dropped these little skits down there, they were moving around. It was crazy. And then we built this platform that sat above it, and then we tied that into the historical storefront, so we kept four walls and the floor. Otherwise, everything else got ripped off, and then we said this "then there were 20 units above." So then you have units right downtown, so then you get top dollar…is that wellness design, is all that stuff.

SR: That sounds like a lot of vision is required to pull something like that off, dealing with historical structures is not an easy task.

DH: No, but I always see like, there's gotta be a way. I just don't think…if you wanna do it, you can find a way. So halfway through the project I'm like, "Man, I'm an idiot," and everyone's like, "I can't believe you're doing this, you're nuts." And then we got done and it filled up and then it's like, "Okay, on to the next thing." But yeah, I have some sort of vision. I probably should have been an architect, but actually I'm probably a better developer, than architect, 'cause I don't not go with the minute detail. I'm just good with the overall vision and getting someone to understand like what I see, and if I can get the architect to see that and then they just take over from there. So it's pretty cool.

SR: Yeah, give them the 10,000-foot view and let someone else sketch out the details up?

DH: Yup.

SR: It's a lot of sense. I'm curious…going back, you said you refinanced your whole portfolio in 2020 during COVID. What's your debt strategy? Did you put long-term fix? Did you go floating? What kind of debt did you place?

DH: So in between on long-term debt, that it's just the five-year. We just do the five-year term, but we're not very…I mean, we go to the 80% but they carry cash flows really well, and we're gonna…I mean, they just adjust in five years, I guess. But the stuff I personally ask them is right on the cost where it's not really worth it to always go long-term debt plus and the fees. I don't know, I looked at a lot of people that have got burnt on signing long-term debt, especially last year, everybody had to hold through and now some of them are able to sell, but a lot of their profits are keeping 'em locked in. They have to keep that profit locked in there, they just…they can't do anything with it. And if they wanna exit then they lose all their profit, goes to the agency debt. So, I still think we're in a really low, great environment until I see signs it is gonna go higher than maybe we'll do something locking, longer-term bet. Who knows?

SR: Yeah, everybody loves the siren call of non-recourse debt through some of your GSCs but man, you gotta watch your pre-payment penalties because they can eat you alive. We've started financing more of our deals through some local credit unions, simply because they'll give us a 10-year fixed, really competitive with agency, but no pre-payment penalty. And having that optionality even if you don't end up ever using it, man, it's really important to have that different exit strategy and not be bound by yield maintenance or deficiencies.

DH: Well and then the refinance, like it's just so much easier to refinance and take advantage of that refinance, like if I was going to refinance an agency that…I can't do that. I'd be stuck at the 5%. So yeah, just 'cause it's a non-recourse agency, that doesn't mean…and you know, and it's long term, doesn't mean it's the best. It is good though. I'm not gonna say it's not good, 'cause a lot of our bigger deals have it, so it's still really good, but it depends on what you're doing and then how much you wanna be able to give it.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: 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 and start investing today.

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