

Episode 1626

[INTRODUCTION]

Bethany Finch (BF): The key on a build-to-rent model, anybody in real estate investing knows you make your money on the buy. If you don't buy it right from the start, you're not going to make the money you need. So that means you need to have that end goal in sight. So when we're looking at our communities, we're looking at: the land has to be accessible, meaning it's got to have good school districts, it's got to have accessibility to retail and/or employers, can't be 40 miles from the nearest town. But it also can't be directly necessarily in town. Because, again, cost-wise that land is super expensive. So we're looking at where all of the rental traffic is flowing. And we're kind of plopping ourselves right in the middle of their path, so to speak. So that we're in good locations and good areas that they all want. But it's done in a way that the price point makes sense, we can still bring investors good returns on their money.

[INTERVIEW]

Whitney Sewell (WS): This is your daily real estate syndication show. I'm your host, Whitney Sewell. Our guest today, and she's a full-time remote RV investor. It's incredible, what that allows her to be able to do. We don't get into that today during the show, because she has another expertise that I wanted to highlight that we haven't talked about a ton on the show. I think it's becoming more popular, and for many good reasons, which she's going to talk about. However, she is on the road and making this happen.

WS: She's a founder of American made home solutions. Bethany has over 25 years founding and running four separate companies, a credit hacking business and executive rental business, and a single-family residential renovation business. And a multifamily syndication business. They are working to utilize their God given gifts to further Christ's kingdom while utilizing their many properties in many different markets.

WS: So Bethany Finch is going to tell us many details about the build-to-rent model today, why that may work for you as a passive investor. And she's going to answer many of those questions that you probably have if you're looking to invest in this type of asset. There is a buzz lately around this thing called build-to-rent. And I'm trying to learn more about it myself. And we've got an expert with us today to do just that. Bethany, I'm glad you're here to help me to learn more about this, this asset class.

BF: Well, thank you so much, Whitney, I appreciate you having me for sure.

WS: Awesome. Bethany, I want to dive in a little bit, obviously, to your background, but how did you get to build around it? We'll talk about that model, obviously a little bit, maybe a previous deal gives us a little more about who Bethany is and getting up to build around. I know, you and your husband, and you all have done numerous companies and different things related to real estate and lots of experience. But let's help the listeners a little bit to know more about you.

BF: Sure, sure. Well, it all started back on this day in Phoenix, Arizona. As you know, entrepreneurs are wired differently. They're not wired the same. And any teacher or any coach, whoever had me would 100% agree with that. So when they knew I was opening businesses and doing things, that was not a surprise, but as a business owner, sometimes that changes you just like in life, we go through seasons. And so the business that I was doing only had a season or I needed to go through that season to get to the next season. And so through that we've had multiple businesses through the years, our experience primarily has been multifamily.

BF: My husband literally started from the ground up, started as a groundskeeper and worked his way all the way up to now owning. So now, every time he looks back at he was the asset manager, for all practical purposes, only they titled him as a maintenance supervisor. And because of that, they only had to pay him the wages of a maintenance supervisor. And every time he thinks about that, now, it just makes his blood boil. And so as a business owner, I always filter that through my head. Because if my business model isn't focused on the people, whether that's outside of my company or inside of my company, then it's just a huge waste of time. So the Lord showed us a long time ago that sometimes we needed to shift and pivot.

BF: So one of the things we saw was the housing crisis. We're 100% remote, we see it all across this country. And there is a huge housing crisis, but especially in workforce housing, that's not affordable housing, that's different. It's what the average worker can afford. And with everything going on, the shift has gone to strong rental demands, but they want to house after COVID. They don't want to be locked in their tiny apartment with all their kids and all day long and things like that. So they want houses. So we actually launched our first build-to-rent during COVID. So keeping that in mind, we knew we wanted to address the housing crisis. All of us partners are part of a mastermind.

BF: And we were really sitting down and saying, okay, Lord, what is it you want us to do? And how can we do it by teaming up with all of our superpowers? So that's what we did and in turn the built around product is amazing. Everybody from the cities and the counties and the local governments to actual tenants and residents all agree. They're very happy and they would gladly pay the you know, the rent that we're asking to live in our houses instead of, you know, an apartment or something like that, because they're not low grade, you know, we're using granite countertops where you're doing, you know, nice wood cabinets, things like this. And so it's barn doors and nice high quality finishes, not cheap, cheap normal rental grade.

WS: So it's interesting, you know, this build-to-rent model. And actually, why don't you just elaborate on it? What does that mean a little bit, just in case somebody's just hearing this, you know, are not very familiar, and then we'll dive in a little more. But what does that mean built around? I mean, it seems self-explanatory, but maybe it's not. What is at least maybe a typical build-to-rent model for you anyway, business model?

BF: Sure, no, and that's so true, because typically, if you want to build a multifamily, you're building an apartment building that 100 families can live in. And then when the entire building is finished, that's when the government gives you the CEO, the certificate of occupancy, and then you can actually start moving people in. So the

difference here is we're doing horizontal multifamily. So we're building single family homes, all in a community, but we're still providing amenities like you would see in an apartment community.

BF: They just don't like hearing all their neighbors, they don't like you know, having to tell their kids to be quiet because they're on the top floor, things like this. So this allows the best of both worlds and does it in a way that's still continuing to meet the community's needs.

BF: So we'll have pools, we'll have dog parks, we'll have valet trash, and some places, different amenities, clubhouses, things like this, that's very attractive in the apartment world, only, you get to have a single family house. So the moment one unit is done, we can immediately get that certificate of occupancy and move a resident in. So it solves the housing crisis faster, because we can get them in there sooner. But it also allows them the benefits, a lot of people like the community feel of living in an apartment.

WS: Yeah. Now, I love that explanation. And very simple, very understandable. This is why we like this, and how it helps solve that knee as well. You know, maybe give us an example of a previous to our recent one. I know it's ground up, right? It's very different, it's a different type of deal than just going out and buying something that's pre-existing. And so maybe walk through that briefly, you're not really diving into development, per se, you know, today, and maybe some of that process, but highlight on anything you think would be helpful for somebody that's considering investing in a build-to-rent model.

BF: Yeah, so the key on a build-to-rent model, anybody in real estate investing knows you make your money on the buy, if you don't buy it right, right from the start, you're not going to make the money you need. So that means you need to have that end goal in sight. So when we're looking at our communities, we're looking at the land that has to be accessible, meaning it's got to have good school districts, it's got to have accessibility to retail and/or employers can't be 40 miles from the nearest town. But it also can't be directly necessarily in town, because, again, cost-wise that land is super expensive. So we're looking at where all of the rental traffic is flowing.

BF: And we're kind of plopping ourselves right in the middle of their path, so to speak, so that we're in good locations and good areas that they all want. But it's done in a way that the price point makes sense, we can still bring investors good returns on their money. And so in like one of our first ones was only 11 acres, but our second and third one, our third one is just under 30 acres. So the size that we're able to capture in that market. But the difference is the market that our third one is in, the city government watched the first one get done, and they lifted a building moratorium just to get our project to go through, they fully entitled the land before we even closed on the land.

BF: And because we had already negotiated our contract, the seller, they didn't necessarily now get to sell us entitled land, we just coordinated that with the city. So we were able to take advantage of that on the price point. But again, talking with these sellers, we're trying to help them be profitable too. So we're showing them how they could potentially stay in the deal and make money as well and not have to pay

massive amounts of the capital gains tax they'll pay when we pay their property outright.

WS: Very nice. Approximately, just to give everybody an idea on 30 acres, how many homes will you all put on that?

BF: 241. So our 11 acre one is only going to be 98 homes. And then the 20 acre one is 155 homes. Now a lot of that gets dictated because these are in areas where there's still city water and all of that that we can connect up to, but because of the impact that 100 families, 200 families is going to have on that area. Most of the cities are requiring us to build our own sewer treatment plants. They're requiring we're in Alabama, we're not able to. But we're looking to do solar on one of our projects as a way to again give back to the community and continue to provide a resource to them.

BF: But then we're also bringing in modularity on two of our projects already and hoping to build that out as well. Because again, their scalability there, we can get the product out there faster. We can get it during the seasons. We've learned one of the downfalls is if you, like me, are from the Pacific Northwest, it could take three months to get an inch of rain. Down in the south, they get an inch of rain in 10 minutes. So when their developers are telling us no, it's still raining, we can't put the streets in, no, it's still right. It's like, doesn't it rain 24 hours a day there? What's the deal? Those kinds of things we've learned and recognized, okay, those are things we can mitigate risk on, and how can we do it and doing modular homes on some of our projects allows for that.

WS: Yeah, that's incredible. And years ago, my wife and I looked at some modular homes, and we toured a number of facilities. And it's very impressive. I think they're much better built, typically than, you know, the irregular stick bill, right? I mean, they're often very impressive. And they get to be built in an enclosed environment right now, whether on them, and they're covered, you know, then put together with a big crane.

WS: But anyway, you know, build-to-rent I was thinking too about this, you know if you have 241 homes going out on 30 acres, and let's just say I don't know, you know the market does something crazy, right? You know, could you stop you know, could you say stop at 100 homes, you know if that happened then and say, oh we're gonna put the brakes on. And, you know just thinking, you know as an investor, you know what if we get a third of the way in, and something crazy happens, and we got to stop.

BF: So we put in several mitigants, to offset those potential risks. Obviously, when we launched in COVID, nobody knew what was going to happen, right? Nobody anticipated the gravity it went to. So we were already looking at ways and means okay, what can we do here? And what can we do here? So for that particular project, we are actually there on individual parcels.

BF: So if at any point we wanted to, or we were hurting for capital, instead of necessarily doing a capital call, and going back to our investors, we could actually sell off some of the homes individually and bring capital to the table. On some of the other ones, we don't have that capability because of the city ordinances and things.

But we did our underwriting in such a way that yes, 100% correct. If we needed to stop, we only got 100 built, and we needed to pause for a bit, we have timelines and ways to do that.

WS: Awesome. Speak to some other risks that investors need to know about, you know as a passive investor that's looking at you know, build different models investing. You know, I have never invested in this kind of development before, what's something I need to make sure that my builder, my operators are aware of or that they're doing or anything around that.

BF: So I have always been extremely picky about my partners. And the reason is, I've been burned by partners, right? We have worked together for three years now. And I watched them for over a year to make sure I would intentionally pick fights for just that reason, the biggest reason people get divorced is stress and finances. So if I can cause stress on you, and I can see how you respond to that, when I know the stress is going to come and I know the finances are going to be an issue, I'll know we can get through that.

WS: It's real estate.

BF: It is. It is. But because of that, what happens is, as a developer, the biggest risk that's out there is you don't get the land entitled the way you want to, right, the city doesn't approve it. And now your business model is shot, and you have to go back to square one. So that's a huge one, when you can already get it entitled, or you finally get it entitled, that reduces the risks. The other thing that you hear a lot about in real estate investing, and this is what makes people cringe, is, oh, I gave the money to the contractor and he just ran off with it. So in their mind, they're gonna filter it and think, oh, you're gonna give this money to the developer, and he's gonna run off with it.

BF: So what we have done, again, because of those partnerships, we have several lawyers looking over everything. We have the bank lawyer, our lawyer, and the lenders, like the sidebar lawyer, I don't know if we have three of them, then we have constant paperwork that is just never ending. So there's accountability pieces, put in lots of places. So one of the things that most people may not be aware of, they require us to go do the work and pay for it. And then they reimburse us. So if we can't show them that the work is already done, we don't necessarily get that job, we don't necessarily get that paid. So that's helpful. Because again, many times people are filtering it through, oh, I gave him all the money and he ran away and never did the work. Well, they require us to get the work done first, and then we can get that money back. So that allows for that part of it.

BF: Plus, having the three different lawyers, somebody is always watching every aspect of it. So when you hear of some of the things that people do when they put their money into a syndication, and then it's like, oh, it was a bad operator. Well, if it's a bad operator on the build-to-rent side, that usually reveals itself very quickly, because they're not going to get past phase one, the bank would have already shut them down. The bank has timelines and certain things. And if you're not doing it and matching up to whatever they've said, they pull the plug, they don't let it go farther. And people don't realize how much control they have in these development projects.

BF: So it's definitely. But the other part of it too is as the owners when we're pooling their money, they're a part-owner in that company. So I always tell people, okay, if my developer died, if all of us partners died, literally, they could take their contract and they can go and say everybody is dead. What are we going to do? Right and they can either bring in the lawyers, all the lawyers would meet with them and say, what would you like to do? Do you want to bring in a new developer, they have all the say, the bank just doesn't get to determine it, they have to go back to those owners. So it helps to mitigate that risk when it's not just like a stock that someone can just willy-nilly do something with, or some advisor that doesn't like them that day, oh, I'll show them and delete something.

BF: It's much more legal and binding, it's tied to a hard asset. At the end of the day, if push came to shove, and everything, you know, the numbers just wouldn't work out and the COVID went crazy. We could sell the entitled land and still make a profit that could then turn back to our investors. I always think of that worst case scenario, and how can we mitigate that risk? And so those are things that we've looked at in that respect.

WS: Yeah, no, that's great. Also speak to high interest rates, you know, like, why now with interest? How does it still work? You know, just how that business model works around that?

BF: Yes. So if you remember, during COVID, the interest rates were pretty good. Not necessarily bad. The only problem was, we couldn't get inspections done. We couldn't do this. We couldn't do that. We could write, nothing else was working, but you had good interest rates. So one of the things that we did was we recognized, okay, if we have good interest rates now, what could this possibly look like? So all, every member of our GP team has a minimum of 25 years of experience in business so that all of us have been through at least two market cycles, we know and recognize things.

BF: So we already were seeing the writing on the wall. So each time that we're looking at loans, it's not always necessarily about the best rate. Sometimes it's about is this going to be a fixed rate? Is it going to be locked in things like this? So the lender that we went with on our first project, we actually did a rate cap, many people didn't agree with us. But now guess who's happy? Those same people that didn't agree with us. Because now they recognize the value of that rate cap. As we went through five rate hikes, they know our underwriting is going to stay. Because we locked it in.

WS: Yeah, no, that's, I'm glad to get a red cap as well.

BF: Yeah. But trust me, we didn't want to pay the money for it, right, because it was an expense. But again, we wanted to mitigate the risks not just for us, but for our investors. And with all the craziness that we saw on COVID. We're like, I don't know that I'm willing to bank that there's not going to be more craziness.

WS: What would be some other maybe fears or negative things that you hear from investors that maybe aren't as familiar with built around it? Yeah, that maybe we haven't discussed yet.

BF: I think the biggest fear of people who want to invest, they always think that they need to invest locally. So they can go inspect the property, and they can see it and this and that. If your operator is doing a good job communicating wise, you should be getting pictures and videos and things like this. So we do it monthly, we're regularly communicating with them about that. But we always encourage people to look, come visit, come see us, we always have somebody on site that will tour around, and it'll give you an opportunity to take a write off and take a vacation and use it as a business write off, we allow people to do that.

BF: And you can really reduce a lot of that fear right there. The other part of the fear that a lot of people deal with is lack of knowledge. They don't know what all goes into development. And all they hear right is the negative stuff. They hear about some developer that went under and this and that. And that's all they hear. So that's what they're filtering it through. So a lot of what we do is really educating them and teaching them what the development process looks like. What are the different phases we have to go through? And why does it take so long in this phase, and not that phase, things like that.

BF: Alright, so we're gonna shift gears just a little bit. But I would like to hear just your thoughts on the real estate market in the next 12-18 months. And you can relate that to build-to-rent specifically, or just the market in general, or even the market that you're focused on specifically, but what are your thoughts? I know, nobody knows exactly. But you know, what we think, though, about what's going to happen does affect how we behave, right? Our actions, and no doubt about it. So what do you think's gonna happen? Just your, from what you know, and how's that affecting what you're doing?

BF: And sometimes people don't realize that they can do that. They think it's a construction site, and I'm not allowed to do this and that. And we're just not that way, we really are an open book. And so take the trip, come visit us in the south, come take care of it come take a look. But also, it reduces the fear because then you don't realize you don't think you're just investing in some pipe dream that some guy cooked up and made a video about. It's a real property, there's really people living in these houses, there's a real house, I can go touch it.

BF: So having been through different crises in the markets, I understand and value history, right, the market is historical 100% things like COVID wasn't necessarily in there. But there were times we've gone through, you know, the Spanish flu and this and that, and it did affect the markets and things like that. So do I think if I pull out my crystal ball, do I think that the rates are going to continue to go up and that the feds are done correcting? I know that the feds operate on a very antiquated model. The information that they're looking at is usually a minimum of three to six months old. So then they're making a decision based on old information. And oftentimes, that's why they're slower to respond is because they're still waiting to get the current information.

BF: So do I think we're done necessarily with rate hikes? No, I don't necessarily. But I have seen because we're in so many markets across the country, it's been over a year, the market was already starting to turn, right. Your coastal markets have the bigger ups and the bigger lows, right. So they were the ones that during oh wait, just had huge drops, were those kinds of Midwest, those central markets, they just kind of look like this little small, not as drastic, but they still so what we see it we're seeing longer hold times. The reason we're seeing longer hold times is because there's so little inventory, and with the rates going up, the sellers literally don't understand how that impacts them. So now that same person that was looking into your house no longer qualifies because they can't afford the payment.

BF: And instead of lowering their price, they'll just keep waiting it out. So those longer hold times, we're seeing that. We're seeing the decline, as far as the prices are just starting to come down. The few sellers that are figuring that out, they're reducing the prices. Do I think it's going to be another? Oh, wait, no, I don't think it's going to be that drastic. But inventory is extremely low everywhere. And that's what we're trying to do. And I think there's other organizations like us doing the same concept to try and get more inventory out there. And as cities become more friendly, that will help solve some of the inventory problems.

BF: And obviously, the more inventory you have the more competition, then you'll start to see those price reductions as well. I think it's gonna get a little uglier still before it starts kind of like a wave weathering out. But I also know that it kind of has to go through the ugly, right things kind of get out of hand in a lot of ways. And we have, unfortunately, we have a lot of foreign money in our market. And those, they're coming from markets where they only need to make 1% on their money to be doing good. So when you're competing about that, right now, there's a lot of capital sitting on the sidelines waiting.

WS: They're waiting for those returns to that, that were shown three, four or five years ago, right, six, eight years ago. All right now, that's incredible. I appreciate you just elaborating on that, because that's what that's what everybody wants to know, right? Well, what do they think about this? And you know, what's going to happen? So, you know, I wish we all knew but man, you do have to elevate, you know, you do have to look at the history, like what's happened so many times in the past and then we're gonna make our best educated guess, right?

BF: Nothing new under the sun. Right?

WS: That's right. What about what's your best source for meeting new investors right now?

BF: It's different. Since we're 100% remote, it used to be live networking, I did a lot of speaking events and things like that. So it used to be that, but honestly, now COVID really shifted things. So a lot of people are reaching out to me on LinkedIn, and my YouTube channel, those are the two big ones that most of them are starting to come to us through. And then they're like, oh, wait, you're on this. And then they catch us at a speaking event or whatever.

WS: What about the most important metrics that you track? It could be personally or professionally.

BF: The most important metrics that I track is how many souls have come to Christ.

WS: What about your daily habit that you're disciplined about that has produced the highest return for you?

BF: Probably, honestly, the fact that I still get up and read my Bible every day, and I've been through it multiple times. Because I don't feel like reading it for many days, I don't feel like I'm getting anything out of it. But in the end, most of the wisdom, if not all the wisdom that I have, comes from that through the years, tried and true. Hearing it and then when I'm ready to receive it, I can receive it. And so it's just staying the course and just keeping at it knowing I need as much help as everybody else does.

WS: There's nothing else that will provide a higher return on your time. Right? So then how do you like to give back?

BF: Our biggest way especially for me giving back is really education that school systems are not doing a good job. I was a teacher for a long time, so I know firsthand, but they're not teaching what needs to be taught right now. They're not doing financial literacy. They're not doing real life education. So these students are graduating and they don't even know how to handle a checkbook. They assume the balance on their ATM receipt is accurate.

BF: And it's like okay, this isn't gonna. I don't want you voting on policy when you can't even figure out simple home finances right? So for me, it's mostly education and really trying to help not just the younger generation, but even the older generation to navigate because it's a totally different world for them and the things that they used to do they can't do and that's frustrating because they thought they were going to be set and now they're realizing they're not so really taking the time and educating is the biggest thing I do.

WS: Yeah, that's awesome. Yeah, it's a shame we think we're teaching them all these things but then they can't balance the checkbook. It just always has blown my mind that there is no class just on some basic finances, right? And how well that could set people up long term but Bethany it is appreciate your time and just going through the build-to-rent model and what that looks like. I know many listeners may not have been exposed to it before because we don't have too many shows on built-to-rent but it's a great model. I like it as well.

WS: It's somewhat like multifamily or I already got multiple houses but it's development. It's multiple single-family homes and, and I'd like the model myself. But I wanted you to also share, obviously, how people can get in touch with you and learn more about you. And maybe you can touch on I know you have an opportunity, which is 506 C opportunity already asker. And maybe you can just highlight that, but then also how they can get in touch with you. And I know you have a giveaway as well.

BF: Yes, yeah. So we have two free ebooks, and I'll make sure that you have those links. The first one is 16 questions you should ask about any passive investment opportunity. So anytime you're looking to do an investment, this is these are the main things you want to focus on and ask what these questions but and then I talked about what those answers if they say this, what that could potentially mean things like that. The other one is we just have a free e-book on build-to-rent and what is it and how is it actually profitable? And how can others make money at that? So in regards to current offerings, we have two current offerings available, they are five or six See, one is out of Foley, Alabama. And one is out of Broussard, which is Lafayette, Louisiana. And both of those, it's a huge and tremendous opportunity for folks, many times, you can only come into an opportunity as an accredited investor.

BF: What we have done is we've also created another avenue where those investors with smaller amounts, maybe \$10,000, can still come on board through a crowdfunding option. So folks that want to can reach out. And it's a tremendous opportunity, when you can look at you and remember the scenario, they used to teach us if I invested \$10,000, when I was 25 years old, I'd have a million dollars, right? It's the same kind of principle, right? Even if they only have 10,000, they invest in something like our build-to-rent products. Because the returns are so good and stable, it allows them the opportunity to, you know, in essence, double their money. And every five to seven years, they're doubling, doubling, doubling. So it's a great way to do it. But there's also the opportunity to make a difference, right? When we're providing 241 homes to people.

BF: Now you get to share in that and you get the opportunity to see lives changed, and how much better quality of life these folks have. And you get to be a part of that. So it's a tremendous opportunity for that as well. So definitely folks can reach out to me on LinkedIn, clearly, I'm there with most books, my company name is American made home solutions. I do have a YouTube channel, and I have tons of free information on there. If nothing else folks have told me it's educating. But it's always interesting, I have a ton of different topics on there that we cover, because we have four separate businesses.

BF: So we have everything from credit hacks on there to multifamily investing, to single family flipping, and kind of everything in between. So there's lots of information out there that's 100% free for them. And those are the basics. One of the other things we do offer is a Business Foundations Program, which allows them the opportunity to learn how to set your real estate investing business up right so that any profits you get in the IRS isn't taking it or you can actually live off of it because you made some smart choices in the beginning and things like that. So we have that as well. So by all means reach out to us and I'll give you those links for those free books. So your listeners can take advantage of those as well.

WS: Awesome. I would monitor that course myself. I tell you what, I paid a lot of money to a group to tell me exactly how these things should be set up. And then somebody else says no, you can't do it that way. It's kind of you know, it's like oh my goodness. Anyway, you know, it's just some clear guidance from someone that's already done it you know, would have been so helpful many years ago. And so Bethany grateful to have had you on the show and to just dive in, you know, diamond built-to-rent in this model and what that looks like and grateful for that and maybe

telling again, your website or your LinkedIn website, YouTube channel, and we'll call it a day.

BF: Yes, yeah, so you can find me on YouTube American Made Home Solutions. Our website is americanmadehomesolutions.com/investors. You can find us there at any time. And then we'll have the show notes have our links for the free PDFs or the e-books.

[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 and start investing today.

[END]