

EPISODE WS1636**[INTRODUCTION]**

Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. I hope you enjoy some of our most downloaded episodes on how to find off market deals.

[INTERVIEW 1]

Sam Rust (SR): When you talk about finding new opportunities with corporate real estate companies. Unpack that statement a little bit. What does that mean?

Matthew Vincent (MV): Yeah, so mostly corporate real estate companies, they usually go after the big things, those are never gonna hit the market, almost never gonna hit the market, especially right now. If you try and go on the local MLS, look for a place like say, 400 units, you're gonna be hard pressed to find something unless you're in a very large capital market and it's at a very high price. Corporate, now when I say corporate real estate, I mean, like institutional investors and institutions that go after things like GreyStar, Blackstone of them, and a couple other of the giants that you think, oh, they probably, I wonder how they do that business and how they do that business is they use brokers. Like myself, people at (inaudible), people at CBRE, but brokers that are specifically focused on one asset class, like either hotels or multifamily. Having been in multifamily and just going after and researching and finding those owners, it might take a little bit, but once you find the owner that the institutions are probably gonna be pretty quick to put it in an offer, even if they have minimal underwriting data. Like, sometimes they don't even need to see the operating statement to find a good value because they have the resources to underwrite something without even looking at the place. Which I find is really interesting. That's something I'm trying to learn. That's what I mean by finding new opportunities. Just looking for places like, is this the whole period for this specific property coming up and can I get a buyer for that right now? Because once it's up, it's gonna sell either I'm gonna sell it or someone else can sell it.

SR: Yeah, it's definitely a seller's market right now. There's so much capital floating around in space. I was reviewing a capital report for Newmark and the amount of dry powder that's sitting on the sideline for commercial real estate as a whole. Obviously, we talk here at the Real Estate Syndication Show a lot about apartments, but it's not just apartments, it's commercial, it's hospitality, it's light industrial and retail. Really every asset class is under pressure right now, and so if you can land those off-market opportunities, that's the Holy Grail. As you've been trying to find those opportunities, what are some methods that you've used that have yielded fruit?

MV: Just calling the managers. That's a big part. Like, call the front desk of the property, say, hey, say who you are and what you're looking for, and they're probably gonna direct you to the right person you need to talk to. And they might transfer you to somebody at the corporate level, or they're gonna pass you to the owner directly, if it's a small operation. That's one of the best ways to go after and see it. Like, hey, I've got a buyer for this place and that's what I say, 'cause even if I don't have a buyer specifically for that one yet, I know that one of my buyers would be interested, but I just go around and just providing some value like that, and then front desk just transfers me over.

Most of the time it happens. Sometimes I have had the gatekeeper that will never work with me, which has found to be very annoying, but there is always a way to get around that if you just play at their level for a little bit and keep calling, they might just give you an email and you might have to go through them, but it's gonna work out.

SR: I think something that's important as you're searching down leads is obviously figuring out ways to add value to the people that you're pitching. And that can be difficult to do, especially in today's environment where they're probably getting pitched by a number of people. But what are some things that you do to add value on that side of the equation, so not necessarily your customers, but the people that you're trying to uncover a deal with?

MV: Recently, I've been offering brokers (inaudible) value, just giving them, it's like, hey, I'm a broker or a licensee. I understand that market. I've done this, this and this. These deals are in

the seller's market right now. I'm curious if you know what the value of the property is. If they're a corporate company, they probably already do have an estimated value, but they're gonna be curious with market value, 'cause their analysts can look over it all day long, but that analyst, you could be very different from what the market (inaudible). And as licensees, as brokers, we have the market data and that market knowledge to know what the market would be willing to pay for it, and that's some value that we can easily offer and we can even charge a fee for. So you could probably do it as well.

SR: I'm curious, personally, what database you guys use. I know there's Yardi Matrix, there's CoStar, there's several other national platforms that can aggregate data, what's your preferred database to plumb for information?

MV: Great question. Since I'm in such a small market, I just network and talk with people to see what things are selling at. I have access to CoStar, but most of what I've been going after and what I've been learning has been just from talking to people having coffee with individuals who are at the higher levels. And just seeing what they're buying at, what they're selling at. That's what's given me the information. In Alaska right now, if you were to buy in the North-East Anchorage or Northwest Anchorage, you're probably gonna get like a seven cap, a seven and a quarter cap. If you buy in South Anchorage you probably gonna be closer to a seven cap, in variants of about 25 basis points.

SR: That was the one thing I was curious about, 'cause cap rates obviously here in the lower 48, highly variable depending on your market, but substantially lower than what you just quoted. Very interesting. As you go out, how do you put buyer and seller together? What are some things that you have done that have led to successful transactions?

MV: A lot of times how I started getting buyers for this type of stuff, I just look on the website. Most companies, you're gonna have a website, even if they only have a few properties and they're gonna have a contact page, I'd say, hey, I'm a licensee in the Anchorage area, have deals flow by my desk every couple of days, if you're interested in seeing these deals, here's my contact, please reach out. And the acquisitions guys will probably gonna reach out to you,

'cause they're always gonna look, they're never gonna not look for a deal. Even if they're not looking to buy right now, people still like looking at a deal. It's like, oh wow, that's a cool deal, I wonder what they're gonna sell for. Most of the time, 90% of the time, they're gonna reach back out and just introduce themselves, and that's how I get the various contact information, and then sellers, like I was saying, just call the property and say, hey, you got a buyer for the property and see where it goes.

[INTERVIEW 2]

David Choi (DC): So, starting off, I was a guy in the game, very young, they didn't have any relationships, when brokers talk to me they would hear a young kid on the phone and they didn't believe what I was saying, so I had to figure out how to source deals direct to sellers and not through my network, no one was gonna try, I wouldn't trust me with a deal. Right? So, I had to figure out how to reach out to owners, ideally distressed real estate owners, I started off with the one to four family, and that same data-driven approach, we copy and paste it into tons of different verticals and have had tons of success. One on the real estate lending side, and now on the apartment side, and so what we do is basically take up a set of data, like if you're going after one real estate market, I don't really recommend going after a handful at once, focus on one. Learn that market two what you do is you aggregate property level data, and people like to go on CoStar or people like to go on Reonomy tax records, there's a handful, there's PropStream, that is pretty good, but you wanna go after the cleanest data set available and each market's a little different, but you go after the cleanest data set and you narrow down exactly what you're going after it. And if you do enough stress testing, what you realize is that even the cleanest data isn't so clean.

DC: So, what we do is we take that data and we start layering it with what we call trigger data or motivation levels, so we have a little proprietary blend of what we know is gonna be a motivated seller. We take tax liens, evictions, lis pendens, you name it, we're layering on 300 different things and we're scoring just how motivated someone is to sell their property, and that's how we budget our marketing spend, right? So, whether it be direct mail, we literally have door-knockers. We'll have someone go out, knock on a door and talk to an owner and

say, "Hey, we know we saw this property, we love it, we reached out to you over text, call, email, direct mail, and couldn't get you. And that's why we're showing up, we really would love to make you an offer for your property, are you in the market to sell. So, depending on how motivated and what level that seller is at, we're going after him direct, and it works. There's a lot of ways to get deals, but that's been our bread and butter and it's been pretty fruitful for us thus far.

WS: You talked about learning the market, and I wanted to ask like, are you doing this just local to you, or are you doing it at a distance as well?

DC: Yes, so we have successfully entered other markets, what we noticed was that when you start pulling into too many markets simultaneously, you're gonna distract your team, you gotta learn new valuations, you got learn new neighborhoods within each sub-market, it makes it incredibly difficult for your acquisition team to sift out the not so good deals and focus on the good ones, so right now we're primarily focused on Northern New Jersey, we plan on really, really penetrating this market for the next year and then moving into another one, but right now it's just New Jersey.

WS: Okay, tell me, if you're focusing on, obviously the listeners are obviously we're focusing on in syndicating deals was talking about maybe some of your larger projects, have those been different to say, using this type of method to find those deals versus say, finding the single-family homes for a smaller multifamily?

DC: You're asking if this marketing approach is just as fruitful?

WS: Yeah, if you're method to connecting with the seller has been different for your larger deals versus say a single family or a smaller multifamily.

DC: Yeah. Oh, the messaging is completely different, right? Like you're going from empathetic, I'm here for you, I'm here to hold your hand. We're working around it, it's a heartfelt approach on the residential side, but when it comes to commercial apartments, all they wanna know,

well, they wanna work with someone, they like number one, but they wanna know that you're legitimate and that you could close. And so, the messaging is completely different, completely different website, completely different everything or mailing pieces are completely different. So yeah.

WS: Talk through a little bit, some of those steps to find the larger properties, what's so specific, maybe even how you're finding those sellers, what you're doing, building that list, we all hear about building that list and you talked about finding the cleanest data, maybe some tips too and how you're finding cleaner data for those types of sellers, and some of those steps of how you're marketing to them.

DC: I'll give it to you guys clean, a lot of people want to withhold the information, I'll just give you guys, I'll tell you exactly what I do. Typically, depending on what state you're in and what county there's gonna be tax records, like downloadable Excel sheets, and they'll give you a property class. It really depends on where you're looking, but New Jersey specifically will give you property codes and information like that, and what you wanna do is stress test that against different list providers, right? Everyone's using the same list providers, but we found that New Jersey specific, PropStream was the cleanest one. And so, what we did was we took a day to save, say apartments, okay. Let's take a look at how many apartments, they're saying that there is a New Jersey compared to the tax records, which is 100% accurate, right? Let's try it for another asset class, let's see, how accurate are their 50 units, if I'm putting a 50-unit minimum on PropStream, how many do they give me, is that accurate? Yes or no. And we found that if you look for a minimum requirement on PropStream, it won't give you accurate information because then we stress-tested against CoStar found that CoStar had more 50 plus you than PropStream was indicating.

DC: So, what you wanna do before you go all in on spending thousands and thousands of dollars on aggregating skip tracing and sending out mailers, I spend 20-30,000 a month in marketing. Before you go ahead and go crazy, it would be prudent for you to figure out what data set is most accurate in your market and take that 20 hours, 30 hours of research before going crazy.

[INTERVIEW 3]

WS: I know you have an ability to find off-market deals. I would love to hear some examples and us discuss that a little bit.

Kevin Romney (KR): Sure. The first community we purchased was on the market. After we underwrote it and analyzed it, we decided to purchase it, raise the money through syndication, closed the deal. About two, three months later, the broker called and said, “Hey, I’ve got a friend that just purchased a community. His plan is to – it’s another 36-unit community. He plans to remodel it, but he’d be willing to wholesale it. Would you be interested in taking a look at it?”

KR: We said, “Sure,” and went and looked at it, underwrote it. Decided it was a good move and we purchased the property. Raised the money. We currently have a signed LOI to sell that property. We’ve put about \$300,000 into it. We currently have an offer on the table, which we have accepted and it’ll give a good return to our investors. That same broker, again three, four months later came and said, “Hey, we’ve got 210 units that are on various different communities that are put together and owned by one investor on the street over from you guys. Would you be interested?” We said, “Sure. Let’s take a look at it.”

KR: The owner wanted to see proof of funds to take down 210 units, which at the time we couldn’t do. We said, “Well, look. Let’s peel off one of your communities here. Here’s one with 28 units that’s right behind ours. Would you be willing to peel that off and sell it to us?” He did. One of the best stories of how we found an off-market deal was the only one that we’ve got under contract in Kentucky that we’ll be closing on, this one came to us through a property manager, that my partner Mike was familiar with.

KR: She actually brought us this property a year and a half ago. It was the first property that we seriously looked at. We have some great mentors and they said, “You know what? You guys

are in Las Vegas. That property is a thousand miles away. It's a heavy lift. That might not be the first property you want to buy." We thought that was good counsel and we listened.

Well, fast forward a year later, he's renovated 85% of the units, done just a marvelous job. That property manager called us back up and says, "Hey, he's ready to sell this. He wants to take his money and put it into a ground-up development that he's doing." They've done a beautiful job on the renovations and the repositioning. There were areas of opportunity for management to tighten down some of the expenses and to increase occupancy. We're moving forward and we'll close on that property here shortly.

KR: That one came to us through a property manager. Just this week, I've had a call with an insurance broker who said, "Hey, are you looking for additional properties?" I said, "Absolutely." He says, "Well, we do exclusively multifamily. I frequently have people that I talk to, our customers who say they're ready to sell. Do you mind if I send them your direction?" I said, "Sure, absolutely." Those are some of the methods that we've used to be able to find those off-market deals.

WS: How did that, say property manager and insurance broker, how did you develop that relationship with them so they knew that you all were buyers?

KR: Well, my partner Mike Ballard, has had a relationship with this property manager for three or four years. Just once we started our own company, we let her know, "Hey, we know you're a quality property manager. Find us a property in your area that's right for us and we'll allow you to do the property management on it." Same thing with the insurance broker. As I was shopping for insurance on this new community that we're purchasing in Kentucky, I approached him about insurance and he says, "Well, are you in the market to buy?" I said, "Absolutely, yes." He said, "Well, let's see if we can hook you up with some of our clients that are ready to exit their properties." It's just a matter of getting the word out.

WS: How did you and Mike educate yourself about multifamily syndication to take that leap and say, "Sure. Let's go do this." How did you learn the business?

WS: Well, we went to a real estate class. Went there, learned everything that we could from them and then we've just continued to educate ourselves as we move forward in the industry. We frequently attend real estate conferences throughout the country. It's one of the ways that we meet new people. It's one of the ways that we network. It's one of the ways that we syndicate and raise money, is constantly out networking, go to those real estate events, meet folks, take them to lunch, take them to dinner. That's just how we've done.

KR: In fact, a fun story, we always take folks out to dinner when we go to these real estate conferences. We always just invite folks that we meet. We met somebody and they said, "Hey, can I bring one of my friends?" We said, "Sure, bring them along." That individual happened to run a small family office and wound up to be one of our major investors in one of our latest deals that we put together. It's just a matter of getting out, getting in front of people, continuing your education, but also building your network.

[INTERVIEW 4]

Zach Haptonstall (ZH): We've had this run these last few months where we've been fortunate to really get deal flow off market that actually pencils... And I think you and I were talking about before we started recording, Whitney, that we haven't even won a marketed deal since August of 2019, so it's been like 18 months since we even wanna do... We just got a second place in the deal last week, so we keep getting second third place because it's just so crazy, I got people making crazy offers, so... Yeah, I think to answer your question, it's really just a matter of setting last fall, we lost a deal, another example, we got second place in a marketed deal, and I was so frustrated and it really hurt 'cause I thought we had that one...

ZH: We had every advantage. We didn't get it. So we set a goal in the Fall of 2020 that in 2021, we're gonna buy 250 million worth of real estate in the Phoenix Metro. Okay, so right now, we're just about on pace to hit that. We close a 24 million deal in January and we have one ton of contracts, so we're on pace to hit that in June, and that's our goal is to continue to just push forward, and there's all the books, you can read all the cliches, envisioning having faith, it's all

true, but you have to execute and keep pushing forward. And so, yeah, I think once you start getting these deals under contract, it's okay.

ZH: We may be scaling sooner than we thought, Let's hire the asset manager, let's get the office space so that we can be legitimate, and we expect by the end of the year, to probably hire at least one more, possibly to other people, just to continue to build it out like a real company, which...

WS: What were those people to... What would be the roles of new people you're looking forward to hiring?

ZH: Good question Whitney, so one would be a transaction manager is what we want... Or basically, if we have deals in escrow that we're buying or selling, they're gonna handle all those docs, you have to send to the lender for the legal checklist, lender checklist, and they're also gonna be handling a lot of our draws and things like that. And so we have a couple of deals in our contract that are gonna do bridge loans, so they're gonna handle all the draws for renovations, things like that.

ZH: And then we'll probably have them work with some investor outreach and multi-media stuff as well, so it's tough 'cause you wanna make sure it's easy right now and you're busy with five deals to say, let's hire a transaction manager, we only close these... We could go six months with no deals, you know... You just never know, so we need to try to find things on the deals... So that would probably be one.

ZH: And then another person would probably just be kind of like a construction runner or floater, so to speak, who's just consistently at the property, 'cause when we have 12 or 13 assets, it'll be tough for our asset manager or constantly if we have a president, so they'll work under that person, so that's kind of what what we're envisioning as we continue to build it out.

WS: No, I love that. Just thinking through what you know or the next hires, you are continually

thinking about growth, and I think as you hire those experts, it is so much... I'm just learning so much more about how it's so much more about who instead of how... I've just read book who not how, which I highly recommend my Dan Sullivan. I think a lot of listeners, including myself, one and say, Zach it a minute, five deals under contract right now, and all these off-market, give us some tips about how you've done that, right? And I think that would be... Like everybody listening, right? I was like, Wait a minute, how have you done that? How have you gotten that in that many assets under contract right now?

ZH: Yeah, it's a good question. A part of it, and I'll talk to this as a second part of this answer is spacing it out, so if I forget when you're mind me, it's kind of space since we have long escrow and we've strategically been able to space these, but as far as the broker interaction... So I'm constantly trying to have some interaction with brokers every week.

ZH: Okay, so even if there's a deal that I know we don't wanna go pursue, I know It's a crappy deal or it's not a good area, whatever, I will... I haven't seen that broker in a while, or I have never met them, I'll reach out to him and say, hey, can I go to this deal with you and I'll review the offering memorandum. I'll have some high-level knowledge of it, and when we're going through the tour, I'm gonna show that broker respect by acting interested.

ZH: Okay, so I'm gonna go in there and I'm gonna be asking questions, I'm gonna be taking notes, taking pictures, and I may even ask hypothetical questions that I would know the answer to in order to demonstrate that I've looked into it. And these are all things that you can do to build rapport with the broker, because brokers are busy, they don't want people to waste their time in general, but you can't think that way because they wanna generate tours for their selves.

ZH: So you need to constantly be cranking tours and asking intelligent questions, and then tell a little bit about yourself, and then at the end of the tour, I'll always try to break into them and try to say, okay, what are the terms? What does it take to win this deal, etcetera, so that they get an idea of who you are, where's your equity coming from, what's your criteria. And you can constantly stay in front of them, and then within a couple of days, just give that broker

feedback, they're used to hearing no, and I think so many people are afraid of...

ZH: 'Cause I always terrifying when I started reaching out to brokers and then calling them and saying, I don't wanna pursue this deal because you feel done or you feel like you don't belong, but you can't think that way, the broker just wanna have feedback, so they know that you're not wasting their time. So, I mean, that's a big thing, is just constantly reaching out to the brokers and staying in front of them.

ZH: And I think a big part of it just being humble, being respectful and being responsive, 'cause you've been surprised how many of our competitors that I know... I know a lot of these buyers and sellers, and they're just rude or they have egos with the broker, and it's crazy because to me, the brokers are the goal that represents your deal flow, and so... Yeah, I think it's really standing in front of the brokers, and when you get to do in our contract is performing be an over-communicator.

ZH: They understand that there's issues that come up, you say, hey, this happened, I'm gonna have to exercise my 30-day extension, I'm telling you earlier rather than when we get close to closing, just all those little things really build up and they build trust and credibility because these brokers are not... They're not big bad people, like they can be perceived to be, they're just...

ZH: A lot of them are defensive because they're constantly getting burned, and it's a tough business to be in, so if you can be transparent and honest with them and you perform and close deals, that's the key, Whitney, is that then it's closing deal with them. Get in credibility, and then it's staying in front of them, staying relevant because then they trust you and then be given you deal flow, which is what we've been able to do.

[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.

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