

## Brad Shepherd of Sugarhouse Investments

**Speaker1:** [00:00:04.75] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Hello, this is Hall Martin with Investor Connect today we're here with Brad Shepherd, managing partner at Sugarhouse Investments. Sugarhouse Investments is a real estate private equity firm that provides investors with passive investment opportunities and institutional quality commercial real estate. And they help fund cash flow in commercial real estate projects to move them forward. Together, they build long term wealth in passive income streams. The deals they fund, preserve capital investments, collect consistent cash flow and build equity through future capital appreciation of the assets. Brad, thank you for joining us.

**Speaker2:** [00:00:53.38] Thank you very much. I'm excited to be here.

**Speaker1:** [00:00:55.24] Right. So what was your background before investing in real estate? What did you do before this?

**Speaker2:** [00:01:00.28] I've honestly been involved in real estate in some aspects for a good 20 years. I bought my first rental property the same summer that I graduated from college. I actually went to college with the idea that I would go into commercial real estate. That's where I did my internship. Life took me a different direction that actually stuck with a small startup for a good nine years. They're coming out of college, but I picked up that first rental right out of the gate.

**Speaker1:** [00:01:24.59] Great. So what excites you right now?

**Speaker2:** [00:01:26.98] There's just so much energy around real estate and commercial real estate in particular. So many people jumped into residential real estate over the last seven, eight years, saw the competition was there. And then lots of those people have now moved on to commercial real estate as well. And so there's just a lot of attention here, which is which is fun. It's exciting to be part of it. I love educating new potential investors. That's why I spend the bulk of my day. I've really been spending a fair amount of time on my website and creating more

content there to help connect those additional people. So for me, I love the educational component talking with smart people, but maybe just only mildly familiar with the real estate. And I love getting to the details of what the opportunities are here.

**Speaker1:** [00:02:10.27] Great. Well, what's your advice for people investing in real estate? What do you tell them to do before they write that check?

**Speaker2:** [00:02:16.12] Yeah, when you're looking at a passive opportunity, which I would encourage over a more active route of going out and find your own rentals and managing them, you need to have a good property manager to be challenging. And I'm still experiencing that with my own portfolio of rental units that I have. But on the on the passive syndications, passive commercial opportunities, it all comes down to knowing the team you want to get to know the team, do whatever it takes to know the team who is actually pulling the triggers, hiring the property managers, executing the business plan core. They want to better be a team as opposed to lone wolves. What is their track record? How experienced the men have been through some downturns? You want to see that they've had some multiple exits and so a good team can compensate for some tricky markets or some tricky assets and things that might pop up like massive, unexpected freeze and snowstorms that just hit us in Texas a little bit ago. A good team can deal with those things where an inexperienced team might struggle more. And so no one advice I tell people more so than the asset, more so than the market is get to know the team.

**Speaker1:** [00:03:25.34] Great. Well, let's talk about the state of real estate investing. How do you see the industry evolving from here?

**Speaker2:** [00:03:30.40] You know, there's a there's a lot in flux right now, covid eviction moratoriums. So the loan products and terms, they've been in flux significantly over the last six, eight months. There's been higher requirements, higher down payment thresholds or maybe some additional just additional hoops that we've had to get them through. So that's always something to deal with as we're going into a new property. There's a lot of new players. So the competition for these assets is higher than ever. There's a reason for it because it is lucrative, lucrative deals and there's a lot of big dollars coming at these. And so it is a big relationship play. And like most things, it comes down to relationships with sellers, primarily relationships with

commercial brokers, etc. But I think people just getting more and more creative and how to approach how to find these deals, what potential renters would look for in a property, dog parks, private backyards, Amazon lockers, Google Fiber, et cetera, et cetera. And so we're always trying to figure out what can you put into a property that will attract the highest rent potential from some local renters? So, yeah, there's always, always some learning to do along the way.

**Speaker1:** [00:04:42.19] And so what's the biggest change you see coming up?

**Speaker2:** [00:04:45.05] You know, I think it just can't continue with that flood of capital. There's lots of eyes on commercial real estate, particularly multifamily. There is. We've seen over the last year, even with the eviction moratorium, some struggles there. Multifamily has performed well where, for example, office might be a little more difficult when you've got so many companies that are just moving their staff to full time remote. So there's just a lot of attention going to a lot of capital and it's a lot of capital chasing fewer and fewer deals, just like we were experiencing in Austin with home buyers trying to find a house in a very limited inventory scenario. Same things going on in. It's a lot of dollars chasing very few deals, and so it is a challenge to find suitable, suitable deals that we feel comfortable taking on and bringing other investors into.

**Speaker1:** [00:05:35.19] Great. Well, let's talk about your real estate investments. What's your criteria for taking on a deal? What do you look for?

**Speaker2:** [00:05:41.68] Yes, our approach is generally what we could call a flight value ad as opposed to a full turnaround deal where we don't do new development. So we're purchasing currently functional and operational assets. These are generally be class properties. What this means is frequently a potential investor will ask me when they can expect distributions to come to begin. And I can tell them it's literally maybe a month, a month and a half after we close on the property, because there's still there's already a couple hundred tenants in there paying rent. And so as soon as we become the owners, that comes to us and then we can begin to distribute it. And so these are properties that are they need some some fine tuning. Maybe it's bringing up bringing them up from an 80s or 90s finish. You're getting rid of the linoleum and the Formica countertops, bringing up some cords and some nice vinyl plank. Those kind of upgrades, as I mentioned, like dog parks, the emphasis on lockers upgrading the clubhouse and those other

shared facilities to what people expect in twenty, twenty one. Those can significantly help us increase the rents, which directly impacts what we can sell this property for. So we're looking for those kind of turnaround opportunities, upgrade opportunities under market rents, maybe for some reason is not managed to. It's best to do the best that it could be. And so there's a market vacancy. We know we can come in there and with our marketing, with our reach, we can get additional tenants and increase that, increase the occupancy, etc. So we're not looking for complete turnarounds, places that are just really dysfunctional, but we're picking up properties that we know we can go in there and find him.

**Speaker1:** [00:07:18.03] Well, let's talk about the challenges in this space. What do you see as the main challenge for real estate investors today?

**Speaker2:** [00:07:24.96] Yeah, so investors across the board, whether it is a general, general partners, the operators, it is tough to find good deals. There's a lot of competition for the passive investors. I think the challenge is always just finding good operators. When you first an individual who wants to put dollars to work in commercial real estate, commercial multifamily, they may or may not know. Most most individuals don't know operators in this space. There's a lot of them. So then they start to Google or they start to ask around. They might find one or two, but maybe don't have access to the multiples where they can vet and compare. So I just I think it's it's easier than most people might think it is. But just getting in front of or connecting with a number of good operators that you can do a contract compare may be a challenge, right?

**Speaker1:** [00:08:11.37] Well, there's many types of real estate deals out there. If you had to pick one or two sectors or applications you think are the best ones to go after, what do you put at the top of the list today?

**Speaker2:** [00:08:20.73] Yeah, probably. Probably doesn't come as any surprise, but I do like multifamily in particular, and we've seen it even with a challenging year. Again, with with covid and eviction moratoriums. We've had additional people walk away from leases. We've had to do more payment plans. But even so, they're still performing very well because of the scale that these operate in. We also have assets in self-storage and mobile home parks, mobile home parks. They're just not getting built any more. So the limited opportunities there or the opportunities are really strong there for those existing for the limited number of mobile home

parks that already exist. And self-storage people are always in a pandemic. People are still buying a lot of stuff and then they need to find a place to put it. And so our self-storage properties have done well to for me, I'm a little I'd get more nervous around retail and office opportunities, but I like these the ones where it's a place for people to live or to store their junk.

**Speaker1:** [00:09:16.56] But why are they not making mobile home parks anymore? Is there something that changed in the market?

**Speaker2:** [00:09:21.42] Yeah, generally cities don't like them as a city, a city planning the city councils. They're just generally looked upon unfavorably. As far as the aesthetics, I think that might be a little harsh, but you just don't see a lot of new mobile home parks being approved for development.

**Speaker1:** [00:09:37.66] Ok, you see these people moving out to rural areas or you think they're just going to upgrade to tiny homes or full homes or where do you think they'll go?

**Speaker2:** [00:09:46.05] Yeah, you see a lot of it, you know, just getting out of the country a little bit where you see some acreage and then somebody just plop down a mobile home park out there by themselves and they just hook up a septic system and whatnot, would run some electricity out there. They're good to go. And so that's certainly going to be the option. And it's not prohibitively expensive to move a mobile home. And so it's just a matter of finding that acreage. You can drop a drop went on to. But I think that's there's not really opportunities for us as commercial operators to play in that sphere. We need them all together and under one single asset. And it could be lucrative. But there's just not new home parks, mobile home parks like that being a developed. In mass quantities.

**Speaker1:** [00:10:25.34] Gotcha. OK, well, in the last few minutes that we have here, what else should we cover that we haven't?

**Speaker2:** [00:10:30.04] Well, for me, I've had a lot of experience on some of the residential active. Methods of real estate fixing Flip's wholesaling, I sell the houses on wholesale land. I've done urban bees good and bad to all of those. I wouldn't begrudge anybody from getting their hands dirty in any of those types of assets. That's where I learned a ton. What I tell people is,

regardless of a property manager on the single family, three plexus fourplex is what not. Those are always going to involve involve a lot of attention when you get into the larger scale of things. And that's where you have the opportunity to be truly passive. Right now I'm dealing with some issues in San Antonio. I've got a fourplex down there, a good property manager, but I haven't been paid a lick of rent in over eight months from any tenant in that in that property. And it's just a headache no matter what city code calling. I've got the tenants harassing the property manager, so she's complaining and whatnot. So I'm a big fan of ditching the single family stuff and and what we'd call residential, getting into the larger scale opportunities. The gotcha.

**Speaker1:** [00:11:37.77] Well, how best for listeners get back in touch with you.

**Speaker2:** [00:11:40.95] Yeah, you know, I try to make myself pretty available in all the social media channels. Probably the best way to find me, though, would be to come right to our website where you can find whichever way is the most comfortable for the individual Sugarhouse Investments dot com is where or is the name of our company. Sugarhouse is a little nod to our our favorite neighborhood and in Salt Lake City, where I'm originally from. So you came here to Texas, started up that little company and wanted to give a nod to that little neighborhood there in Utah. So Sugarhouse Investments. Com that's where to find me. Great.

**Speaker1:** [00:12:13.59] I want to thank you for joining us today and hope to have you back for a follow up soon.

**Speaker2:** [00:12:17.07] Absolutely. Thank you very much for having me.

**Speaker1:** [00:12:19.29] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Connect, Doug. Alti Martin is the director of Investor Connect, which is a Fiber One C3 nonprofit dedicated to the education of investors for early stage funding of opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinions of investors to connect. This podcast is for informational purposes only and should not be relied upon for the basis of investment decisions.