

## **Transcript**

### ***Code 53: Episode 2***

### ***Real Estate Pitching Explained***

#### **KEVIN CAMERON:**

Welcome back to Code 53, a podcast presented by the National Multifamily Housing Council. Officially on episode two. Thanks to everyone tuned into episode one. I am Kevin Cameron, our Director of Advocacy and Strategic Engagement.

#### **ALISON JOHNSON**

And I am Alison Johnson, Associate Vice President of Content and Program Strategy.

#### **KEVIN CAMERON:**

And we are so excited to be back for episode two. We made it. People are listening. We are real. We are live. How does it feel to be famous Alison?

#### **ALISON JOHNSON**

Well, I can tell you that my mom was a really big fan of episode one. So, I'm excited to bring episode two to the world and have more listeners joining and hear about the multifamily industry, what we work on daily and who we interact with.

#### **KEVIN CAMERON:**

We are so excited to be back for episode two. Thank you for listening. Thank you for tuning in. Thank you for liking and following and rating us, if you haven't please go do it. We want people to find us.

So Alison, last episode, we had a tremendous interview, if I do say so myself, with Ken Valach and David Schwartz, and one thing they kept talking about is what they do as leaders of these multifamily firms, it's not all about the numbers. It's about the impact they're having, but at the end of the day, the numbers matter. You have to make the numbers work for any development to go forward. So I thought, this time, let's dive into what are those numbers? NMHC offers a great opportunity for us to kind of break this down in the simple manner, through the Young Guns Pitch Competition that happens each year at the NMHC annual meeting. For those of you who don't know, each year the NMHC Emerging Leaders Committee, the same committee that help us make this podcast a reality, put together the Young Guns Pitch Competition, which is a mock investment committee. And before we kind of get into what that competition is, Alison, maybe you could kind of break down for us. What the heck is a pitch? What does that even mean? What are we mocking up here?

#### **ALISON JOHNSON**

You mean what's all the pitching about?

**KEVIN CAMERON:**

Exactly. That was a good one.

**ALISON JOHNSON**

Oh, thank you. It took me a couple of minutes to think of it, but I'm glad I did.

**KEVIN CAMERON:**

Nailed it.

**ALISON JOHNSON**

Nailed it! What is a real estate pitch? I mean, the term gets thrown around quite frequently and anyone who has worked in finance before, or if you're paying attention to what is happening in the financial world, capital money moves freely and goes to places and invests. So, a pitch in this instance, with respect to commercial real estate investments, are when an owner or a developer has a project, a specific asset, for which they are trying to receive private equity funding. And that means, they're going out to institutional investors, or if they are a REIT themselves, and they are trying to present this project for investment, from their own portfolio. So, a pitch tells you about the deal, it is something that is like where the asset is, where the market is located, what the sub market is, specific things about the asset itself, information about the business plan on how you'd like to invest the money. More importantly, what kind of revenues or income streams happen within that property, or will need to happen within that property to seek a return on the money that you've invested.

And then also you have an entire outline of the financing of the deal itself, from beginning investment partners to equity and debt to continuing operations. So, you outline the financial plan or business plan. And then all of this is also wrapped up in a pitch about who you are as a credible vehicle, fiduciary for the money that you're asking to be invested in this deal.

**KEVIN CAMERON:**

So, it's basically like, "I've got this building. I either want to develop or redevelop, I need your money. And this is why."

**ALISON JOHNSON**

Exactly. And in this instance, the pitch competition is in front of an investment committee. An investment committee is a special vehicle of an asset manager, or a REIT, or a private equity fund, that has an investment strategy that this committee then reviews all pitches or applications for funds to decide whether or not, that is a good investment vehicle for them to distribute monies into, to obtain or reach their own investment goals.

**KEVIN CAMERON:**

So, they're the really smart gatekeepers to the bank account?

**ALISON JOHNSON**

They are gatekeepers to the bank account, absolutely. And there are people who come from the company who come from other LPs, or limited partners or general partners. There are people on operations teams, people on the actual construction team and always involved is the chief investment officer or chief financial officer.

**KEVIN CAMERON:**

That's great. I mean, it really seems like a lot of companies and we'll kind of get into this, spoiler alert, a little later, but there's a wide breadth of expertise in these committees to make sure, because they are judging, these are large investments that they're making, either in these development or redevelopment deals. If you're going to put a lot of money into this, you need to make sure it's going to work.

**ALISON JOHNSON**

Yes. I mean, in the end, you need to make sure that it is a safe investment, but also that the project that you were specifically investing in, it has good intentions. That you are investing in a way that benefits the people that are going to live in it, the people who are working in that building and your organization, in general.

**KEVIN CAMERON:**

I mean that, tying it back to what David and Ken said in episode one, that we are building communities. We, the multifamily industry, are so unique that we are not just building a building to do a bunch of things. We are building homes and communities, and this investment that's before these ICs, is going to be part of a living, breathing community, at one point.

**ALISON JOHNSON**

That's right.

**KEVIN CAMERON:**

So, now taking that and relating it back to the Young Guns Pitch Competition, basically what happens is, we take that entire process you just described and shrink it down and put it on stage.

**ALISON JOHNSON**

Yes, that's exactly what it is. It's honey, I shrunk the pitch.

**KEVIN CAMERON:**

So, the Emerging Leaders committee, it sends out a search for applications for folks to apply for this competition, and they are given a mock pitch. They're given an investment. They are given, for instance this year, they were given a value add deal, in just outside of Atlanta and they were charged with coming up with that pitch. Why should we invest in, and not just why should we invest in this asset, but in the way their plan describes, I think that's the key here, is that all the pitchers were given the same asset to

come up with a plan for and present to three judges who are senior executives, in their own right, in their own companies.

**ALISON JOHNSON**

Yeah. And that's what makes this competition really fun. And we'll talk later on in our episode with some of the organizers on the EL committee, specifically Field Stern of Redwood Capital Group, who is the chair of the EL committee, this year and Rishi Gupta, of Eagle Rock Properties, who led the program committee that reorganized and structured the pitch competition. The whole purpose and intent really, of using a single case study was to give everyone who was participating in the competition, a level playing field, the same deal, the same market and the same information from which each of them could use their own financial acumen and creativity to design an investment vehicle that the investment committee could review objectively.

**KEVIN CAMERON:**

Well, before we hear from Field and Rishi, I had the pleasure of sitting down with the winning pitcher, Clayton Williams of Carter-Haston and one of the esteemed judges, Laurie Baker of Camden, who is also one of, NMHC's newest officers, we are so happy to have her on board to break down what the competition was, and then see from Laurie's perspective as a judge, what she was looking for and what she does look for as a member of Camden's investment committee, when she goes into this meeting and from Clayton's perspective as a pitcher, on how he broke down this deal and what he was looking for to help his plan stand apart from the other competitors. So, if we're good, let's dive right into what we had to talk about with Laurie and Clayton.

**ALISON JOHNSON**

Let's do it.

**KEVIN CAMERON:**

So, I had the pleasure of sitting down with Laurie Baker, chief operating officer at Camden, who is one of the judges of this year's Young Gun Pitch Competition. And for those who were interested in speaking to the heavy hitters that were on the stage, as part of this mock investment committee, that these folks were pitching to, we had Sue Ansel, the CEO of Gables Residential and Ricardo Rivas, the CEO of Allied Orion.

**ALISON JOHNSON**

Quick fact, did you know that Ricardo Rivas was actually a young gun pitcher when this competition first started?

**KEVIN CAMERON:**

Pretty impressive. So, as you can see, there are, this is not for the faint of heart. You really had to put yourself on the line for this, which speaks to the caliber of individual that was stepping up to participate.

And speaking of that, I also got a chance to talk with Clayton who won the competition, Clayton Williams of Carter-Haston.

So, I wanted to first talk about Laurie in her experience. She is a member of Camden's investment committee. She has been a member of Camden's investment committee since they set up their first investment fund. So, she has a wide range of experience in these sorts of settings. And I think some interesting notes about her experience, is that, Laurie is deeply involved in the operation side of Camden. And that's the perspective she brings to the committee at Camden and what she was looking for in the pitches she heard. I'll let her speak for herself about what she was looking for in a pitch and what she looks for in the pitches she hears from the investment committee.

**LAURIE BAKER:**

You're really looking at, in every case, whether or not, the assumptions, the underlying assumptions, live up to your thesis, as well as, can we execute and given our experience as a pretty savvy operator, we know that we can create value with our management teams and our platform, but the numbers have to work. In the end, you have to not only have a quality asset, but you got to be able to generate returns that make sense. And mitigating all the risk, I mean, you can take a look at all of those things, but it's got to be sound. And so that's kind of how we approach it. What does it take to run the asset in order to get the return that you're looking at?

One of the things I shared and I've learned this from joining the investment committee, is it used to be a lot of people are looking at the numbers, they're looking at the details from an engineering standpoint, what are any challenges with the building? But one of the things you have to understand, and I encourage all the members in the room, is you got to go talk with your operations teams. They're the ones that have to run it, and they got to be able to execute on whatever assumptions you have in those numbers. So, you better go figure out, whose your experts on your team, because that's ultimately how you harvest this value these days.

**KEVIN CAMERON:**

So, as you can see for Laurie, it's not just about the numbers, as we talked about earlier, it's really making the asset work. I mean, if you look at Camden's strategy, they are longterm holder, they hold their assets for 10 to 15 years. They're not looking for a quick turnaround. So, Laurie is really coming in from her perspective, looking at, how is this asset going to operate and run?

**ALISON JOHNSON**

And I think that's an important point that Laurie raises here, is that the investment committee, and not just at Camden, you could probably say more broadly, the investment committee is looking at the long term value or to their hold point for their investment in a property throughout its life cycle. How are they going to own and operate this property? So it isn't only the dollars that they're putting in, it's the dollars that will be cycled through this building in order to keep the water flowing, the energy on, and help people move in and out of the property.

**KEVIN CAMERON:**

Yeah, and I think, stepping into the shoes of someone like Clayton, who is pitching it, you have to look at all those aspects. It's not just saying, "All right, write me however many million dollar check and let's buy this building and we're going to make so much money." You've got to look at all the factors, where are there opportunities, where are there challenges?

So, let's go right in and let's hear, Clayton had some interesting things to say about what he looks for, because he actually does, he's part of the acquisitions team at Carter-Haston, so he does this for a living, going in finding and identifying assets to, for potential investment for Carter-Haston. So, I want to play a little bit of what he said he was looking for at the asset for this competition.

#### **CLAYTON WILLIAMS:**

Yeah. I really approach this how we would typically look at a normal investment. So, did the underwriting put the pitch deck together. I would say the main difference between this approach here, versus a normal deal that we would be working on was I tried to really focus on certain aspects of the business plan that I thought would be different compared to some of the other candidates, which is what I had seen in past years, seeing the competition, where it seemed like the people who had won were either had a development property that had higher yields, but if it was a value add or more an actual acquisition, there was usually some differentiating factor that made that person win. The one piece that was the most difficult and different than a normal kind of investment you would be working on in real time, was you didn't actually get to go tour the property, tour the comps, which is one thing that we, as a firm, like we've got the property management and the operational background, as well, with our firm.

So, when we're working on any type of investment opportunity, it's not just the acquisition folks that are going in and touring, we've got our actual property management teams, our construction teams, and those people really help us get a good gauge for this, for example, is a value add so, our construction teams give us a better understanding of what we should expect from a cap ex standpoint, from a cost. And then just we may have a tenured property management person that's located, locally, that will come tour the market with us and maybe know people that are working at some of the comps, which really gives us a good insight into really what the market's doing and how the comps are performing.

#### **KEVIN CAMERON:**

So, as Clayton says, you really got to know this asset insight and out, as we were just saying, it's not just about the money it's about operating. We are investing in homes and communities that need to operate and provide a service for their residents. It's different from investing money in the stock market and just hoping the line goes up.

#### **ALISON JOHNSON**

Right. I mean, there is something to be said about the real estate industry and how it approaches investments, while there's constantly this perception that real estate developers are almost like wild catters, Looking for dirt to turn or properties to turn over. That is not a holistic look at real estate investors. They are, yes, looking at valuations and returns, but they are looking at the integrity of a property, and how they can contribute to that asset in a way that sustains that property's value and connection, in the community.

**KEVIN CAMERON:**

Yeah. And not just sustains the property, but lets, multi family is so unique, that we are providing homes for people. It's not just an office or a storefront that's going to be open during business hours, this is where someone lives, works, now with the post pandemic, people are working at home, live at home, feeding their kids, raising their kids. I mean, it's really high stakes. So, you got to really look at all of the possible opportunities that an investment might bring, but also the challenges that it could present. And I think, both Laurie and Clayton, had some great ideas on what they look at when breaking down a potential investment asset. Where are the opportunities? And so, I talked to Laurie and Clayton both, about this asset that they were presented, again for those listening, it was a value add asset. Alison, why don't we actually break out? What does value add mean?

**ALISON JOHNSON**

Value add is a type of asset that has already been developed and is currently in the marketplace. And value add is a terminology that is used for investors to say that there is an opportunity to invest a little extra money into the properties facade, it's landscaping, it's resident units, where whether it be like new low flow toilets, new refrigerators, to new amenities spaces, to smart home technologies, those investments are considered value adds to the assessment of the property, thereby increasing the value of the property.

**KEVIN CAMERON:**

I really love when a nebulous term is really exactly what it means, value add. And that is a great segue to talk about what Laurie was looking for, as she broke down this asset, being able to, because they were given the specs, beforehand. So she had the opportunity to look at this asset and say, "What do I want these pictures to be? What do I see as someone who has been investing for Camden for a very long time. What pain points do I see? What issues will require some funds down the road?" So, let's hear from Laurie, real quick, on how she broke down this asset.

**LAURIE BAKER:**

So, we have the ability to look at all the operating expenses and determine, when we overlay our operating expenses on a potential acquisition and we run the numbers through it, we've got a good gut check as to what that's going to look like and then you go and evaluate what else could be creating some additional expense concerns, or challenges, that you have to just incorporate that into your number. So, we're just looking to make sure the asset or the opportunity was really thoughtfully considered, and then the numbers make sense.

**KEVIN CAMERON:**

So, I think Laurie breaks down really well. You've got to look at the positives and the negatives. Where can you create additional income, but what are you going to have to fix up for people to be able to live there? I think you'll hear from Clayton that, there needs to be some updating, it is an older building. So, what is going to require some capital expenditure down the road or right off the bat to be able to move in and acquire some new renters for the building? So, now knowing what Laurie was looking for, I think it's interesting to talk about what Clayton identified.

### **CLAYTON WILLIAMS:**

Yeah. This was funny, I actually didn't know that each person was given the same deal until a week before, which, I don't know, may be a blessing and a curse. I'm not sure if I would've approached it any differently, but I would say, like I mentioned, I really was looking for things that would differentiate my business plan from the others. And I knew that everyone was going to probably underwrite a very similar interior renovation scope, do the typical, like replace the cabinets, put in new flooring, paint it, just the common stuff. And so, I really spent most of my time focusing on the financials, focusing on other income, focusing on really the breakout of the rent role and how they were charging for rents.

And so, I'd say the two major pieces that I spent the most time on was one, the amenity premiums, which they had, it was interesting, the property has there's three floors. The first two floors were eight foot ceilings, the top floor was nine foot ceilings, and they were charging the same amount. There was no premium for having the nine foot ceiling versus eight foot ceilings. So, adding premiums there, adding premiums on the first floor, which is just better access to parking and the common areas. And then, there was a few units that had vaulted ceilings, we added some additional premiums there. So that was part one. And then on the other income items the property had been owned for 15 years by the previous owner, and I think, probably when they owned it, they were probably cash flowing really well and they weren't very focused on a lot of the other income items that they could have been charging for.

So, like there wasn't valet trash, they weren't charging for pet income and a couple other various items. And so, really digging in and understanding where, I called around the comps to figure out what they were charging. And there were several other income items that, ultimately, I added in. So, I would say the other income and the amenity premiums, on a capped value, it was almost \$10 million of value, once fully implemented. So those were really the two pieces where I spent the most time, and tried to figure out from an operational standpoint.

### **KEVIN CAMERON:**

It's so interesting to hear him walk through what he saw in this asset. I mean, I would've never thought that an apartment, that may have eight foot ceilings versus nine foot ceilings, or even vaulted ceilings, that makes it different. But just hearing someone break down what they believe could add value and be able to cover bad debt or provide some wiggle room for capital expenditures that need to happen, to replace something like that poly piping. So, it's just so interesting to hear where you can find opportunity.

### **ALISON JOHNSON**

Yeah. And hearkening back to long ago, in episode one, we heard Ken talk about that. Remember he talked about when he first started out in the eighties, one of the first things he did when he joined Trammell Crow and moved to Texas, was he went to every property in the area and he walked it and he, air quoting here, kicked the tires on these properties. Where he looked at how many elevators were there? And was there a parking garage? Was there security? These are aspects of every built community, that an investor is looking at to say, "Does this compare with the properties around it? Does this meet what I think are the minimum elements or aspects of a property for the price I am paying? And depending on what I'm seeking in return for this property, whether it's an immediate return in a three to five year time frame or longer out such as like Camden does 10 to 15 years, at least, will my investment over time, repay me the interest and appreciation for what I put into it?"



**KEVIN CAMERON:**

Yeah. And I think, I mean, Clayton points out one of his biggest challenges in creating this presentation for this competition, is he couldn't go tour the asset itself or even neighboring. I think he mentioned as I was talking to him, that Carter-Haston has some assets in the area of Buckhead and Greater Atlanta, where he knew what he could do in that area, but I think it's a difference between buying a car online or being able to go look at the actual car you want to purchase yourself. There are little things you don't notice, unless you can absolutely see it for yourself.

**ALISON JOHNSON**

Institutional owners and operators and managers, are managing communities and they know they're managing communities for their residents. There is also, a Pay the Piper, every owner and operator, is going to look to ensure that the value of the property is sustained per the commitments that they made to their investors. And so, that is why we're looking at the numbers here, because the numbers are important in making sure that this community continues to be operated, as a residence for renters, but also that there is enough revenue coming from this property, so they can invest in other properties and communities around the country.

**KEVIN CAMERON:**

Yeah. And I think coming from Laurie's perspective on the operations side, you also have to think about, it's not just getting the bills paid, but it's paying the front desk staff who work at these, paying the maintenance staff, keeping the maintenance up, whether it's landscaping, whether it's trash, all these things cost money to be able to keep these, again, communities that we're creating, up and running for the residents to live there. So, at the end of the day, making sure that the balance sheets work, that the asset can continue to operate as a multifamily building is super important. So, at the end of the day, the numbers do matter, to an extent.

**ALISON JOHNSON**

They do.

**KEVIN CAMERON:**

So, putting all that together, I think it'd be great to hear why Clayton won. Laurie gives a great breakdown. If you know the numbers are great, then you know it's going to work. The asset looks great, but what is it that made Clayton stand apart. And what makes any pitch stand apart? Going into an investment committee, you're going to hear multiple pitches for multiple different assets, but you only have a certain amount of money to invest. So, no one's picking a bad asset to present to an investment committee, unless they're bad at their job, but what is it that you're, you're going to get that green light. So, let's hear what Laura had to say about that.

**LAURIE BAKER:**

So yeah, you're going to be nervous about it, but you know what? I want to see some kind of enthusiastic energy shining through, as you are really excited about this deal. Tell me the story, help me understand

why you think it's a good investment that we should be approving. Whether it's a 75 million deal, a hundred million deal. We're talking, these are significant dollars. They're there're risks there, but I want to see the passion behind it and make sure you're committed to executing the deal and you've done your homework and that comes through in a presentation. You can tell when somebody, they're commenting in the presentation, "Yeah, I've reached out to this group. I understand the market. Here's what's going on in the comps." I mean, the package always has this stuff, but I want to hear them talk about it and be convincing with the fact that, they put their own money into this deal. And we typically ask that, "Would you put your own money into this deal?" And if somebody hesitates, you're like, "All right, I'm a little worried, now."

#### **ALISON JOHNSON**

Let's hear from Laurie, why Clayton, shined head and shoulders, above the others?

#### **LAURIE BAKER:**

Well, first off, I'll just say, all three presenters did a really good job. Sharing their unique investment thesis and their perspectives. They all fielded the questions, really nicely. We think we weren't too hard on them but, but it's not for the faint of heart, let's face it, for any investment committee meeting, especially in front of a large audience.

#### **KEVIN CAMERON:**

The added audience probably adds a little bit to it?

#### **LAURIE BAKER:**

If their peers and industry leaders, you look in the room and you're like, "Wow, they all really did a good job." It takes a little bit of courage and conviction to step up to the plate. So really, kudos to Eli Chester and Brian Kelly, who were competing up there. But in the end, Clayton just hit on all the issues and aspects of the deal, that we were looking for as judges, that and we had identified that really needed to be addressed, as I had mentioned earlier in my comments.

I think he did a really nice job at articulating, the strategy, putting together really clean slides. His slide decks were really easy to follow and understand and we thought that he had reasonable assumptions in his numbers. Although, I will point out, we didn't buy his exit cap rate at a 3.5 and gave him a little ribbing, but in the end, he took the trophy and I think, it was a great experience for all. And then, just inspiring to see how much work all three of the presenters did. It was very impressive.

#### **ALISON JOHNSON**

I think Laurie's comments here also illustrate, dare I say it, the art of the pitch, it takes confidence, as well as, financial understanding to deliver a pitch well, and convincingly.

#### **RICARDO RIVAS:**

And Clayton, we had to admit, we were a little shocked by the pricing that you were looking to exit, and the pricing you wanted to pay for it, but we got to say, we were really impressed with also, with your presentation on the detail and all the ways you analyzed it. So with that said, Clayton, I think you're going to take the trophy.

**CLAYTON WILLIAMS:**

All right.

**RICARDO RIVAS:**

Yeah. Excellent.

**ALISON JOHNSON**

So Kevin, what we just heard was a live recording of Ricardo Rivas, CEO of Allied Orion Group out of, I believe, it's Houston, Texas, who is one of the judges for the Young Guns Pitch Competition, sharing the judges decision in Clayton's favor for the pitch competition. So, that was the big reveal, and we've had now an opportunity to talk about what makes a convincing presentation, specifically from Laurie Baker's point of view and Clayton's point of view, as they were present in the competition itself. So listener, for your background, I had an interview with Field Stern, Managing Director of Investments at Redwood Capital Group, in Chicago, Illinois, who is the incoming chair of the Emerging Leaders committee, for NMHC, and Rishi Gupta, Partner and Managing Director of investments, at Eagle Rock Properties in New York, who is the incoming Co Vice Chair of Emerging Leaders. He serves alongside with Tessi Dahlen of Bell Partners. So, I asked Rishi and Field, what it is about the Young Guns Competition that makes it such a popular event, for the record, the first voice you hear on this recording is Rishi's and the second is Field's.

**RISHI GUPTA:**

So, I've always enjoyed the Young Guns Competition, I always thought it was a rare platform where you can see how best in class firms, are looking at different investments and hear how leaders of the industry, who are on the panel, respond to these investment professionals. So, it was always my favorite part of the program, I really feel like it's one of the unique opportunities for people who are emerging as leaders to be in front of a very large audience within our industry, some of the best and the brightest, and trying to cultivate that, and push the envelope on that, was something that I thought would be important.

**FIELD STERN:**

The one thing that we've always been quote/unquote, famous for, is this young guns panel. I think for the folks that had the ability and the benefit to actually see the Young Guns panel last week, Rishi and team, did a tremendous job, of really, changing the overall landscape of the presenting and pitching to the mock investment committee. It's always been difficult to find people to participate, just because everybody is super busy, both presenters and folks on the mock investment committee and Rishi, who is supported by Peter and Chris, did an excellent job getting Ricardo Rivas, Sue Ansel and Laurie Baker to

join as judges on the mock investment committee. And I think what's special about that, is focusing in on Ricardo.

Ricardo was part of the EL program. I don't know if it was eight or nine years ago, but to be able to take someone who is initially part of the beginning of the program, and highlight him now as a judge on the panel is just something special. And I think it helps solidify the importance of the networking that the EL committee kind of offers. And so, for folks that are interested on the investment side, it's just a great introductory, as Rishi said, to be able to kind of look at how companies that we're competing against, that we're seeing active in the industry, look at potential investment opportunities, but it's also great to be able to see how senior leadership folks actually think about those investments and be able to go back and forth on a Q and A.

#### **ALISON JOHNSON**

All right, so in effect, what we're hearing from them, is that this is a showcase, not only of talent, but a way from members of the multi-family peer community, to openly practice, listen, and learn about how to craft a successful pitch.

#### **KEVIN CAMERON:**

Yeah. I mean, it's such a unique opportunity. You don't often, arguably ever in the business world, get a trial run at your job. You don't get, besides like an interview, you don't get opportunities to practice your pitch or go in and hone your skills, other than actual live, on the wire, presentations. So, I think it offers such a great opportunity for the up and comers in the industry to hone those skills. And not only that, but hone their skills in front of group of people who could be hiring.

#### **ALISON JOHNSON**

Absolutely, this competition has given us a perfect example of growth opportunities that you just referenced, with Ricardo Rivas. You cannot say that all growth track records are going to be like Ricardo's, but it is a great illustration of, about how this industry and this network is supportive of young professionals who want to engage, who want to learn and who want to develop.

So, we're going to talk a little bit more about this brand, of the Young Guns Competition, with Rishi and Field. And I talked to them really about, this is such a respected and fun program at NMHC's annual meeting. I mean, what were you thinking in redesigning it and why? Why would you take something that has proven successful, and proven attractive to an audience, and restructure it? So basically, why change it at all?

#### **FIELD STERN:**

Historically Alison, the way that this worked is, there were three investment professionals that pitched a deal that the company that they worked for recently acquired, whether that was in the last couple months or the last year, the EL committee selected three individuals to pitch a deal that each of their firms acquired.

#### **RISHI GUPTA:**

One of the things that we found, from years prior, as Field was describing, was in addition to being from people's individual firms, we'll typically have a deal from every, call it, food group. Different risk spectrums, one value add deal, one core deal, and one development deal. And I think what was happening and what we found in the past were, the evaluation by the panel, it was hard to disassociate the deal, and the merits of the deal itself and the quality of the deal, with how good did the presenter frame and present and provide the information and then respond to questions. And so, we did a few things different, but that was what we were trying to address.

The other aspect that we were trying to address, was the selection process. In the past, the way that the presenters were selected, was oftentimes through word of net mouth through the EL committee members networks. We wanted to open it up to the overall Emerging Leaders list of, I would think, over several thousand members. And so, we opened it up as an application. We selected three presenters, and those were the three presenters that presented Brian Kelly from LivCore, Eli Chester from Blaze Capital Partners and Clayton William from Carter-Haston. Three amazing presenters.

Now the format was, we took actually a real property that existed in the market and that had been for sale. And then we took the information that was there and we modified it. One, we modified it to make sure it continued to be anonymous, the property, but then we also modified it to make sure it reflected a lot of the nuances that we see today, as investment professionals, when analyzing, underwriting and pursuing the acquisition of a property. We wanted to make sure that it was very relevant from a time standpoint. So that was the third element, of what we changed, to make sure that the discussion was healthy around those elements that Field's firm looks at, my firm looks at and how are other firms addressing those items?

And so everyone had the same case and everyone could take whatever approach they wanted. And the idea was for them, regardless of their price, it was for them to provide a cogent presentation and argument for why they wanted to invest in the property and how were they looking at it. And then, with a real focus on not giving the background of the investment, but really what was the thought process on capitalization, on hold time, on how you wanted to do unit renovations? How are you dealing with bad debt? How are you dealing with trade outs? And then the judges could ask very targeted and thoughtful questions, because they're not familiar with the single case, they could ask very targeted questions about the differences between people's approach and I think that's what ultimately got us to the winner, which was Clayton Williams from Carter-Haston.

#### **ALISON JOHNSON**

Kevin, you said it, like how many opportunities do you have to practice a pitch? It's normally a real deal, air quote, a real deal, on the job learning process.

#### **KEVIN CAMERON:**

Yeah. It is honestly a real world, midterm project.

#### **ALISON JOHNSON**

I asked Rishi, if the strategy for standardizing the deal and the scope of the Young Guns Program ultimately worked out the way he thought it would. Here's what he had to say.

**RISHI GUPTA:**

Absolutely, and it also allowed different people to take different approaches, there wasn't a right answer. We had, one person look at it as a three year hold, another as a five year hold, another as a seven to 10 year hold. We had different prices, ranging from high eighties to mid nineties, high nineties. And everyone had different capitalization structures, renovation programs, and it really allowed people to discuss the deal on the same aspects, but then have a very, a very different perspective.

**KEVIN CAMERON:**

I think it's great. I think the improvements that Rishi and Field and Peter and Chris made, I think is only going to make the program stronger going forward. I hope it brings folks more folks into the fold to take advantage of this opportunity. Cause I really like we keep saying it is such a unique opportunity to build your professional skills, as an investment professional. Or, like you said earlier, you may not work in investments, but you may know these numbers and know how these deals break down, and maybe it's something you want to give a shot, give it a shot.

**ALISON JOHNSON**

Absolutely. And take your chance as a pitcher in the Young Guns Competition.

**KEVIN CAMERON:**

And I mean, we actually asked all of our guests on today's episode, for a little bit of advice about, approaching this competition in general, approaching pitching in the real world, how to approach investment committees. And I think it would be great to play a few clips of what Clayton, Field and Rishi had to say, to give some advice to our listeners, who may be interested.

**ALISON JOHNSON**

We'll hear from Clayton first, what his advice for future presenters and participation in the Young Guns means.

**CLAYTON WILLIAMS:**

You know, first of all, I would say it's a great experience, just from thinking about making a business plan for someone, in a setting that is different than your own investment committee, definitely, it makes you think a little bit differently, which was a fun thing about this. And just opened up my mind a little bit on just underwriting and just the general pitch.

**KEVIN CAMERON:**

I think that's some great advice from Clayton on how to approach the Young Guns Pitch Competition for future participants. And I think you asked Field and Rishi more about what they learned, what they wish they knew, going forward for their first pitch. I think let's hear from them about what they had to say.

**FIELD STERN:**

Any sort of investment professional that has to stand up and act as a salesman and a steward of a deal, to an investment committee, there are so many different paths that you can take, to ultimately try and get everybody on the same page, to be in a position to approve a deal and make an investment. And so, I think I would've wish that I understood how much time I really had, I probably spoke straight, in my first committee meeting, for 20, 25 minutes and probably answered, unexpectedly, everybody's questions to ultimately result in just getting a simple approval, rather than having any sort of Q and A. And so, I think about each time my team's going into an IC, what are the hot points? What should we focus on? What shouldn't we focus on? And adjust the pitch accordingly.

**RISHI GUPTA:**

Yeah. I mean, I think that's absolutely right. There's a few things that I think about when discussing a deal and especially, if you think about it, in an investment committee format, many of the investment committee members may not be on the day to day with you. The discussions where I've seen the investment committee, the most successful pitch is when it is a collaborative discussion. When you are able to articulate why the investment professional likes the property, why would it be a creative to the overall portfolio. And then you have investment committee members who are asking questions that are targeted towards the things that really matter. The other aspect of it is, you always want to be even handed when you're presenting. Early on, I think a lot of young investment professionals, they want to be positive.

Here are all the reasons why we should buy the deal. And so they get into the sales, as Field said, but I think you end up losing the audience when the discussion's very one sided. And so, you always want to make clear to the investor community members, that we looked at all different aspects, here are the things that we were concerned about, and here's why we're no longer concerned, or here are the things that we're concerned about that we still are concerned about, but this is how we got over it. And so, providing a balanced approach, I think just ends up getting a better result out of your presentation,

**ALISON JOHNSON**

The guidance that Field and Rishi, both give, to their teams and to themselves, is take your time, know your deal and make sure that you're delivering the material about the project, in a conversational way. You are engaging a partner and make space for that partnership to exist.

**KEVIN CAMERON:**

Yeah. I think doing your homework, like you said, knowing your deal. And I think it goes back to what Laurie said at the beginning of the episode, that she's looking for a pitch. When you come into her invest committee, would you put your own money behind this. Know your deal inside and out and why you would invest your own capital, would this investment committee not be here? I think that's such a powerful way to frame how you need to go into these conversations.

**ALISON JOHNSON**

Absolutely. So, little plug if we might, for the Emerging Leaders committee, definitely we'll put this on our website or in the podcast notes for you all, but check out [www.nmhc.org/emergingleaders](http://www.nmhc.org/emergingleaders) to learn a little bit more about that program and the leadership and the activities that they do, because I'll tell you, Kevin, this is probably one of the most active networks we have within NMHC.

**KEVIN CAMERON:**

And, a little plug for next month's episode. We will be talking with another individual who started off on the Emerging Leaders committee is now running his own company and working for the governor of a very large state, I'm not going to spoil any of the details, but you'll have to listen next month.

**ALISON JOHNSON**

Yes, no spoilers! You have to subscribe to hear that next month. Exactly, there are so many exciting things that happen with this member group and speaking of exciting things, Rishi gave us a little spoiler, not too much of one, but a little spoiler about what they're thinking for next year's Young Guns Competition.

**RISHI GUPTA:**

It's not confirmed yet, but we are trying to figure out if there's a way we can continue to push the envelope on the Young Guns. I think one of the things that we've seen, is we have a lot of amazing people within our industry, not just acquisitions people who can evaluate deals. If anybody has ideas and thoughts and they want to be part of it, we welcome that.

**ALISON JOHNSON**

So with that, I think we're done with this episode. What do you think Kevin?

**KEVIN CAMERON:**

Episode two is a wrap.

**ALISON JOHNSON**

Thank you, to our audience. Thank you, to the NMHC members for helping us out. Really appreciate Laurie Baker.

**KEVIN CAMERON:**

Clayton Williams.

**ALISON JOHNSON**

Rishi Gupta, and Field Stern for contributing to this month's episode.



**KEVIN CAMERON:**

Please like and subscribe to Code 53. Make sure you're the first to know when a new episode comes out and we look forward to talking with you next month.

**ALISON JOHNSON**

This is Code 53, signing off.

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We appreciate you hanging on to the end of the credits! Please stay tuned for more content to come.