



SEASON 3 EPISODE #12

DREW DOLAN
DXD CAPITAL

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What is up, everybody? Welcome to the latest edition of The Rainmaker Podcast. I'm so thrilled to have Drew Dolan of DXD Capital on the show. Drew, welcome.

Drew Dolan: Thanks, Gui. It's great to be here.

Gui Costin: It's great to have you. So, in 2020, Drew co-founded the private equity real estate firm, DXD Capital, with a vision to be the most trusted and forward-thinking investment platform in the self-storage industry. DXD Capital has raised over \$150 million in private equity solely for the investment and self-storage real estate. Now, with over 30 team members, regarded as the best in the industry, DXD is developing class A self-storage across the continent of the United States from Long Island to Hawaii. As the manager of DXD's discretionary private equity real estate funds, Drew leads all strategic initiatives for DXD's equity and debt efforts, manages the finance team at DXD, and oversees investor relations with over 300 investors and partners. Give us a little background. Take us just back just a minute or two. Where did you grow up? Give us the college days and what you did in your career to get to the point where you founded DXD Capital.

Drew Dolan: Yeah. I grew up in New Mexico. Went to school in, you might know it as Harvard of the West. We just call it Arizona State. And I always joke, it was the best seven years of my life. That was probably too quick. After that, I got an engineering degree, moved to San Diego and was in technical sales. And it was 100% commission sales job right out of the gate. And I'm pretty sure I was the lowest paid engineer

that graduated from ASU that year, but within a couple years, I was the highest paid. But I realized after about five years is that it was the bottom of the food chain. We were selling HVAC, and it was it's kind of cool, but it's not the same as owning the building or putting the deal together. And I just really had this insight of I want to go to the top of the food chain. And to do that, you really got to be the developer.

Gui Costin: Gotcha. But I will just tell you this. And I'd say for our avatar who's listening, I mean, what a gift to get a straight commission job out of college like that and what it taught you.

Drew Dolan: Yeah. It was like you were working for yourself from day one. You didn't have to show up every day. You didn't have to put the extra effort in. But when you did, you saw it pay off. And that was just so rewarding.

Gui Costin: It's really incredible. Really neat because that was my kind of not quite-- I had many, many, many jobs until I started in Dakota, but for the five years, my longest tenure, I was a real estate broker for retailers in San Francisco, like Starbucks and blockbuster and others. And that was straight commission, and that was incredible. Incredible five years. Taught me so much. So, tell us a little about DXD. How did you find it? Why? And what do you guys do?

Drew Dolan: So, I've been in real estate for 20 years, and almost all of my experience is ground up development. That's what I love. And that's what I'm good at. And it's a very broad background-- multifamily, industrial, senior living. And then I found storage in 2016 and really just got enamored with the product. And I think what made me excited about it is that the real estate is really all that matters. Because it's a commodity, if you don't nail the real estate and the timing, changing operators, changing brand is not going to help you, versus senior living or hotels, operators everything. The real estate is secondary. And my background in real estate, I've realized that I wasn't going to be good at operating business. And we got into senior living thinking it was real estate. And it's absolutely not real estate. And so, in 2020, I had an opportunity to start DXD with a partner, Cory Sylvester, who created a company called Radius Plus, which is the analytics platform the industry uses for self-storage. So, they started in about 2016 as well, identifying every single storage facility in the country and scraping rates. And they really are the platform. And the idea was that we can build tech and analytics on top of that data, find other data, stack data, and use that to make investment decisions. And it was so relevant for me in self-storage because one, there's a lot of data available, and two, it's a commodity. And that data, the data will tell you where to invest.

Gui Costin: Can you just take us one level deeper on that. And what is the exact data that's telling you were to invest?

Drew Dolan: Yeah, it starts with the rates and by nature of the product, their month-to-month leases. Operators are changing rates every single day on available units. So, you can see what the supply, demand imbalance or balances based on the rates. Then we start looking at density. Then we start looking at job growth, population growth. I would say, the most important factor outside of rates is, is there new competition coming? And even if you don't know about it, is there other land that new competition could come because the Achilles heel in our business is oversupply. It always happens. It gets oversupplied as rates go up. People pile in, and you just want to be in a market that can't get oversupplied really quickly. And the vulnerability in our world is during lease up. Once storage gets stabilized, it stays. If you're stabilized at 94, it's going to go to 89. It's not going to drop to 69. And so, it's that lease up vulnerability. And our lease up is two to three years. So, it's a long period of very vulnerable time.

Gui Costin: And talk to me a little bit about DXD and how you guys-- do you guys raise capital and funds? Do you do individual deals? How do you go about doing that?

Drew Dolan: Our first fund was a \$63 million LP, and that was high net worth RIA all relationships-- a relationship minimum 500,000 that I had, or we created. Second fund was a GP fund. So that was 33 million. What we found in fund one is we met a lot of families, larger families, and they did not want to go into funds. They love what we do. They want to invest, but they wanted one off deals. And so, the GP structure allowed us to find land, put it under contract, do the due diligence, and then bring that deal to a family. And so, we've got about five families and syndicator groups that we bring deals to. And they have an insatiable appetite for capital. And so, we'll end up raising about \$200 million, side by side that 33 million for that fund 2, and we're starting to work on fund 3. But so, to answer your question, a little bit of both funds, and individual deals. We've stayed super flexible.

Gui Costin: I'd love to know because I've heard recently from one of our customers of Dakota Marketplace, our or database, that he simply said, Gui goes, real estate really doesn't belong in a fund. It's just much better in individual in JVs, if you will. Could you comment on why is that and why do you feel that way?

Drew Dolan: It depends on who you are. If you're an individual that sold his business. You're 65. You want to put 500,000 into real estate. Do you want to do it in one asset in one market? And that's the opportunity of the fund. It goes across different assets. You spread that risk out. If you're a very large family office and you've got a sophisticated back office, you want to pick deals because that's what the people do. You don't want to let somebody else pick deals. So very much who you are as an investor.

Gui Costin: Love it. It makes sense. So, tell me about the overall structure of DXD. How many employees? Where do you guys focus? How's the whole company set up?

Drew Dolan: We got about 30 employees. So, I'm based in Albuquerque. We've got IR, marketing, accounting here. Really main office is in Denver. All our development guys are legal, our finance, according to my partners in Connecticut, right out of the city where we've got some tech resources and development managers. And then probably a third of the company is spread out somewhere in the US close to deals. And so, our biggest focus is development. Like that is our bread and butter. That's what we're good at. The challenge with that business is, it might take us two years before we start a deal. That means two years before you get a fee. And so, we got to look out, year two, three years in advance to make sure the pipelines there. And we've done acquisitions. The time in the market is better for development, frankly, than acquisitions. But that'll shift, and we'll get more into acquisitions. But we are active in about 20 states, and so that's a lot of different places. We're active in Nantucket to Maui and then all in between-- very unique markets. The advantage we have is that we do the same thing over and over and over again. It's crazy that the 10 by 10 we build in Nantucket is the exact same 10 by 10 we build in suburban Las Vegas. And that's not like it for industrial, multifamily hotels. And so, when you do one thing-- economies of scale, buying power, same contractors, same banks-- you can handle the diversity in different municipalities and land in all those types of things because we're very, very focused.

Gui Costin: Wow. That's incredible. I'm thinking Nantucket and self-storage and where it would actually go. We grew up there, but I haven't been in a number of years.

Drew Dolan: Very small pocket.

Gui Costin: I was going to say, neat.

Drew Dolan: And it's crazy, we had to go down three stories because of the high profile they wanted. To make the land work pricewise, you could have a certain square footage. And to get that, you got to go down. And we've done that on a couple properties, and it actually works really well because the advantage we have for a lot of municipalities and neighbors is we generate very, very little traffic. And so, we don't generate any gross receipts taxes. But if you have neighbors that are worried about all the traffic from new multifamily or new retail, that's something we have a huge advantage on.

Gui Costin: Well, that's great. You mentioned the IRR function might be in Albuquerque. Could you tell me a little bit about your IRR team?

Drew Dolan: Yeah. There was a long time where it was really two of us. I have an associate who's been working with me for eight years. She's really great at relationships. She knows how to be super responsive. It was the two of us, and obviously the rest of the team was participating. But we were very focused on it. And recently, we just added two more people. We added one of them that knows self-storage really well, but his mindset is oriented more to IR. The other one we hired knows nothing about self-storage but has been in the private equity world for 25 years. And so, we can teach somebody self-storage. What we can't teach somebody is a relationship. That's what you got to go create. And if we can get in the door, we're going to sell ourselves like we got a good story. We got a good track record. We got a good team. It's just getting in the door and getting that meeting. And so, as we start raising Fund 3, we've got institutional partners that check the box. We're dealing with some very large family offices that give our new investors comfort. And we've had super success on our projects delivering and the timing. But it is opening that door, getting through the door to get the actual good meeting will, though, consider it.

Gui Costin: I love it. I love it. And then it's music to my ears. Tell me a little bit about-- so how do you manage all the data in terms of all your target investors? And I'm really just getting at the importance to you and your organization of a CRM and trying to track all that information.

Drew Dolan: Juniper Square were signing docs on Juniper Square. That certainly has made our life easier. We're emailing updates through Juniper Square and HubSpot. Like it's all there. You can go log in. And so, one of the most important things to me was like, do a really good job of communicating because we've been part of investments where you don't hear anything from anybody. You get a random check sporadically, and there's a level of distrust that just gets created. And to me, it's like, it's OK if it's not going well. Just tell me. And I want to make sure we have that with our investors. So, every month an update, financials on time, audit on time, tax on time. Those are the non-sexy blocking and tackling that you just have to do. You just can't screw those up. A lot of it is, Juniper Square where we keep a lot of people and notes. We use other individual tools. I mean, if we're chasing a group of high-net-worth investors in a certain foreign market, we'll get very, very granular. It's harder, I think, to keep those kinds of notes in Juniper Square and make them very effective and easy. And I know Juniper Square just came out with an app that I haven't used but could make it better. But top level, it's fantastic. Into the weeds, it's really hand to hand combat still for us.

Gui Costin: I hear it can be that way. I mean, it's really intermediated market. So, you talked about communication with your LPs. And I couldn't agree more. I think communication and every organization is the number one deal outside of just how you treat people and culture. But talk to me about, so you mentioned

communication with your LPs. How do you communicate within your company? And now I'm going to get into the leadership style line of questioning. What's your communication cadence with your organization?

Drew Dolan: This is five years and still working on it. We'll work on this forever. And I think if we were all in one office, it'd be a lot easier. We have three offices and then 10 people spread out. So, number one, we don't email each other. Like that is the kiss of death. Do not send me an email. We use Slack, and we set up a lot of different channels, project channels, marketing channels, like all these different channels, so that I get just what I need. And I don't get everything. So, I'd say, Slack is a big part, but it can be dangerous too, because there's just a lot of information going back and forth, and you can get bogged down. We probably have-- I probably have five standing meetings a week, which isn't a lot given how spread out our company is. We've got an equity meeting, equity and debt meeting. We've got a development meeting. We've got a finance meeting. And so at least once a week I get to check in with everybody. Then we have every month and all hands meeting, where we're getting everybody together, mostly on Zoom, and we're giving them an update. We're teaching them something. Like here's how to read Geotech reports. I mean, it might be that 2/3 of the people would never need to read a Geotech, but it's good if they're paying the bill to know what it is. Here's how to read a survey. Here's what a waterfall means. And so, I think it's constant learning, but probably the best thing we do is, twice a year, we all get together. We go to one of our projects. It's a grand opening. We have a dinner. Like it's really fun. I wish we could do that more. It takes a lot of time and a lot of money and a lot of effort, but I'm glad we do it two times a year because everybody loves. I mean, we have people that can spend a year and haven't met somebody. And so, getting them face to face is killer.

Gui Costin: Yeah, that's awesome. So, management by check-ins weekly, I love that. That's what we're all about. You're always connected. You're always in communication. When you do that, we never miss a check in. And then we do something that we call it W days. It used to be called a monthly offsite. Each group comes in, whatever it might be, and they sit down with about seven or eight of us and simply we say, what's working? what's not working? How can we help? We had one yesterday, and you can't believe, as communicative as we are during the 30 days in between, just how incredible the ideas that come up and are derived from it. And during things, during the feedback I'm getting, I'm trying to solve problems. I'll be calling people in. Hey, you got to come down and listen to this. A lot happened yesterday. You listen. All of a sudden-- I mean, those W days for us are gold. And we try to do it as much in person as possible. So, 12 times a year the whole company almost sees everybody, if you will. And it's really cool.

Drew Dolan: Are those W days on Zoom or always in-person?

Gui Costin: I'd say 90% of the people are live in-person. In our third floor, we're in the studio right now right across the hallway. And so, it's really convenient. And then there's probably five people, four people that Zoom in. And people come in. We have two people in Charlottesville, one person in Minneapolis. Most people are in downtown Philly. And it's just so fun to see everybody face to face because I've given everybody flex. So, everybody can do what they want to do. And we just try to create the single greatest offices on the planet to attract people to come in with great coffee and great food and gym memberships and all that stuff so to create a real fun, collegial atmosphere.

Drew Dolan: A lot of people want to be there.

Gui Costin: 100%. If you man, I'll tell you, well, I do want to-- maybe this is a good segue in. So, you're writing a book. Give us 30 seconds on the theme of the book and why you're writing it. And congratulations, by the way.

Drew Dolan: I've got about six months left, but we got a lot of young people in the company, people that are one year experience. And I consider somebody young that has six- or seven years' experience. And I found myself telling stories, and most of the stories were about mistakes. And it dawned on me that this business, you learn so much from a mistake. And the key is to learn from somebody else's mistake. So, if I can tell a story of a mistake I made, they might not have to learn it the hard way. And so, I wanted to convey those stories. And then on the flip side, as younger people are looking to know about real estate, they go on to YouTube or they sign up for some seminar or they implement some fundraising scheme. And I just saw all this garbage-- get rich quick. Here's the shortcut. Do exactly what I did. And anybody that implemented one of those and was successful, I think they just got lucky. Just flat out got lucky. And so, my goal was to tell an audience that this is a long game, and there's no substitute for doing it long and the hard road, and that you'll be better off if you think about it as a career and a long game.

And it's not really just you can't go buy a storage facility and call it passive income and say you're never going to work on it in an hour in your year, like that means it's going to be run like shit. Like if somebody's not paying attention, if an owner's not paying attention, it's not going to be done well. You can't always hire that. So, I wanted to share some more stories and tell people that there are no shortcuts. It's a road you got to take.

Gui Costin: So, I've done two books. One I dropped in 2019. Millennials are Not Aliens. Ghostwriter who got it done. Second book, The Dakota Way are four core principles of fundraising at investment sales. However, I will just tell you, it is really, really hard to get it across the goal line because of inertia and procrastination and everything. And even with a ghostwriter like this last one. So, I'm just going to encourage you, definitely finish it. Definitely just grind through. You will be so happy

when it's done, and you'll never have it perfect. But my advice is having done two, just do it. Get across the goal line, and congratulations for even starting. So, all right, as we wrap up, I want to ask you two questions. One, you hire a lot of young people. So, what advice do you give to, or would you give to a young person getting into your industry today?

Drew Dolan: Get out from behind the computer. Google cannot teach you everything. You can't understand a site until you see it and walk it. You can't understand an opportunity until you're face to face with somebody else. I think a lot of younger people, Google, ChatGPT, everything's online. Everything's market research, and there's just no substitute for being in person, on site, live. And that goes for organizations. Like you got to go volunteer. You got to get involved in NAIOP or ULI or whatever it is because that's how you meet people. And relationships are just critical for our business, no matter where you are in the company. And the only way you get relationships is not email, it's showing up and interacting.

Gui Costin: That's just awesome advice. As we close, for you today, in today's market environment, what is your number one challenge?

Drew Dolan: I would say the number one challenge is finding time for me to be strategic. I could get sucked into everything all day long into the weeds of everything. And that's not necessarily great for the company. Yeah, it might help that project, but it's not going to be good for us long term. And so, I've been really trying to take a third of my time and be strategic. And that might mean just calling somebody randomly on our team and saying, how's it going? Or reaching out to one of our equity groups, or I just took a drone video of a project we had in Maui, and I created a movie and sent it to one of our investors. I mean, that was just because I was bored, and I wanted to touch base. And I knew that would have a big impact. And so, it is making sure you got the right team so you can be bored. And I heard a saying the other day, and it's like, if you've reached a stopping point, if you've reached a ceiling in something you're trying to do, it's because you don't have the right person. And that is so true. Like every time I found we just can't get something done, it's because I don't have the right person. And so, can you work with that person to make it better, or you just need to bring somebody else in?

Gui Costin: Wow. I mean, the power of that comment, because I've lived that building a business for the past six years, from basically zero teammates to 65. That person's out there that you're speaking about. We know that. But finding that person can be it's like the Steve Jobs. One developer can do one X. Who's a good developer, a great coder developer is 100x better. So, you start to think. And that's what you're getting at right. You're getting at, wow, I can't get to where I'm going. But if I find that person, I've been living that. I can't tell you. And

we've done that the past six years and found just some of the most unbelievable people that have enabled us to do things I didn't even think were possible.

Drew Dolan: The sign that you have got the right person is one, you don't know how you lived without them, and two, they're better than you. And those things happen or one of those things. It's like, wow, that's a big deal. And I want people that are better than me at everything.

Gui Costin: Well, it's no surprise you're successful as you are and having created such a cool business, and congratulations.

Drew Dolan: Gui, thank you. It's been a pleasure.

Gui Costin: You got it. Drew, I've loved having you on, man. This has been really special. Thank you. And just to close it out, everyone, thanks to Drew. And thank you for joining the latest episode of The Rainmaker Podcast. And I can't wait to see you on the next Rainmaker Podcast.

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