



Whitney Elkins-Hutten of PassiveInvesting.com interviews [Ivan Barratt](#), CEO of [The BAM Companies](#), about the world of successful multifamily real estate acquisitions. Learn how his company strategically acquired The Altitude 970, a 291-unit property in Kansas City, MO. Discover their precise off-market purchase strategy and hear about Ivan's unique "drop and swap" closing technique, which offers a significant advantage. They also discuss how they optimized their capital stack, incorporating preferred equity to enhance returns. This allowed them to achieve strong performance on a Class A asset, even in a challenging market. Ivan also shares insights into their disciplined underwriting process, navigating due diligence, and managing properties for maximum value.

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291-Unit The Altitude 970 In Kansas City, MO With Ivan Barratt, Multifamily Syndication Expert

From Mentor To Millions: A 25-Year Real Estate Journey

I'm excited to be joined by [Ivan Barratt](#). Ivan, welcome to the show.

Whitney, thanks for having me.

We have a deal to talk about. The Altitude 970, 291 units in Kansas City, Missouri. Before we dive in, tell us a little bit about yourself and how you got into the multifamily space.

I've been in real estate my whole career. In 2010, I decided to start a management company on my own after working for a mentor for several years. I used that management company to build an infrastructure execution machine. I used that to bridge into syndicating deal by deal, as a lot of people do to get started.

Once I had a good track record there and some deals that went full cycle, we started our first fund, and we used that fund to grow a capital management or financial services company. Fast forward to 2025, we've done \$1.7 billion in transactions, about 9,400 apartments. We're a multi-strategy firm now, along with our 1,700-plus investors, who come alongside us. Our main focus is our acquisitions machine, private credit, and joint venture development.

A lot of irons in the fire there, but let's talk about a specific one, which is the Altitude 970, 291 units, Kansas City, Missouri. We were talking before the show. You guys closed this in September 2024. Tell us what was the purchase price.

We try to avoid disclosing purchase prices in case the tax man is watching. On this particular deal, it was very exciting. We bought it from an out-of-town owner that had a mediocre third-party management company running the show, which is one of our favorite targets. The asset is Class A, 2018 built, and it had traded for nearly \$300,000 a door when interest rates were at zero. We were able to come in 2024 and buy it for significantly less, in the low \$200,000 per door at a substantial discount. It went into our fourth fund that we closed in early 2025, and we couldn't be more excited to have this in our portfolio.



The Altitude 970: The asset is Class A, 2018 built, and it had traded for nearly \$300,000 a door when interest rates were at zero.

The Drop And Swap: A Unique Closing Strategy

I want to get into all the details about the acquisition and everything like that, but before the show, we were talking about how you have a unique strategy for closing properties. What is that?

Yeah, so 99 times out of 100, we do what's called the drop and swap. There's a little complexity to it. I'll try to make it simple for the audience, but where we're essentially buying an entity that owns the real estate, buying the business that only owns the real estate, versus buying the real estate itself. The drop and swap is a technique to beat any estate that is full disclosure or shows our cards to the tax authority about what we might have paid for the asset. We're constantly appealing taxes left and right in the seven states that we operate in. With the drop and swap, you get a clean entity the day before closing. That entity owns the property, and we buy that entity, which we don't have to disclose.



The Altitude 970: The drop and swap: you get a clean entity the day before closing that owns the property, and we buy that entity, which we don't have to disclose.

I wonder why more operators don't utilize that technique.

I think they will in the future. It's pretty common among your larger buyers that own thousands and thousands of units. It's not something we invented or some new wheel that is available now. It's an oft-used technique out there in the more sophisticated buyer and seller space. Mom-and-pop might not understand it, but most big sellers are used to dealing with their side of the drop and swap obligations.

We'll set that topic down for a little bit. I do want to back up the timeline here. You closed in September 2024. How did you find the deal?

At this level, when we're talking Class A, what we would call investment grade or institutional property. Even though this was an off-market deal, it still came to us through one of the big brokerage houses that specializes in these types of assets. In many cases, especially in this market, the seller may not want to do the full marketing out there in the marketplace for fear that the offers might come in lower than their strike price, and they might have to take it back off-market.

It's been occurring a lot more lately as we get our calls from our brokers. We've got the reputation of being good closers, good buyers, good transactors, and the seller said, "Here's what I'm thinking," whisper price, "Here's the relevant due diligence for buyers like me. If you'd show this to 2, 3, 4 of your top groups, and we can get to the price we're looking for, we're willing to transact."



The Altitude 970: We have the reputation of being good closers, good buyers, and good transactors.

That's how we get a lot of deal flow. We typically never would contact a seller to try and skirt the brokers. We treat our brokers very well. Those relationships are very important to us, and there are outsourced tip of the spear for acquisitions. This asset came to us that way from a seller who was testing the market, and we were able to transact at a price that was good for them, even though they were taking a loss on this particular deal. They needed some liquidity elsewhere in their portfolio, and so we were able to make a transaction.

Business Plan For A Class A Asset: Finding Value In Mismanagement

What is your overarching business plan for this particular asset? It's Class A, 2018 build. What are you looking to do?

I see that curious look on your face, and I get that from a lot of investors. "I thought you guys were value-add guys. How are you going to add value to a Class A asset?" Even in Class A, what we say is there's always somebody somewhere screwing it up. We are looking for a mismanaged, undermanaged business, which happens to be an apartment community. Typical target is a developer who's got to sell. Maybe they've added their value by building the project. Lease-ups are not going as well. Maybe they've got a joint venture investor. The other way to raise capital for real estate is you go out and get one big partner who writes the whole check.

Tweet: Even in Class A, there's always somebody somewhere screwing it up.

The downside of that is they have a lot of control. Developers get that call that they're triggering their right to force a sale, even though the developer might not want to. We look for deals where the developer's got a great build, but not necessarily the best operating team. The other side of the spectrum, Kansas City, in this case, is an out-of-state owner. They don't own a lot in the market. They've got, at best, a mediocre third-party property manager.

That sets up a possibility for us to evaluate an asset, underwrite it with our operating numbers, and see if there's enough meat on the bone to hit our projections, our target returns to our investors. We still look for what we would call a value-add return, 15%, 18% even though we've done significantly better than that in our IRRs 2025. The ability to grow NOI by reducing costs and bringing in our management team to enhance income.

We marry that with a great market where there's population growth and job opportunities and great schools to still get those value add returns, but on a much nicer asset, which takes a lot of risk off the table, versus swinging hammers and nails and doing full renovations and hoping that we can find residents that will rent at a much higher number.

Let's talk about the due diligence on this property. I know it's a 2018 build, but when did you walk the property? Did you walk every unit, and what did you find?

As we were talking about before, you've got the B team. I rely on my business partner, who's a much better deal genius than I am, and the management team and the maintenance teams that we have to get down to the nitty-gritty. I spend a lot of my time on investment and equity, and speaking with our 1,700 investors who come alongside us. Our typical strategy, which happened here as well, is that we don't put an LOI in without touring.

On that tour, we've got our head of construction and maintenance, our head of management, our head of asset management, and our acquisitions team looking over the property to get dialed in on what we know we can pay for it. The last thing I want to do for my reputation is re-trade with a seller because I didn't find something I should have. Due diligence, I think you asked about that as well. When it comes to due diligence, we're walking every single unit, no matter how large the project is. We've got teams that are walking through with checklists as well, of course, auditing the financials, the rent roll, and the leases.

Tweet: When it comes to due diligence, we're walking every single unit, no matter how large the project is.

On this particular property, how did it go?

It went as expected. It's an institutional seller, so the rent roll is very clean and very dialed in. It's a seven-year-old property, so it's relatively new construction, not a lot of surprises with that. Maybe a little bit of deferred maintenance on the exterior in parts that we've had to deal with, but we're able to budget for.

Let's talk about how you got to the offer. You're looking at this property, you know that the seller is probably going off-market because they're going to take a bit of a haircut per unit. How did you get to the offer? Was there just one trade? Did you guys put in an LOI and purchase sale agreement, and you're done, or did you guys have to go back and forth?

Essentially, on this one, we were given the whisper price, the price that the seller agreed to transact at. After our underwriting, our walk of the units pre-LOI, we put the LOI in for the price, and they accepted it and moved right to PSA. They were looking for a relatively quick closing at 60 days. We were able to accommodate that. I've got three lawyers here at BAM that are on the legal side of the house. We're able to put together a PSA in short order and move forward.

One thing that I have a question about, you're purchasing the actual entity that holds the asset. What does this do to the lending, and how did you solve that?

Lenders are very familiar with it. We are very fortunate to work with the seventh-largest originator and servicer of multifamily debt in the nation. Thankfully, they're headquartered right here in Carmel, Indiana, about five minutes from my office. They've been a fantastic partner. They've been at this for many years. They also own a publicly traded bank, the same pair of pants, just a different pocket. They've been through thousands of rodeos, and they operate across the country. They understand that in many states, and many sophisticated buyers these days are using the drop and swap to sell.

Were you assuming the lending, or were you getting a new debt?

We went to a new debt with our lender.

Decoding The Capital Stack: Senior Debt, Preferred Equity, And Common Equity

What were the terms of that debt?

We did two years of IO. We bought a rate cap in place to fix our debt at about 6% with a zero exit fee in two years, which gives us the flexibility. If we're ahead of schedule on our business plan or the market has swung back and we can sell it, we're able to sell with no penalty or refinance it and hold it a few years longer as well with no penalty.

I think you might find this interesting. We use a little bit lower leverage on the first lien mortgage from the lender. We raise our own preferred equity in-house. There's a tranche of preferred equity that's getting a monthly cashflow, a monthly payment, a monthly return with zero upside. There's the common equity, and those are the folks that are looking for those 2X to 2.5X multiples, those higher IRRs. That's the three tranches of our capital stack that have been now for about five years.

You said you got lower equity on the initial layer of capital. What was the loan-to-value or loan-to-cost there?

The loan-to-cost on the first lien is going to come in somewhere around 65%. For easy reference for your audience, it's \$100 million deal. It might be \$65 million or so on the first note, the bank loan. I've got \$35 million left of equity that I need to raise. Instead of raising all that as common equity entitled to the backend profits, we raise about 30% of that. Call it \$12 million or so preferred equity, and they get a 9% or 10% coupon, depending on the deal.

Those are investors that are retired, semi-retired, or they've had a big liquidity event, they've sold their business, and now they're just looking for yield. We offer them that solution. That increases the leverage in the deal, and it lowers my weighted average cost of capital because I've got less equity entitled to those big returns at the back end. Now, there's more or higher potential for higher upside for the common equity holders that are looking for growth in their portfolio, more than cashflow. It also

accelerates the losses via bonus depreciation to the common equity, which the preferred equity does not receive.

That was going to be my next question. Are you allocating any part of the bonus depreciation or depreciation in general to the preferred equity class? It sounds like that's a no.

Correct. The preferred equity is almost like mezzanine debt.

I'm curious, it seems like for the preferred equity class. That's a lot of risk to be taking on. Why not just do it as a note?

The bank won't let you do a note to your preferred equity. I would push back a little bit on that risk statement. They're in a pretty safe position there, being the preferred equity. You'd need to lose about 20% of the property's value for that preferred equity to start absorbing losses.

You don't see that in the market nowadays, and is this a safe assumption that the property has already taken that value hit, and you don't see that any more of a slide happening?

We make money and we make our profit when we buy it. We have to be very disciplined about what we can pay for things. Just looked at another deal in a similar market. Our line of the sand was \$72.5 million for that asset, and the seller wanted \$73 million, and we said, "Thanks, but no thanks." It takes a lot of discipline. A sponsor might think, "What's another \$500,000?" That \$500,000 extra of equity can make all the difference on the back end.

Tweet: We make our profit when we buy; we must be very disciplined about what we pay.

We covered financing, and we covered the capital stack, what was senior debt, preferred equity, and then the common equity class. For the common equity class, what was the preferred return offered? Any splits offered to them, IRR hurdles? How did you structure those for them?

We try to make it pretty simple with a pref of 7% and an 80-20 split above that.

No other tranches?

No hurdles, no other tranches. A few years ago, we did where we'd have more hurdles and whatnot, but we think it's better investor alignment and a little bit simpler for your average accredited investor to understand just 80-20 over 7%.

Fees are another question that operators are asking. How do I align fees with my deals? What kind of fee structure are limited partners expecting? Any limited partner reading this is also interested in what fees are being charged to the deal. How did you handle this for this deal?

The fee stack, so the property level fees are pretty typical. We're going to be between 2.5% and 3.5% management fee on a deal of this size. We've got 1.5% or 150 basis points, fund management fees that are charged on the net asset value inside the fund.

Any acquisition fees?

Yes, 1.75% on the acquisition fee, 1% on the disposition.

It sounds like this is a Class A asset, not a large construction budget, but have any construction fees been taken?

No construction fees taken. We try to keep those costs down as much as we can.

Post-Acquisition Realities: Navigating Supply And Marketing

Since you acquired this property back in September 2024, what has happened since acquiring the property? Has it been a smooth process, or have things popped up for you?

I would say it's never smooth. Nothing ever goes according to plan. Property management is a very tough business, and it's a bit of a grind out there in markets as the supply issues are still burning off. We have to pay much more attention to every lead that comes through the door. We've got business intelligence, so every day, we can see what was the traffic count. How many tours, how many apps taken, versus how many leases were signed? Everybody has got to roll their sleeves up right now. Operations is the name of the game.



The Altitude 970: Property management is a tough business; it's a grind as supply issues burn off in markets.

It's not easy compared to when COVID hit, and the line out the door of your leasing office was pretty long. We've got to have our stuff dialed in. As you know, Whitney, it's a people game, and so it can be difficult to get the right people in the right seats and find the right property managers and the right

maintenance team. It's rewarding when it happens, and it stinks when you've got to fire somebody, but that's why they pay us the big bucks.

AI In Property Management: Enhancing Operations And Customer Retention

Since you do own a property management company, a question that I have always been interested in asking a property manager is how you're utilizing AI in your business, or are you not?

Absolutely. We've got native AI now. We're using it more internally at corporate, within HR and IT. We're moving to AI to where the employment handbook starts to go away, and employees can ask AI a number of things about their benefits, paid holidays, that sort of thing. We're still in a wait-and-see mode except when it comes to leasing after hours. We've got some AI involved there, but we're still in a wait-and-see mode on who's going to come out on top as being an AI vendor for some of the more client-facing stuff.

That was my main driver of that question. How are you utilizing it to increase occupancy in customer retention at the property?

For me, it's still a game of people, relationships, and community at the property level. If all my competition is run by AI and it's very cold and faceless, then maybe I can build more community and retention by having a little bit more of a human touch. There are certainly things on the horizon around collections and off-hours responses to things via text that are very compelling.

Ivan, I have two questions left for you as we wrap up the show. What did you find easy about closing this property that you quite honestly thought would be more difficult? Let's flip that on its head. What ended up being more difficult about closing this property that you thought would be easier?

I'm a big fan of the seller. The seller was good to work with. They had a great legal team, great transaction team, and that's always nice when our teams can come together and effect and transact a deal versus a more combative environment, which we certainly experienced. It was a pleasant surprise when we got a great seller.

Something that has gone harder, I would say, Kansas City, like many markets, is still burning off supply. We've got to be a lot more diligent and work a lot harder on the front side of the house, getting the word out there, spending a little bit more on marketing than we'd necessarily need to a few years ago, to bring those potential residents through the front door.

Ivan, thank you so much for sharing your knowledge and expertise with us here. If people want to learn more about you, how can they do so?

BAMCapital.com.

Very simple. Ivan, thank you so much for spending your time with us here. We look forward to hearing about your future deals.

It's been a pleasure, Whitney. Thank you for having me.

Important Links

- [Ivan Barratt](#)
- [Ivan Barratt on LinkedIn](#)
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