

**EPISODE 378**

[INTRODUCTION]

**[00:00:00] ANNOUNCER:** Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

**[0:00:24.1] WS:** This is your daily Real Estate Syndication show. I'm your host Whitney Sewell. Today, our guest is John Manes, thanks for being on the show John.

**[0:00:33.1] JM:** Thanks Whitney, appreciate you having me.

**[0:00:34.3] WS:** Yeah, I'm honored to have you on the show just from reading the short bio I have, you're going to be a great guest. John is the owner of a hundred million dollars' worth of self-storage. 14-year veteran of the self-storage industry, he's a frequent speaker and author of local state and national self-storage industry topics. And John, thank you again for your time, tell us a little more about maybe how you got into this industry. Did you start with self-storage or maybe you can go a little further back than that and how you got into this thing we call real estate?

**[0:01:06.9] JM:** So, I actually started my career in retail and I always say like in the Walmarts and Kmart's of the world, even though I never worked for either of them. And I spent 17 years in that environment and just got burnt out on it and I worked my way up to district and regional manager in that environment and wanted something different.

So, I started to apply to multistore leadership in a space like warehousing, multifamily and I applied to this job as a district manager of self-storage with this little tiny self-storage company

called Uncle Bob's Self-Storage which is now Life Storage and the fourth largest self-storage company in United states. Ended up getting the district manager position with them for San Antonio and Austin, Texas.

Did so well over a three-year timeframe, they promoted me to regional vice president of the company. As a reward, they moved me to Buffalo, New York.

**[0:02:04.9] WS:** Congratulations.

**[0:02:06.4] JM:** Thanks. So, I spent like six and a half years with them and then networked back into Texas as the COO of the Jenkins organization which owned and operated 55 self-storage properties. Ran that company for five years or so and then about three and a half years ago, went out on my own and started buying my own stuff and here we are 20 properties later, about 110 million dollars' worth of self-storage.

We've raised over 35 million dollars' worth of private equity and still rolling. So that's been my journey, retail to storage to publicly traded to a private entrepreneur environment to doing it ourselves.

**[0:02:48.9] WS:** I get that right? 35 million raised, 20 properties and that's in three and a half years?

**[0:02:54.4] JM:** That's correct.

**[0:02:55.7] WS:** That's impressive. So, you know, in the next few minutes, I want you to tell us how we can do the same thing.

**[0:03:01.6] JM:** Okay. Get ready to, I don't know if they can see me or not, but I had a really pretty head of hair when I started and I don't, now. Be ready to lose all your hair, that's all I can say.

**[0:03:15.8] WS:** All right, go back three and a half years ago, you know, you're focused obviously, you were focused on self-storage, you're a burnt out of retail, you had some great

experience, you'd worked for some larger companies and played a big role there and then went out on your own. Tell me a few key things that you learned from the other jobs or you know, even the other asset classes that you were in that were instrumental to being able to move that fast when you started your own business?

**[0:03:41.0] JM:** I think the biggest thing was through the years I learned how to build teams and how to market not only a company or an asset, but myself as well. When I started to go out on my own, I thought I could raise probably a million dollars maybe, but in the end, I raised a million dollars in about 45 days and I was like, "okay, wow." The way I did that really was being out in the storage community, speaking for the prior six years.

So, a lot of those people that are invested with me were friends and family as well as different vendors in the storage industry. I was able to line up people a head of time that said, "man, if you ever buy a property, I'll do this with you." When it came time to go raise the money, I'd literally had a list in a notebook of all the people throughout the years that had told me that and I called them. They invested and I was like, blown away, I was like, "oh my god, they actually invested!"

That started and then we started to build a machine internally through different marketing avenues and I do a lot of speaking like this on the local, state and national level. You know, now we've gotten really sophisticated, we use CRM and all that kind of stuff. Where before, I was on the phone making telephone calls and saying, "hey, I think you told me you might want to invest." Now I do a lot of one on one, why storage is a good investment and probably talked to about a thousand people in three years so they go into our database and when it comes time to raise money, we do an email blast and we're raising about a million bucks a month right now.

**[0:05:33.5] WS:** Nice. So, I wanted to back up a little bit, you said you'd learned a lot about building teams and that's really what helped you to be successful. Give me a couple of things that would help us to build that team to help us to be successful?

**[0:05:46.2] JM:** Well, we have a philosophy really internally for Pinnacle Storage Properties that we deal with people we like, trust and respect and you don't fall into those three categories and we don't do business with you. I always tease that one of my business partners Robby Dunn

falls into two out of three of those categories. I hope he listens to this podcast. So really, what it comes down to is we've got to build that likeability with people that are honest with us because we are really transparent and honest with them so it starts there.

Then, like a lot of people through leadership try to build teams with people like themselves and rebuilt teams where people that complement each other, but it starts with that core value of like, trust and respect and then it builds from there. I'll give an example, I'm more of the extrovert of the group, I do a lot of public speaking, I'm not afraid to make myself look stupid I public, things like that, which I do all the time. I do a lot of the front facing, raising money and running operations. Where Robby Dunn is kind of a middle introvert versus extrovert.

He has a degree from the university of Kansas as an English major and he does all the behind the scenes stuff, deals with the banks, the insurance companies, does any contract, he does post investor communication of that. I like to say that Robin is the letters guy, where I'm the numbers guy.

Then you got Erik Osterhus, who is our third partner, who does all the construction related stuff, they prepare maintenance or ENA like enhancements and expansions and things like that and I always like to say that he's the bricks and mortar guy. If you look at and he's an extreme introvert. Look at us as a team, we're all totally different but we get a long really well and it makes for probably the best partnership that you can have in a place of business because there's not one dominant player.

The underwriting for us as a company, I do all the underwriting and underwriting department reports to me. But I'm a big picture guy, so when we're done, we send it to Erik because Erik's the detail guy and he goes through with fine tooth comb and make sure everything's just as accurate. So, when it comes to building teams, a lot of people like to just deal with people that are a lot like them, we're not. We build our team of people that are very –

**[0:08:20.1] WS:** Smart, very smart, yup. Then you bring different things to the table for sure. Tell me a little about the machine, you said you all have a machine now that I'm sure a lot of that stemmed from the team and now everybody's contributing to this machine, whether it's ideas

about software that you have or the next dal that you're doing. Tell us about creating this machine and maybe give me a couple of aspects that are important about it?

**[0:08:42.3] JM:** So, through our management platform, we've managed to have a full time book keeper, full time operations coordinator, full time financial analyst, VP of investor relations, two DM's, two area managers, four training managers so therein lies what is part of the machine, the people part of it. But then, we have implemented some systems, we use Zoho and Kurt Power, who is the VP of investor relations. He sent out all correspondence. Inside Zoho, it allows you to build campaigns by each asset as well as campaigns by all your investors or potential investors.

If we want to do a newsletter as a company, we can send it to all investor. Or if we want to give an update on one specific asset, we can send it to just those. But then, we want to raise money for a particular project that is in the future, we can send it to everybody. People that haven't invested as well as people –

We've used technology to help us with that machine. I don't know if you watch *The Profit* or not on television, but he talks a lot about people, processes and product. We've got a good product, our product of storage is a low risk investment product and we go in and buy the mom and pop and fix them up and make them pretty for our customers.

So, the end user product's also good. Now you got to have the people in the process piece of it. Some of that processes is not just rules and regulations, but it's also technology that helps with those reasons. Like Pat who is our operations coordinator has wrote 250 page operations manual and she's working on the training manual that mirrors that now.

Now you have the right person in place, right process in place and now we're going to use technology by creating an intranet to have people to be able to go to it, find whatever they want, key word search, all that kind of stuff. This is all on a shoe string budget at the same time. It's people, processes and then hopefully end up with a really good product.

**[0:10:56.3] WS:** Give us a tip on doing something like that on a shoe string budget?

**[0:11:00.6] JM:** Well, when we first started, it's me, Robby and Erik, that's as shoestring as it get. We didn't have anybody helping us. As you grow a company like this, it's easier to scale people when you have people like store level. If you have one store, yes, the store manager's front facing and selling to that general customer, but they got a bunch of downtime as well. You can put them in charge of a marketing campaign and you can put them in charge of creating fliers or organizing your calendar or booking my travel, things like that that it's helpful, so that we can focus on them raising money.

So, a lot of people would then go out and hire administrative assistant and we've not done that yet because of that shoestring budget. We want to put people in places that are going to have high impact and we can [inaudible 00:11:50] if we wanted to. That's as shoestring as you get when you're running a hundred-million-dollar business. It's silly things like that that [inaudible 00:11:58].

**[0:11:58.3] WS:** You know, I'd love to hear your response too about why self-storage is the way to go. I know you've given that to many talks, but I would love to hear that and maybe we talk about a recent deal as well.

**[0:12:09.7] JM:** First thing I'll tell you is, self-storage has a 2% foreclosure rate, so I'll ask you this. What do you think people do with their stuff when they lose their house?

**[0:12:19.5] WS:** They don't get rid of all of it.

**[0:12:21.5] JM:** That's correct, they put it in storage. What happens when they lose their business? They put it in storage. So, same thing happens when the economy expands. When the economy contracts, people use storage, when the economy expands, people use storage. So, in the 14 years that I've been in storage, they've had one down year and that was 2008 to 2009 and if you look at it from how many self-storage properties that are in United States, which is around 57,000 self-storage properties.

Only about 2% of those go foreclosure in a given time. I've only known three of them go foreclosure out of the two or 3,000 I've been associated with for 14 years. So, if you look at it from that standpoint, one of the safest investments, because of what the human behavior

behind it is, that is people want to keep grandma's dresser, people want to keep mom's pictures and all that kind of stuff, so what they do is they put it in storage.

And that helps our business. Outside of that, if you're an investor, it has an awesome cash flow to it and in this environment, you can be very creative in how you structure deals, so that you can either get small money upfront, a little bit of money along the way or big money as you add value in the end and because of those 55,000 self-storage properties, there's only 12% of them that are publicly traded.

There's another 17% that are traded by big money. So, only about 30% of them are organized. The other 70% are home by one off people. So, when you look at it from that standpoint, it's still boots on the ground where you can go as a common person, you can go buy a self-storage and still make money on it. And, then if you know what you're doing or your partner was somebody who knows what they're doing, you can make a lot.

**[0:14:20.9] WS:** That's helpful, that's a plus. So, can we talk about like I say, a recent deal or current deal or maybe when you've all have worked on or just closed recently and love to hear some details about it, how you found it and then you know, maybe how you structured that deal.

**[0:14:36.3] JM:** As I mentioned, I do a lot of speaking at local, state national type of stuff. We find a lot of deals by relationships is we're out there in the forefront building those relationships. So, we get first looks or of market deals a couple of times a week, literally. We've probably underwritten 250 deals in the last 12 months. An of those 250, a hundred of them are probably of market or first looks through the relationships that we have.

Even through it might go on the market, we get ta two or three-week head start on it. How we find them is very creative, we call ourselves grinders, we're always out there grinding, we're always doing things like this podcast in order to get our name out there, so that when somebody's listening to this in Savanna, Georgia and you're like, "All right, well, who do I call to sell my property?" They can call me and I'll underwrite it and one of the things we do is we give them a fair price.

So, that's how we find them. Current deal, we have probably 10 deals in the pipeline right now that just made new offers a couple of weeks ago and we're getting ready to make a couple of more offers, we recently just raised 15 million dollars of private equity that is not part of the 35 that we've already raised.

Once we place that, we'll be able to probably double in size in the next six months or so. Those deals consist of one version project here in Texas that a guy that is already in storage. He owns four self-storage properties, hasn't been able to create that machine of raising money, approached us and said, "Hey, we want to partner on this deal. We'll be able to split it all up accordingly based on who does what." I say there is four parts to a deal:

The person who finds it, whoever raises the money, whoever signs on that and then whoever runs the property when it is all said and done. That is the four pieces of it and the only one we want, we'll go on is the who runs the property because we are pretty good at that. So outside of that we do sign on that, we do raise money and we do find deals but if somebody finds a deal and doesn't know how to get it done, we know how to get it done.

So they come to us and say, "Can you help me raise money or we'll give you X piece of it or can you can sign on debt and we'll give you X piece of it?" And I always say, "Well, sure as long as I get to manage it." and that is how we've been able to grow so fast since we are creative. We are grinders. We build relationships all the time, we kiss a ton of babies but in the end, I mean we've either partnered. We've partnered on five properties out west in Washington and Oregon that we didn't find the deal.

We didn't raise the money and we didn't sign on debt, but we are operating them and they gave us part of the ownership of those properties.

**[0:17:34.2] WS:** Just because of your track record?

**[0:17:35.9] JM:** Because we're pretty that's it. Yeah because of our track record. Actually, the guy that owns those five properties also has invested over \$3 million in a couple of our properties as well. So, he came to us and said, "Look, we got these five properties and we now your expertise. We can do third party management and that is just not something we do." And I



said, "Well I would do it for a small piece of the pie." He asked me what that number was, I told him, he said, "All right done."

And I said, "Man, I should have said a higher number," and so here we are, five new properties as of June 1<sup>st</sup> out in Oregon and Washington State. Just being creative.

**[0:18:18.5] WS:** Wow. Yeah it sounds like it. Tell me if you are willing to go it sounds like anywhere, if somebody brings you a property and it makes sense, you're willing to make it happen.

**[0:18:25.7] JM:** That's correct, yep so far.

**[0:18:27.4] WS:** Yeah, so how is your team prepare say for this quote downturn in quote that everybody says is going to happen?

**[0:18:34.6] JM:** I think we'll do fine because we are in storage. So, I don't know if our current administration is going to allow for a so-called downturn. I think they are trying to do anything and everything they can to prevent that downturn including lowering interest rates and printing and money and all kinds of stuff like that. But let's say it does happen, the advantage to us in the private sector versus the public sector is our assets in theory do not take a tank like Wall Street's assets do.

And mainly because of how we source money. So, you know they source money in an institutional market, we source money in the private market. So. if that happens and money becomes more expensive to us, we can still be creative on how we structure deals to get deals done. To us, cash flow is king. So, as long as I am paying my mortgage and you as an investor is getting their return, do you care? The only thing it has an effect on you as an investor is if we sell that property right then and there.

That's it. Now sometimes it does have an effect on you if you have to refinance during that downturn, right? Because capital either becomes more expensive or harder to get, things like that. But based on how we have networked with the different private placement type of money that we have access to, we'll still be fine. We might cash flow a little bit less because of the

bridge loan or the mezzanine financing to get us to past that hump, but in the end the asset itself is there.

**[0:20:18.4] WS:** Nice, yeah cash flow is king I agree.

**[0:20:20.8] JM:** And in the public sector it's not because as a REIT, real estate investment trust, they have to give 92% of those profits back to their investor. They are only allowed to keep 80% of it. So we don't have to do that. I mean we have nothing to give back to them, we don't have anything to give back to them. But if we have surplus because it's storage and people are using it more during a downturn then we give them more money back versus less.

So, we're prepared just by doing the same thing we have been doing, the same blocking and tackling, same marketing. I think the difference is the change in marketing challenge just a little bit where you start to distressed areas and try to get that customer to work and the beauty of us is our customer stay an average of 25 months. So, once you get them in the door, let's say you give them a free month rent who cares? They will stay another 25 months.

So, I am like in the apartment world where your releases are 12 to 15 months, ours are every 30 days. So, I technically can move your rate every 30 days if I want to. We're not that mean, we don't do that. But it gives us the flexibility that has that demand spikes because of people moving out of their houses I can actually raise rents versus in the multifamily sector as people are moving out. They got to lower the rent in order to increase their occupancy. The opposite happens for me.

**[0:21:43.0] WS:** So, what's a way that you've recently improved your business that we could all apply to ours?

**[0:21:49.2] JM:** The biggest ways is I partnered with a company out of Austin called FineView Marketing about a year and two months or so ago and they not only do all of our marketing for our stores. They do all of our signing, our print material, all of our digital, SEO, all of that, but they also do all of our marketing for our home office and they have a team of people that obviously for a fee that just help keep that machine running.

Like we got the internal machine but we also got the external machine too and they continually apply grease and oil and gasoline to that. Like a great example is, I don't think we're connected on LinkedIn but you'll see posts from me all the time on LinkedIn. That is not me, that is my marketing team. So, you'll see the videos from me, which obviously is me, but they do post like on 9/11. They did a great post on Friday the 13<sup>th</sup>, they did a great post to all of that and you know the next thing I know my phone starts lighting up.

That people are making comments and I didn't even know I put a post on LinkedIn. So, probably the best thing that we've done recently is partnering with them that they continue to fuel that and it is a reasonable cost so that we're not just dumping money into a marketing company that's getting no result. Like as an example, our store level volume increases 30 to 40% over the last year just based on partnering with them.

**[0:23:23.5] WS:** Wow so that's great numbers and it also goes back to the team, right? I mean your partnership in increasing your team so that's awesome. So, if you had to pick one thing that's contributed to your success what would it be?

**[0:23:34.3] JM:** Work ethic, probably. Not just work ethic for me but work ethic from my partners. It is interesting because when Robby asked me to be partners with him years ago, I was hesitant. We actually signed a partnership agreement that allowed me to do business with 12 other people and him with six other people. Some of those people on my list are Erik Osterhaus, who is our partner now. Christina Alvino who owns FineView Marketing.

There is a couple of different people on that list that our partners now, we've since burned that partnership agreement. It doesn't mean a whole bunch anymore because we realize we're better as a team than we are as individuals. But the biggest thing is I was concerned because I know I am a workaholic that Robby was going to be able to keep up with me and interesting enough he outworks me all the time and so does Erik.

So honestly, I just say work ethic is stick-to-it-ness. I am not afraid to fail, but I mean when you do trip and fall, get back up and keep running at it. Most people get to that point where they go, "I think I am missing purchase." We don't do that. We get there and we go, "There's got to be a better way" and we try to figure out how to get through it. So, work ethic, stick-to-it-ness. I think

that has been the biggest thing and great partnering is something matching partners are everybody complains about their partners. I don't, mine are awesome so.

**[0:25:04.7] WS:** That's great, it goes back to your team. Yeah just what you to elaborated on the beginning but before we have to go, what about your best advice for caring for investors, so they want to come back?

**[0:25:15.1] JM:** Transparency. When times are good, they know about it. When times are bad they know about it. I take pride on answering my phone calls and have enough conversations sometimes. When you are upfront with people you know the like, trust and respect thing that I mentioned earlier I mean not only do we want it, but we have to give it. So, if you don't trust me you are not going to like me and you are not going to respect me, right?

But as you know with investors and or with yourself and partner, sometimes you got to call your kids ugly and sometimes there's conversations aren't the easiest ones, you know? But even when you are transparent with them of why it happened or what is going on, we do quarterly reports where all of our investors know what's going on at all times and then if it is something positive like we are doing expansion of the store and we needed approval to go by the land behind it.

We had a call to tell them what was going on there, they're like okay, we took our vote, it is a 100% vote and we moved on. That's a good message, right? Well, we had another situation where we had to tap into additional \$250,000 because the asset wasn't going according to plan. We got on a call, we discussed why, they all knew why ahead of time because it has been in the quarterly reports every quarter. We voted on how to handle it. They all voted yes and here we are.

So, they got to trust you and if you don't answer their phone calls, if you hide, if you're vague, all that kind of stuff they are not going to reinvest with you. I mean we've got investors that have invested in six or eight properties with us all because of that reason.

**[0:26:47.9] WS:** Nice and so before we have to go, tell us how you like to give back.

**[0:26:51.1] JM:** Oh, that's a great question. Thanks for asking that question because that is who we are as a culture. First and foremost, we like to give back to our team. So the values my fulltime bookkeeper as the example, she's sitting at the end of the isle right there, I was talking to her about a year ago and she's from Lebanon and I asked her when was the last time she was back and she was like, "It's been like four years," and the reason is, is because she has two adult kids and her and husband.

And she's like, "It's like \$2,000 for us to fly back." So, I stuck that in the back of my head and I said when I got with Robbie and Erik and I am doing a deal I said, "I would like to surprise Rania and cut her an \$8,000 check out of one of our next deals and make her a plaque that has the state and country of Lebanon on it and an airplane and all this cool stuff and frame it and buy her four tickets to have her go back home." And that is how we like to give back.

If you are going to flush your butt through us, we are going to do that in return. We've helped our team fix their credit through teaching them financial literacy. We have helped them through incentivizing them in different ways to give back to them you know through doing deals, teaching them how to do deals like we do. One of the things that got me in trouble in the past is I wanted to do a deal on my own and my old boss didn't like that. So, here I am with my own company.

So, we teach them how to do that and we actually encourage them to go build it and we help them through the process. So, if they wanted to buy a deal we would help them. We'd help raise the money and we'd help them sign on debt, you know they can find it.

**[0:28:28.7] WS:** Wow, if you are hiring maybe you should put that out.

**[0:28:33.3] JM:** So, we are hiring always. So, we always look for good people that we like, trust and respect.

**[0:28:38.8] WS:** All right John, well unfortunately we're out of time but tell the listeners how they can get in touch with you and learn more about your company?

**[0:28:44.2] JM:** It is [john@johnmanes.com](mailto:john@johnmanes.com) is my email address. My cellphone number is 210-818-1496 or you can go to [pinnaclestorageproperties.com](http://pinnaclestorageproperties.com).

[END OF INTERVIEW]

**[0:28:59.7] WS:** Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

**[0:29:40.4] ANNOUNCER:** Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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