

EPISODE 424**[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]

[00:00:24] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Alex Martinez. Thanks for being on the show, Alex.

[00:00:33] AM: Thank you for having me.

[00:00:34] WS: I'm pleased to have you on the show. I haven't had too many guests that have talked about what you're an expert in. I mean, this is something that anybody in the syndication business or apartment industry needs to know. If we want to save some money here, you need to listen to this episode of Alex.

A little about Alex. He's an expert in maintenance and operations in apartments with more than 12 years of experience in the Dallas-Fort Worth area. Recently started his own company and now works on approximately 3,500 units, providing valuable services such as maintenance, deferred maintenance, occupancy marketing, inspections, and more.

So, Alex, give us a little more about this and what your operations are about and what you do a little bit, and let's dive into this subject of maintenance and these different things that you're an expert in.

[00:01:19] AM: Sure. It's very important to know about maintenance. Many people don't know, but maintenance, it will make the difference between being successful or not. The money that you spend, the money that you use is very important. For example, some people may go overboard and spend more than they need to. At the end of the day, they damage their cash flow. The NOI is really high. They end up with no money and they're just expecting to receive some loan or going back to the investors and ask them for more money because they're need money to increase the occupancy, because occupancy is going down. They use all the money that is supposed to be used on the first 12 months. They end up using it in the first three months.

That's where I get in. I am an expert on maintenance. I come from the very bottom. I came from fixing this stuff with my hands, so I know how things are supposed to be fixed. I know when something is to be done and when something not. For example, if you don't have much knowledge about maintenance and you ask HVAC about a chiller, "I need that to repair the chiller." They will tell you what they want, and you might believe it because you don't know. You don't know if that needs to be replaced or not. You don't know if the roof needs to be fixed or if something is to be replaced and so many things. That's when I get in.

I'm going to be helping you save money. I'm going to be helping you make sure that the operations of the apartments run smooth, and you don't run into big expenses. You don't run into wasting money that you don't need to. It's saving you a lot of money and saving you a lot of headaches. I was working on a company where they managed class C and B properties and I was in charge of overseeing all the maintenance of the apartment on all those 175 properties. Some of them were not in the best condition. Some of them were okay. And never, never had an issue bigger than I can handle.

[00:03:24] WS: There was a quote that you made here. I'm going to quote you. You said, "Maintenance can be the difference in being successful or not." I just think it's – We don't think about maintenance probably as often as we should. When I say that, I mean being proactive. It's usually, "Oh! This is broke. Let's rush and fix it." I think there's probably ways that we can be proactive in knowing that things are going to break or knowing kind of their life expectancy to some extent.

But then you also mentioned using groups that use all their money in the first three months. They were planning for 12 months. I've heard that numerous times where people get in trouble by doing that or that system that fails. The boiler goes out, and they weren't expecting that right away. So now, they've had to use all this capital that they thought was going to get them through 12 months in the first three months, just like you said. That's a bad feeling right there just thinking about it.

I'd love for you to talk to us a little bit about just some things on the maintenance side where we can save some money. I know lots of groups are – If we have 150-unit complex or more, we're going to have somebody full-time on maintenance. But maybe some ways that you know of that people are spending too much money on maintenance.

[00:04:31] AM: Yes. For example, the turnovers. It is very important that you know the market survey. You do a market survey and you know the market rent around the area that you are located. Very important that you know what all the properties are doing. Some people just tend to think because they do granite. They do [inaudible 00:04:45]. They do something out of the ordinary, they're going to be able to get the rents that they want. But it's not the case.

You might be overspending the budget when you can do something little. You have to make sure that you know the socioeconomics about the area. If you're in that area that is mostly housing and people don't have much money, they don't get on a yearly basis, you're not going to be able to get the rents that you want. So you have to be aware of that, number one.

Number two, you have to make sure what you want. You want to go overboard and do something really nice. Well, just keep in mind that it's not your house. It's a business. You have to be able to get all the money that you're putting in. You have to be able to get the money, so you have to make a livable, decent place for people to get in and make a profit out of it. At the end of the day, that's only one. That's why you're doing the apartments to get a profit. So that's number two.

Number three, you have to make sure and see how much money you can spend. You have to see what's your cash flow on a monthly basis, how much money you're going to be putting out of pocket or set up a forecast for those turnovers or how much money you want to use. If you

wanted everything coming from the operating, well, you need to know how much money you have.

Some people tend to just get excited and start spending money and doing improvements. At the end of the day, many of the things that will go in the properties, they're going to be invoiced, which means that you don't pay them right away. But in two, three months, you're going to end up with a debt that you don't want and you're going to be carrying that on. Then it can be liens. It can be more issues and it can be building a reputation that people are going to say, "Well, the owner of that property, their management don't pay." So they're going to call you to do maintenance. They're going to call you to do the repairs. Then they're going to pay you. So, it's very important to know and have someone that knows in this case, it's me, helping you manage all those repairs.

Number two, deferred maintenance. Very important that what you want to do. For example, [inaudible 00:06:38] acquire a property and you have on your loan lender requirements for that property. So, you have to know how much money you have, because the lender works in two times. Two ways, I'm sorry. One is that they give you the money back that you already spent. Or making [inaudible 00:06:54] to spend the money on the areas that you want to fix. So, you have to know. Also, you have to know what stages how you're going to be doing those repairs.

If you have roof, if you have parking and you have, I don't know, amenities such as pergola, laundry, etc., you need to know that you need to do first the very important, which is roof. If you cannot fix the laundry. People are not going to be happy if you fix the laundry and they have a leak on the roof. So, you have to know what you're going to spend, and the biggest of those items is going to be the roof. It's going to be the most expensive. You need to have someone that can walk you through and get you the best deal, the best price, and go even below of what the lender is giving you. That way, you can save money and spend the money where you need to spend the money and the stuff that can give you money back.

You can put a nice pergola with grills and so many things really nice, really fancy, making the property really, really shiny and nice. But you're not going to be getting any money out of it. So, you need to put the money where you're going to be getting money, because money make money, and that's where I came from.

[00:08:00] WS: Yeah. You got to put the money where it matters, right?

[00:08:04] AM: Exactly.

[00:08:06] WS: I guess where are the mistakes that you've seen people make as far as – I know like if they put granite in when really they probably should've put in something much cheaper. But what are some other things that people do as far as spending too much money in places that they probably didn't have to?

[00:08:19] AM: Going to give you an example?

[00:08:21] WS: Yes.

[00:08:21] AM: It was like a year ago where I met these new owners. They were fairly new in the apartment industry and they just bought a class C property in a not so dense populated area. It was small city, and they were saying, "Whoa, we want do this. We want to do that. We want do this. We want to do that. We want to fix this." Then I asked them, "How much money do you have?" They only have \$300,000. I told them, "Well, that's not going to be enough for everything that you want to do. Why don't you start with, first of all, analyzing the property?" I knew that property. So start with the sewer. That's a big item. After that, go to the roof. When you fix that, then go to occupancy, because that property was on – I think it was on a 80% occupancy.

So, once you figure those items and go to make readys, increase occupancy, then you're going to get cash flow. Then you're going to get some money. Out of the operations, you're going to be able to get some money, plus whatever you have forecast with the investment or whatever to do more repairs, to go above and make the property really pretty. But first of all, you have to start with the needs of the property. So that's one of the mistakes.

Some owners, some of the investors, some people that buy properties, they tend to get really excited about the potential in the future, the money that it can make. But they don't see the reality of the property. You have to know what you are spending. You have to know what you

have in order to know where you're going. If you don't know where you are, that's going to be really difficult to go where you're going to go.

[00:09:47] WS: Yeah. You got to know where this money is going and what's it paying for. I can see that happening as well, that 300,000. That seems like so much money. It is a lot of money. I think it is so much, but you're talking about a \$30 million property. \$300,000 is not going to go very far putting on a roof or doing the driveway, replacing units. I mean, it's gone in a hurry, really fast.

Maybe you can elaborate a little more. You went through a little bit there but just go into the process of maybe things that we need to keep in mind that are most important. Like, "Okay. If we're rehabbing a property and we're thinking about the maintenance side," we're thinking about maybe some things that we should start with first to make sure, "Okay, these systems are in place or the roof or exterior or the driveway." What are some things as far as deferred maintenance that we should be thinking about the order of replacing or repairing these things?

[00:10:40] AM: Well, the first things that you have to be aware is roof, sewer, water leaks, and make readies. Those are the four things that you have to tackle right away. You want to keep the tenants happy. You want to let them know that you are taking care of them, and that's the main thing. Like I said, you can spend money on a new office and make the office really nice and spend 40,000 on an office. But if you are not taking care of your tenants, that doesn't really matter.

Deferred maintenance that are necessary are roof, sewer, make readies, and any work order, water leaks. Those are the first thing that you have to do. Once you do that, even if you don't invest a lot of money on the property, your occupancy is going to go up, because people are seeing that you're taking care of the problem, that you're taking care of it. That's the first thing. That's very, very important. Once you have that, then you can start with [inaudible 00:11:25] amenities. Laundry does not much of a money income to you, but it's a necessity of the people.

Number two, common areas. Get in the pool. Fix the pool. Make the pool look a little nice. Some grills, some pergolas. Some of the stuff that can make them have some leisure time and enjoy the property.

[00:11:44] WS: I mean, it sounds like some bigger things there like roof and sewer. We got to have those things, right?

[00:11:50] AM: Exactly.

[00:11:50] WS: Or we got to make sure those are good. Then you said make readies. We say that term on the show sometimes. But what does that mean exactly for the listener that hasn't heard that term before?

[00:12:01] AM: Normally, make readies is a turnover when apartment get vacant. You want to fix it as soon as possible and as cheap as possible. Get more rent or get the same rent, so very important. What are the items that people are going to see? Put down paint, flooring, and a nice resurfacing with nice features. You don't need to spend more than that. Maybe some backsplash on the kitchen. That's going to be around 300, 400 dollars on the kitchen, and you make the kitchen look really nice. Some faucet, a nice faucet less than \$100 faucet. Some ceiling fans, brushed nickel, and some hardware. On all that, plus the flooring, you spend less than \$3,000 or around \$3,000 per unit.

With that, if you don't have much [inaudible 00:12:41] on the area, you increase the rent too, thinking maybe go 100, 200 dollars more. By six or twelve month, you get all the money back and you increase the value of the property. Not much. Not rocket science. Don't go and do parts. Don't go and do – I don't know. I heard this a lot, smart thermostats and some other stuff. But it's not going to bring any value to a property. It's not going to bring any value to you. It's going to make you spend more money.

Some people even think that they want to do a washer and dryer. You spend money on that. You spend money on maintenance that you don't need to, and people are not looking for that. If you have a unit that has a washer and dryer connection, chances are they have their own. Look for those leasing companies that can give you a deal and don't spend money on that. You make that tenant happy and you save money.

[00:13:29] WS: What is the best process for processing work orders that you've seen or that you like to see? So, tenants – This process or they understand also the process of submitting a work order and then we know that we're completing that item or fixing it as soon as possible.

[00:13:45] AM: Well, the best thing and the best way to do that and take care of the work orders is, number one, checking the system and make sure that you're properly staffed and is putting them in the system. Because many of the times, a manager or a leasing or whatever, they don't put the work orders on the system, so you don't know. They might tell you that the tenants are really happy, there is no work orders, everything is nice. But at the end of the day, that's not the case. It's kind of difficult. I mean, you as an owner don't have a way to know about what the management company is telling you or what the property manager is telling you. So, it's a really difficult one.

The best way is going to be checking the system. If you see some work orders that have more than three or four weeks old and you don't see any new ones and check the work orders are being close, if you don't see any new one being closed or you don't – Normally, let's say like a 100-unit complex should have at least five to eight work orders daily. Which means that at least five to eight needs to be closed on a daily basis on the system. If you don't see that, it's something that you need to look into it with your property manager or your management company.

[00:14:52] WS: Okay. So that's a good metric that maybe we should be tracking is how many work orders are being submitted on a daily basis. Then we can watch if that increases or decreases and figure out what's causing that. So, what about maintenance crew or employees versus – Or compared to how many units the property is. What do you see is normally is a good fit like one full-time maintenance staff per how many units or how do you normally like to see that operate?

[00:15:20] AM: Well, it depends on what kind of property do you have. If you have a class A, class B, class C, we change the game. Normally, in the class C, B properties, it's recommended one maintenance every 80 units. Once you go the occupancy down, don't be afraid. Don't be afraid to add extra people. Don't be afraid to add lenders. It's not going to hurt you more, saving

those pennies, and you're going to be wasting dollars. Don't be afraid of spending a penny when you can earn dollars.

[00:15:47] WS: So, tell me about the marketing side of your business and what that looks like. I know you've mentioned that a couple times and help in increasing the occupancy. What does that look like?

[00:15:55] AM: Staying in Dallas Fort-Worth now, I'm going on the media, on a TV, radio, newspaper, even the phone ads. I'm investing a lot of money on marketing. That way, I can locate and target the people that I want on each property. I have a map of properties around the area and I have two dedicated numbers just for that. So, any people at calls all numbers is going to be just for marketing. Then I speak to them and I send them property is near. The way that we do, we are not just locators. We go and talk to the property manager and make sure that they know that we're going to be sending someone and say, "You know, Ms. Mary, tomorrow at 8:00 PM, 9:00 PM, this person is going to be to your property and she's looking for a one-bedroom, two-bedroom, three- bedroom. Make sure to be there and make sure to help them out." I'm sending them there.

Later on, that same day, I'd call again the same person and say, "Did you go? Do you find everything fine? Do you have any issues?" After you find a person, it's really hard to not be able to give a unit because the manager was not in a good mood, the leasing agent was not there, or the leasing agent was busy, so the person left, and you don't get that person back. So, it's very important that we go after them. So, we personalize the attention to every single one because we don't just want them. We want them, their friends, their siblings, their family, and everybody that lease an apartment. We want them all.

[00:17:17] WS: It's nice. So, you're personalizing that. That's interesting. So, Alex, tell me though, what's been the hardest part of the maintenance process for you?

[00:17:27] AM: To be honest, it's really easy. I enjoy it. It'd be heard for me to think about something hard that make me have a hard time, because I love what I do, and it's really easy. Like I said, it's not rocket science. If I have to say something, I will be saying sometimes is the stubbornness of sometimes the owner that they don't want me to help him. I'm helping you.

Sometimes, they don't – They are against for me to help them. When you want to save someone money, they say, "No. I want to spend the money." "But I want to save it." "No, I want to spend it because [inaudible 00:17:57] spending that money."

That and also sometimes on-site staff. Most of the people don't enjoy what they do and they're just there to get a paycheck. The eight hours to have a check every two weeks. They don't go above and beyond like I do or my team does. So that's one of the issue. I have to issues.

[00:18:18] WS: Yeah. I think you probably – You [inaudible 00:18:20] good answer. I'm sure it's the stubbornness of the owners or the operator that you're having to work with. So, tell me though, what's a way that you have – You've recently improved your business that we can apply to ours?

[00:18:32] AM: To me, it's very important customer service. Number two is care. There's nothing else. It's just care of what you do. Be mindful of others. Think of the client's money like it's yours. Think of that client's property. It's your property. It's your money. It's not that he's losing money. It's your money too.

To me, it's very important to make sure that you're successful. Because if I'm doing something for you and you're my client, it's very important to me that you're successful, because that's the reputation that I want to build and that's the marketing that I cannot buy. When you talk about me to someone that is a potential client, it's something that I cannot buy. It's something that I cannot purchase, because I help you out, and you're helping me out now.

[00:19:16] WS: Alex, what would you say is the number one thing that's contributed your success?

[00:19:20] AM: Knowledge about maintenance and knowledge about operating and knowledge about this market. Like I said, it's not rocket science. It's really simple. It's really simple. It's not like, I'm inventing the wheel. You just need to care. You just need to do it. That's simple. Sometimes, things don't get done because people don't want to do it. That's the truth. So if you really focus yourself on doing them, you can get it done. That's it.

[00:19:47] WS: It's about being disciplined, isn't it? And knowing what needs to be done. Ultimately, all of us don't have the knowledge that you have to understand the maintenance side like you do. So, there may be deferred maintenance at times that don't even realize. But hopefully, somebody on the team or we hire somebody like yourself that doesn't know those things. That's what's going to happen.

In this business. It's such a team game. There's no way I can know everything about the entire process of apartment facility and every detail of the AC unit versus roof and all this stuff. That's why we're going to hire people like yourself and have a team of experts, right? Anyway, tell me though how you like to give back.

[00:20:26] AM: You can call me. You can go to realadviceamgmt.com or my cell phone number, 469-688-1553. Also, my email is alex@realadviceamgmt.com like management.

[00:20:45] WS: Awesome, Alex. Thank you very much.

[00:20:47] AM: Thank you.

[END OF INTERVIEW]

[00:20:49] 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. Subscribe too, so you can get the latest episodes. Lastly, I want to keep you updated. So head over to lifebridgecapital.com and sign up for the newsletter. If you're interested in partnering with me, sign up on the contact us page, so you can talk to me directly. Have a blessed day, and I will talk to you tomorrow.

[OUTRO]

[00:21:29] 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 for free material and videos to further your success.

[END]