

EPISODE 692

[INTRODUCTION]

[0:00:00.0] 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]

[0:00:24.4] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Kristina Knight, thanks for being on the show Kristina.

[0:00:33.0] KK: Thanks for having me Whitney, super excited to be here.

[0:00:35.6] WS: Kristina is the cofounder and CFO of Akras Capital. At Akras, Kristina focuses on deal underwriting and asset management of their portfolio. She hopes to share her story with the listeners in order to educate them on how to generate passive income and live the life of their dreams. Kristina, thank you again for being on the show, give us a little more about Akras capital and you know, what you do there as part of that team and let's jump in to your superpower?

[0:01:01.5] KK: Yeah, sure. We started Akras capital with a mission to help other people gain more financial freedom in their lives. The conduit to get there just happens to be multi-family assets at this point in time, but super passionate about helping people realize that they can build generational wealth, and passive income through investing and real estate. When we started Akras capital a couple of years ago and we started off small by acquiring small multi-family units and then we recently scaled up and we've been doing bigger deals, and now our focus is solely on syndication and looking to do deals of 75 units and up.

[0:01:40.3] WS: Nice. I know your focus, and we talked about this little bit before the show, but your focus is, you know, as asset management piece and you know, maybe you can highlight a little bit on your background and then just moving in to that field or that position, and what all that entails. I think sometimes we say, asset management but you know, we don't really talk about what all does that include? Because it's extremely important, it's so important and I look forward to just hearing more details from you about that.

[0:02:08.8] KK: Yeah, sure. I spent the majority of my career before real estate, I spent over a decade in the investment management industry in various capacities. I worked as an analyst, trader, portfolio manager, and when I left finance, I was managing our firm's mortgage portfolio as well as about 20 different client portfolios ranging from 5 to 50 million and more.

And then, throughout my entire career, I was really focused on mortgage investments, the housing industry, so then naturally that transitioned to real estate and the asset management side. I was on the finance side, super used to juggling like a million different things at once, you have to be able to have like a very high level view of what's going on in everyone's portfolio but also, be able to be super detail oriented and get into the numbers and what's going on in the minutia of every portfolio.

That's really the case with asset management and real estate. Especially if you own multiple properties, you have to have that high level view of what's going on with every property, you're constantly putting out fires, and dealing with a bunch of different deadlines, and making sure the properties are being managed well. You really have to be good at kind of juggling a lot of different things at once, but also be able to look at the details, and financial statements, and pick out errors and all of that.

[0:03:32.3] WS: That's a lot to learn, right? Especially if you don't have the background like you did, you know, just to come in and say, "Okay, I enjoy that asset management side of a business," well, it's a lot, you know? It's a lot to take over. On a daily basis, what would that look like? Or maybe you can highlight just that position in a company like yours, you know, some of the other details that you might have to do, just daily, that helps you to stay on top of things.

[0:03:56.6] KK: Yeah, I mean, pretty much on a daily basis, I'm looking at – or at least a weekly basis, the financial statements of the property, I'm looking at our numbers in terms of occupancy when leases are expiring, what we have coming up on turnovers, and you know, coordinating with our property managers, in terms of, you know, what the units look like, how much to spend on terms, when can we get contractors in there, getting cleaning in, so you're just managing a lot of different moving pieces and it gets – you have to be super organized and have like you know, I have a calendar with all sorts of dates and you know, things to follow up on and making sure everything is – nothing kind of falling through the cracks.

[0:04:37.9] WS: Now, wait a minute, you know, I thought that the property manager did all of those things. I'm kidding, but you know.

[0:04:46.0] KK: We all know how that goes. I mean you definitely have to manage your property manager and make sure that – at the end of the day, no one cares about your business as much as you do so there's a lot to still do and make sure that's getting done. The property manager is staying on top of things. I can't tell you how many mistakes I got in property managers statements.

[0:05:08.7] WS: Yeah, that's awesome. That's great that somebody like you is on the team that's looking over these things, right? You're not having to do that, say, day-to-day management, answering tenant calls and things like that, but you are managing the manager in a sense. What's a good way that you found to communicate with the property manager, you know? How often, how do you do that?

[0:05:28.1] KK: Yes, I mean, we have at least a weekly call with all of our property managers and sometimes even more communication than that depending on what's going on, did we justify the property, we're getting to know the property manager a little bit better, until you're kind of comfortable with how they operate, and you can kind of trust them with a little bit more leeway for managing the property.

[0:05:50.9] WS: Is there like an outline for that call, is there a specific KPIs you all are going over, is there any kind of structure?

[0:05:58.0] KK: Yeah, we have you know, report that we use that just basically, I mean, it goes over the basic occupancy trends, turn over, lease is coming up due, you know, leads, where those leads are coming from, what's generating the most leads. Different metrics like that that we work with the property manager on and then look at certain KPI's for them to hit within those variables.

[0:06:22.0] WS: Yes, what about the staying organized piece? I'd love for you to just elaborate on some of that and how you keep all this organized. I think somebody that's especially getting started in this business, you know, it is, it's like, where do I even begin? But staying organized, it doesn't matter what part of the business you're in, you better be organized. For you, how have you managed to do that?

[0:06:42.6] KK: I actually built, we have a spreadsheet for every single property that has – it details every single thing about the units, and the rent roll, and the leases, and we keep track of that from the property manager data. Then also, within that spreadsheet, we have a budget and a variance template and every single month, we look at what our budget was, what the actuals were, what the variance was, so that we can actually manage the property manager on those numbers and say why is this so high? Or why is this off? We look at that on a monthly basis and then that all rolls up into an aggregate portfolio level that looks out overall occupancy and cashflow and, you know, expenses and expense ratios and all that.

It's kind of this aggregate spreadsheet that rolls up from all these individual spreadsheets.

[0:07:33.6] WS: Okay, you built a template and then you're tracking that every week, or that you're looking at those numbers, budgets versus actuals, and seeing how we're doing. I'm sure that plays a big role too in your weekly conversation?

[0:07:44.3] KK: Absolutely. I mean, that's kind of how I drive the weekly conversation. Then within that conversation, I keep extremely detailed notes on what the property manager said that they were going to do, and every week, I follow up on those items and say, "Okay, you know, you said you were going to do this, what's the status of that or where are we on this?" That way you don't forget, you keep kind of a running list of everything.

[0:08:08.1] WS: Do you use any kind of software to help you with the task management or anything?

[0:08:12.6] KK: Yes, we use ActiveCampaign for task management stuff and just as a reminder for things and it actually has like a nice workflow pipeline that you can put things through and kind of track the movement of everything. But I'm also a huge note spam, I take a lot of notes on my iPhone and keep track of things the way they do.

[0:08:31.8] WS: Okay, is there a specific app or a way that you take notes that you found has been useful?

[0:08:36.9] KK: You know, for me, I just write like, you know, the date out and, you know, what they said they were going to do and the by when and then I manage people to that. You know, I use a lot of spreadsheets and the notes app on my phone and also, we put things in the ActiveCampaign but that's the only tools that I use.

[0:08:57.4] WS: What are the key things that makes an asset manager stand out to you? I mean, the quality that you see, like you're doing, whether it's monthly, weekly, daily, you know, some of those things that are going to make somebody successful in this position?

[0:09:09.9] KK: Yeah, I think you have to be super detail-oriented. I mean, I have a highly analytical background, so that's really helped with the details, but then you also have to be very highly organized, because the more you grow and the bigger your portfolio gets, the crazier things get. If you're not really organized, balls are going to start to drop and you're going to feel like you're pulling your hair out on a daily basis.

Really having like processes and systems in place to be able to deal with all the moving parts of being an asset manager is really important.

[0:09:42.7] WS: Okay, is there any way or any books or any educational stuff that you recommend for somebody that's learning how to do this and do it well?

[0:09:52.2] KK: I think the best thing is trial by fire, right? Practicing and seeing what works I think most, you know, you can read a lot of books but at the end of the day, asset management is such a hands on job that the books don't really give you a lot of training in that area. I mean, I'm sure this has been said a hundred times, but Best Ever Syndication Real Estate book by Joe Fairless is a great one. I think that encompasses everything from [inaudible 0:10:19] on overall syndication, and what you need to be managing your property manager to, and what to look for there.

[0:10:25.9] WS: nice. What are some red flags that you've seen in property managers? Or just you know, as you're asset managing, that you've noticed that have made you dig in deeper or you know, catch other things before they got big?

[0:10:39.8] KK: Yeah, I mean, I think the biggest thing is communication, right? We've had some instances where the property manager goes out of communication, or they don't do the things that they say they're going to do, and when you follow up, they don't really have answers for you. Those are kind of the big starter red flags. They kind of go silent or you'll make certain request of them and they can't get around to doing it on time. I mean that to me, like, when I have seen that happen, it eventually gets worse and worse.

[0:11:07.9] WS: Okay, yeah, the communication is key about anything really right? So you know is this typically just phone calls, or are you in person as well, are you onsite often at the properties?

[0:11:20.8] KK: Well, I mean pre-COVID was on-site a lot more. You know, now it has been a little bit harder to travel so that makes things a little bit more difficult, but definitely on-site at least when you first buy the property, a lot more often until you are comfortable with how the property manager is running things and, you know, the property is a bit more stabilized. It really depends if you are going into a stabilized property or how big your remodel is.

Or how much you need to do to turn the property over, and get better tenants in, in terms of being there and being on-site but I think it is super important to meet property managers in person, to be on top of them. To, you know, make random visits to the property and see what is going on with your property, all of that is really important.

[0:12:07.7] WS: What about remaining calm while running a large portfolio? I mean what helps you to do that?

[0:12:13.4] KK: So, I think, I've spent a lot of time on mindset on this business. Getting into this business, I think they're one of the surprising things is to just like how emotional it can be, and how many ups and downs. It's super high-highs then super low-lows, and nothing ever goes perfect and there is always unexpected things that happen and you know, when you first get started it can be a little bit overwhelming.

I think you realize that you really have to disassociate yourself from those emotions, and just be like, "Okay. At the end of the day, it is not life or death," and sometimes it might be, but usually if it is not, and it is just money that can fix it, and so it is just super important not to let yourself get so overwhelmed and so into the emotional aspect of it. So I mean I meditate every day that is how I start my morning and I think that really helps.

[0:13:08.6] WS: I appreciate you just bringing up how you do that as well. Is there anything else that helped you developed that mindset? We talk about mindset a bunch and we have just recently it seems on the show and I know, personally, every time I am speaking to a group, I am talking about you know the mindset because it is so important.

For you, what was that for you that helped you to develop that mindset? I know you talked about just your morning routine, and anything else specifically that helped you to learn to do that?

[0:13:34.1] KK: So, I have done a lot of different personal development courses focused on mindset. You know, I have spent over a year in a team management leadership training program, which is a lot about mindset and managing and running teams. Then, more recently, in the last six months or so, I have been super focused on *The Miracle Morning* and that has been hugely beneficial in terms of just mindset, and affirmations, and visualizations, and all of those great things.

[0:14:04.0] WS: Interesting, I know the listeners have gotten tired of hearing me talking about the book, *The Miracle Morning*, just over the last few episodes. It seems like it has come up

often and it was a game changer for me, I know three or four years ago but no, that's awesome. How did that change your morning routine or what have you seen from that as well?

[0:14:21.1] KK: Yes, so I mean like for me, I always wanted to have time to do like the exercising, and journaling, and meditation, and reading, but like I just would wake up and get right into my day and start working and having breakfast, and then the day kind of gets away from you. Since implementing *The Miracle Morning*, I really had time to have that space for personal growth and silence and you know reading like I have read like five books, six books in the last six months, but I would have never been able to read before. Just that knowledge growth that you get from it is super powerful as well.

[0:14:56.7] WS: Kristina, what's been the hardest part of this syndication journey for you?

[0:15:00.2] KK: So I would say getting started, getting your foot in the door, and getting your first deal under contract is definitely the hardest. It is a lot of effort to kind of get up to speed and figure out how to build credibility, and relationship with brokers, and how to build the team, and also the environment right now is so competitive, and there is so many people paying ridiculous prices for things that it can be really hard to get that first foot in the door and make that first step.

[0:15:29.8] WS: On the asset management side, and you can answer it any way you want but you know, how are you prepared for a downturn?

[0:15:37.0] KK: So I mean we have super conservative underwriting. I would say that is probably one of our strong suits with having such a strong background in finance and looking at various investments. We have always been really careful on our rent growth assumptions and on our expense assumptions and I think that it has really helped us prepare for the downturns, that we do have enough reserves, and we do have pretty conservative assumptions in place where we weren't very aggressive, so.

[0:16:06.6] WS: Are there anything as far as assumptions and as far as anything specifically you could elaborate a little more of?

[0:16:11.9] KK: Yes, so I think one of the biggest things is vacancy. You know I think prior to like COVID, people are looking at vacancy between 3 and 5 percent. I think what we did underwriting and we always bump that up a little bit especially in the first year around 8 to 10% and that really helps you and especially in an environment like this because you are seeing vacancies increase and you are seeing collections increase, especially in the last month. I think if you are able to have those more conservative assumptions on the frontend, it helps you down the road.

[0:16:49.7] WS: No doubt, yes. So Kristina, what is a way that you have recently improved your business that we could apply to ours?

[0:16:55.5] KK: Yes, so I mean I think the biggest thing is just processes and systems and we just recently switched to ActiveCampaign. Before that we were using MailChimp for our newsletters and investor communications, and it's been a lot of a process to get back up to speed and to rebuild that investor database, but it is so much more functional. It is a lot easier to use and user friendly and you can do a lot more with it. So that is just one thing that we've done since COVID that we've implemented.

[0:17:24.7] WS: What's your best source for meeting new investors?

[0:17:27.4] KK: Oh boy, so I have been doing this thing called Lunchclub, which has been pretty interesting. So that is where you're virtually networking with people every day or a couple of times a week and meeting new potential investors. I also run a Meetup group and I think going to Meetups is really helpful in terms of building your brand and your investor network.

[0:17:49.7] WS: What's the number one thing that's contributed to your success?

[0:17:52.5] KK: I would say mindset and having that financial background. For a lot of people, it's a very steep learning curve to get up to speed in this business, especially on the analytical side, and underwriting, and jargon terminology, and all of that. You know I didn't really have that learning curve from that respect. So that has been really helpful.

[0:18:13.0] WS: Any advice for that person that is getting into the business that didn't have that portfolio management background like you did? Any advice for them?

[0:18:21.5] KK: Yeah, I would say find people that can kind of show you the way. You know one thing that was hugely beneficial to us was we met some really strong mentors right out of the gate that you know we are super influential and getting us up to speed and helping us get started and I think if you aren't trying to do it on your own. If you are trying to do it on your own it is going to take a lot longer than if you find other people that can help you out and give you the tools and teach you.

[0:18:50.1] WS: How do you like to give back?

[0:18:51.4] KK: I am super passionate about supporting and empowering women to take control of their finances and build wealth through real estate and other methods of investing. I run a Meetup every month on the second Tuesday of the month called Women's Investing in Real Estate Networking Group. Right now it is virtual, we've probably stay that way. So anyone in the entire country that wants to join us, the really cool community of women that I have built and I need a conversation around supporting people getting started, or scaling, or how do you take those next steps, and focusing on mindset.

[0:19:26.4] WS: Awesome Kristina. Thank you so much for your time and giving back in that way as well and I would just put out, I would welcome more women or female guests as well if you know anybody, you know, that would be a good guest. So but anyway, thank you for your time and just giving back to us today and just highlighting asset management position. It is not something that we talk about a ton on the show that I would love to talk more about it because it is such an important piece of our business and that it's done well. Tell the listeners how they can get in touch with you and learn more about you?

[0:19:56.0] KK: Yes, so they can email me. It is kknight@akrascapital.com or they can find me on our website and send me a message. Our website is akrascapital.com.

[0:20:10.4] WS: Awesome, that's a wrap Kristina. Thank you very much.

[0:20:13.4] KK: Yeah, thank you that was fun.

[END OF INTERVIEW]

[0:20:16.3] 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]

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