

**EPISODE 702**

[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]

**[00:00:23] WS:** This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Brian Snow. Thanks for being on the show, Brian.

**[00:00:31] BS:** You're very welcome. Thank you for inviting me.

**[00:00:33] WS:** Brian has a business and especially that if you're in this business, you need to listen up on the show and you need to understand this process, because it's so important to most of our business models, whether you're an active investor, operator or whether you're a passive investor, you're going to learn some tips to understand about just the process of like I said, the value add business model.

Brian comes from a customer service background, including everything from selling footwear at Fleet Feet Sports, to eight years as an on-site manager in an 18-unit apartment building in Sacramento, California. While working as a part-time property manager, Brian spent eight years working for the state of California as a contract manager and strategic planner. Brian's ambition to be a property owner led to a transition out of state service and into a business development position with Jade Group Incorporated. Brian is planning to source his first multifamily deal in 2021.

Brian, thanks again for being on the show. I want to learn more about your desire to develop the Jade Group and what that is, what you all do, because that's so important to – there's the

multifamily value-add business model. Give us a little more about your background and the Jade Group.

**[00:01:38] BS:** Jade group is a hospitality and multifamily renovation company. They specialize in high-speed renovations. Most of that skill set cultivated working in hotels. Hotels have major demands for heads and beds and revenue. In order to compete in that realm, you have to be very, very fast and efficient and cost-effective as well and be able to compete on price.

There aren't a lot of companies that do that at the level where they can run through a 200, 300, 400-room hotel. We've taken that skill set that was built over a 15 to 17-year period in the hospitality market and picked it up and put it down on the multifamily arena. The work is very similar. When you're in a room that has a bathroom and a kitchen in it, there's plenty of hotels that have kitchenettes, it's not very different. Square footage might be a little bit larger, but where it does differ is the management style, the business strategies that come along with that and the mindset behind the customers that we deal with that are different in multifamily, versus hospitality.

**[00:02:44] WS:** Nice. Let's jump into that a little bit, just that process. I loved how you said, high-speed renovations. It's important. I mean, obviously when you have a down unit, you're trying to get it turned around as quick as possible, so it can start generating revenue again, right? I mean, that's the whole goal of that process is to generate more revenue and increase your NOI.

I mean, can you just walk us through a typical process of maybe working with your group even, as an operator? When do they contact you? How do we get the process started and we'll dive into some other details there?

**[00:03:18] BS:** Sure. The ideal scenario is a client who has done this before, who comes to us knowing what they need from their contractor, who's had either bad experiences, or had to bring in a contractor and rescue them from hiring the wrong contracting crew. They already have an idea of that speed. There's a little bit of a premium for speed. However, it's worth it in that you get through your project much more quickly and start putting revenue on the books.

Somebody who thinks that is – I'll use the phrase 'pennywise and pound foolish', who thinks that saving a little bit of money on paper is going to do them a favor when their project might take three to four years to turn a 300-unit complex, where we can do it in a matter of literally months, if they're willing to be aggressive enough with their schedule. We can turn 30, 40, 50 plus units a month if given the right strategy to approach a project that way.

Typical turnover is 8% to 10%. If you have a 300-unit apartment building, that will allow us to go through somewhere around 20, 25, maybe 30 units a month, which works for us. We like to see a minimum of around 15 units a month on a new property in a new market. If we have to travel and pick up our team and put them down somewhere, our overhead requirements pretty much dictate that we need to see about 15-units a month for us to be profitable. That's part of the game for us too. We need to make a buck to keep the company alive and afloat and be able to move to the next project.

We're not in it for fun and for free. We're in it to make a living. We also have to be able to compete. Can we compete against two guys in a truck? No. Two guys in a truck can maybe turn four, five, six units a month and that's not the market that we compete in. We generally compete on scope that is above and beyond a natural turn, where it's carpet and paint, or flooring and paint.

We're getting into countertops, cabinets or cabinet fronts, structural changes to the interiors, removing wallpaper, changing out popcorn ceilings and beyond. I mean, we can do just about any scope you can imagine. Having spent a lot of time in hotels, you get bars, restaurants, office space and all the things – lobbies, and all the things that come with a hotel. Clubhouses, public spaces on apartment complex, gyms, we can do all that.

There's no real limit to the scope we can do. We're going to sub MEPs, mechanical, electrical and plumbing. We don't typically do those services in-house, but all division nine work finishes. We have in-house teams for that, and that's our bread and butter is doing the interiors of hotels and interiors of apartment complexes. We do exterior scope and we're bidding some locally right now, pretty extensive project on a 339-unit complex here in Sacramento.

Really, what we want to do is get into the units and turn them back very, very quickly to the owners. I'll give a number that's a pretty aggressive number, but shows you a little bit about what we can do, as far as speed. On the hotel side, our company-wide average over time is about 1.4 rooms per day.

**[00:06:26] WS:** 1.4 rooms per day. Wow.

**[00:06:30] BS:** Now that's on a variety of scope, from very simple to much more complex. That's projects that may be anywhere from 60 days to a 110 days. That's a wide average. We can do it faster than that. An example of that would be a project in Syracuse that we started last year, about a \$6,500 scope. Not a not a super complex scope, but not a real super simple one either.

27 units in the first 14 days on that project. That's more than two a day. Over a period of several weeks. Turns can take anywhere from about five days per room once we get the train moving, so to speak. Maybe eight to 10 days if it's a more complex scope. Once we get things going, we're turning units back generally within two weeks in volume.

You've got your cycle of demo and put back that takes that full length of time, so you've got a little bit of startup time on the front-end. Once you get the flow of units churning into that machine, we're turning back 25 units easily within the month, as those units come into that pipeline and we turn them back out the other end.

**[00:07:41] WS:** Yeah. I know earlier, you said 30 to 50 units per month. I mean, that's incredible. I mean, you definitely have to have some great processes in place to make that happen. Being able to even move to different markets, are you keeping the same vendors and things like that and just shipping stuff to you that you need to do these so quickly?

**[00:08:01] BS:** Yeah. We use a combination of in-house crews, like I said for all the finished work and the bulk of the interior work. Then sub out specialty work. If we go into a new market, we have a base crew that basically travels with us. Having been in the business for more than a decade, we have a bunch of crews that we like that will travel across a couple of states to come and work with us for like I said, 60 to a 110 days on a hotel project, or now it's turning into in the

multifamily market, which we've been in for about three years, those projects can last a year, 18 months, two years, depending on the size of the project.

Sometimes, crews don't want to commit to being away from their families for that length of time, so we may have to schedule a transition in there. You want to keep your crew happy. If your crew is not happy, the work's not going to get done efficiently. Occasionally, they'll make a commitment for 90 days, or six months, or maybe a year. Then we have a planned transition, where we'll bring in a relief crew, or the next set up to make sure that everybody's motivated and wants to get in and out of there.

Sometimes, there is actually a benefit to being out of town, because when the workers are out of town, they don't have to go to soccer games and doctor's appointments and be home for dinner and so forth. We work extended hours and we have a six and a half day a week schedule, where we are there to get it done and we're very aggressive with our timelines. Sometimes traveling has benefits, in that you can be very focused with your workforce, instead of having people decide whether they show up on a given day or not if it's a local crew.

**[00:09:31] WS:** Can you elaborate on just some of the processes, or help the listener who's maybe they're underwriting their first deal thinking, "Okay. How can I renovate it as fast as possible?" Give us some processes that you've found are just crucial to making that go as smooth as possible.

**[00:09:46] BS:** Yeah, there's definitely a learning curve there. I've been with Jade Group since December of 2018. I came in as a salesperson. I'm a business development guy. Now I used to swing a hammer and I've had a paintbrush in my hand over the years and have – I've done a lot of handyman work, basically, and worked for some contractors over the years. I've always been something of a fly in the wall. I've never been the guy in charge of this, nor do I want to be.

One of the things I learned as a property manager is I don't want to be a property manager. That's not what I'm good at. It's not what I want to do. My boss is Kevin Cavanaugh. He's been doing this since 2002 and two or three partnered up, with a guy named Bob Kourieh. Our headquarters is in Duluth, Georgia.

These two guys are sharp. They know what they're doing and they've both been in the business for a long, long time. Kevin was a concrete guy and was an independent contractor long before he joined up with this company. These guys have been there, done that and been around the block. They know what they're doing, which makes my job easy, because I can have confidence that they are going to execute. They will make a promise. They will stick with it and they will absolutely either meet or beat their deadlines. If they don't, they're there to back up their word and make it right by any means necessary.

It's easy for me as a sales person to go out and put that promise out there and that compliment to these guys and their capabilities and their strengths and let my customers know that we're going to be able to get it done. If you have any doubts, move on and go to the next. Be prepared to vet multiple contractors. Don't just take the word of your brother-in-law, or your neighbor, or the friend of a friend that said, "Oh, yeah. These guys are great." They might be, but make sure you go two, three, four, five, six contractors deep. Have a process of qualifying them.

You can Google questions to ask your contractor. In this realm, you need to make sure that you're vetting a commercial contractor, not the mom and pop we remodel kitchens, single-family resident contractor. Those guys are great, but that's not what we're doing and it's a completely different ball game.

**[00:12:04] WS:** I'm glad you brought that up. I mean, those guys are really good at that, but it is a different game when we're trying to just turn over 200 units as quick as possible.

**[00:12:13] BS:** Absolutely. We don't even touch – Well, I shouldn't say we don't touch single-family residences. We don't go into occupied homes. If you've got a flip and you want us to go run through it and crush it really fast, we can do that. We do that locally. We don't travel to do that, but we do that on our home turf. A commercial contractor is a different animal.

Part of that comes from the logistics and the supply lines, our ability to get stuff, which right now is a challenge. COVID has changed our ability to get what we need on the procurement side; appliances being one of those things. There are other issues as well. On the multifamily side, appliances are a problem right now, which slows you down. We make our money with speed. Anything that slows us down is bad for us.

When you're going to bet a contractor, I mean, the old adage is you want to find somebody who's done it before, right? That really is absolutely true. How does the contractor who's never done it before get started? I don't know. That's a whole other question. How did we get to where we are? We told people we could do it and then we did it. That was years ago. We've been doing this for years. Having relationships with vendors and suppliers where we can buy things very, very, very competitively. Because of the volume of work that we do again on the hospitality side, we buy millions and millions and millions of dollars' worth of paint and flooring and all the standard materials that go into residence.

We're super competitive on that side of the business, on the purchasing side of the business. We have to be competitive all around and we are, but that's one of the advantages that we have. It's our volume of work that we do.

**[00:13:52] WS:** Yeah. What's the key to just to doing it that fast? What's the top couple things that you all have in place that allow you to do it so fast?

**[00:14:00] BS:** I can tell you again, as a fly on the wall, as an observer. I'm not a superintendent. I visit job sites and so forth. Planning ahead, if I was going to give you one answer to that question, it's all in the front-end game. That starts with a conversation with your client. One of the strategic planning trainings that I went to when I worked for the state was with a third-party trainer, private sector trainer, and he gave me a sheet called the hamburger talks. I could maybe send you a link to that if you like later, but the hamburger talk is all about sitting down with your client and talking about every last detail, almost to the point of annoyance, about what they want, how they want it, when they want it, and then providing them answers on how we can do that and possibly, also options.

There's always more than one way to approach this type of project. However, again the ideal client comes to us and says, "How do we do this as fast as possible?" We'll tell them. Here's how you do this as fast as possible. You plan ahead. You have all of your questions answered in advance. You have your scope and all your materials spec'd out. You either procure those for us and have them at the ready in a warehouse with no delays, or you allow us to provide that

service to you and get everything we need and have it ready to go, so that we're not wondering when things are going to show up to the job site.

Know where your materials are coming from, know when they're going to get there, which again right now is complicated. That's causing a lot of problems across the board in the industry, not just for us, but for everybody. Then making sure that you have good communication with your client, making sure that on-site management has been briefed and is onboard and has been part of the process, so there's some buy-in, so that when you want them to give you 20 units and the most units they've ever given to somebody before was three, that they know that you're going to be able to not get them in hot water, because they've had bad experiences with contractors in the past who promised three, or five, or six units and two months later, they hadn't turned those units back to them.

That's where the strategic planner in me really likes that part of the business, is all the front-end planning, coordination, communication, strategies and things that you have to have in place to make this thing happen. It definitely does not happen by accident. It's all in the planning stages beforehand. My boss, again, Kevin Cavanaugh is famous for asking me about every possible thing that can go wrong, either with a client, or a project, so that we know exactly what we're getting into on the front-end.

**[00:16:28] WS:** I like how you mentioned it doesn't happen by accident. I mean, that just goes back to that planning. I mean, it's just so necessary to have a great plan. Can you speak a little bit to the, say, the price and the quality? It does that differ at all when we're doing this many units that fast?

**[00:16:48] BS:** Sure. It's the old engineering adage. You can have it light, strong, or cheap, or in racing, it's light, fast, or cheap. Then it's price quality schedule in our business. Again, I'll jump back over to hospitality, because that's where our whole philosophy was developed, about how to approach a project. In hotels, you have all different levels of finish. You got your motel six and then you have your Hilton Hyatt, etc., your higher end stuff.

The brand standards at the higher level are so high, that if you don't get it right, you have to go back and do it over, or you don't get paid. There is no debate in that. They have people whose



job it is to come in and check your work and make sure that it meets their standard. There's a standard that's established at the front of a project of say, a 150 rooms, where they'll pick three. They'll give us the property improvement plan. They'll give us all the spec and everything that they need done in that room. They've done this before. They've got a portfolio of 40 hotels and they're renovating one or two of those a year. They know exactly what they want. They lay that down for us. We perform it. They go in and check those two to three model rooms and let us know where we didn't get there and if there's anything that needs to be fixed, we fix it.

Once that model room is approved and signed off, that is the standard that we maintain through the rest of that project. There are check offs, or walks throughout the project as we turn rooms back and they go in and check through each of those rooms to make sure that we're still maintaining standard. Nobody ever just goes away and leaves us to our own devices on a job. There's constant oversight. That's what we're used to. If we don't maintain that standard, we lose money. It's on us. It's not on anybody other than us to make sure that we are maintaining that standard and getting paid.

Now again, the oversight helps, but it behooves us to keep up with the standard and maintain the standard once it's established. Taking that, again, that hospitality philosophy and taking it over to multifamily, you've got basically workforce housing and then you go up the chain up into more luxury apartments and so forth. Again, we'll allow our owners to establish a standard.

Either they've had some low-volume turns in the past and they're happy with that level of quality and work, they just want to accelerate the speed. We go in and see what they've done and duplicate that. Or if they're just getting started, again, we do a – Let me get on do not disturb here, so we don't get another one of those.

**[00:19:23] WS:** Brian, what's a way that you've recently improved your business that we can apply to ours?

**[00:19:27] BS:** Okay. Well, actually that's fairly easy. I got one or two examples. Contractors and construction people are traditionally not very tech savvy. Digital marketing is one of the areas where I'm trying to implement some new strategies. Our web presence is not great. In fact, our Jade Group website right now has a couple of broken pages on it and it frustrates me

to no end, because it's pretty easy to fix, but it's not a priority. The business typically is a handshake and a face-to-face. It's a relationship business.

People hire contractors they know, like and trust. The only way to get to know, like and trust somebody is to meet them, talk with them get to know them a little bit. Do business with them. Be satisfied. Invite the contractor to come back and do some more and tell your friends that that contractor did a halfway decent job. It's always been that way. It's always going to be that way.

Now digital marketing will allow us to obviously, have more opportunities to build that process with more clients. I've been trying to get a little more buy-in from ownership, who's very, very old school about how much more opportunity we could create for ourselves with a little bit of digital marketing. That's definitely one way that I'm working on it.

**[00:20:40] WS:** What's the number one thing that's contributed to your success?

**[00:20:43] BS:** Well, I think I already touched on the company's success. One of the main reasons for their success is their willingness to make things right when something doesn't go well, and things do happen. Jobs go sideways for various reasons. I don't know if you have time for examples, but let's just leave it at that for now. When the ownership is willing to come out of pocket to fix stuff and make it right. Again, without that confidence from ownership, I wouldn't be a very effective salesperson. I'm really not that great of a sales person. I'm a relationship guy.

Without the confidence to have somebody need to believe in the company and we're going to do what we say we're going to do, I can then go out and be very confident in presenting to the client solutions that they need for their business. It's not about closing. It's not about convincing somebody to jump into the deep end with us. It's about the confidence to go out and convince them that we can meet their need. That's the main thing.

For me personally, it's perseverance. I've taken my lumps over the years. I've transitioned in and out of several careers. I worked for the state for a long time. I had young children and it was a stable environment for me to get them to the age when they're a little bit more independent and I could have more time to go pursue what I'm doing now.

I tried to moonlight and create some acquisition opportunities while I was working a full-time job and raising young children and just, I could never get the momentum. I've had to figure out how to navigate through my first priority, which is being a parent. I didn't want to abandon my children for the sake of money. I've had to make a lot of sacrifices and difficult decisions in the last decade, decade and a half, sort of postpone my own selfish desire to create, I hate the word legacy, but to create a legacy, to do something that I believe in and feel strongly about and am excited to engage in, versus working for the state, which was slow death in a cubicle every day.

The perseverance to make transitions, to go from stable income to zero income and have to build something from scratch. I didn't make any money for the first eight or nine months I did this. I was just barely surviving, because I'm a commissioned salesperson. That first almost full year was really, really hard. To be able to hang on for that length of time, and even about a year prior to that, I was still trying to figure out how to get started in this business and was lucky enough to basically, create a position for myself and get there, so to speak.

**[00:23:13] WS:** Brian, how do you like to give back?

**[00:23:15] BS:** Before we got started, I mentioned that I was some time ago, a mentor for children in foster care. I haven't actively been doing that, but I've been donating. My primary thing that I'm focused on lately is being the best parent I can be to my children, which maybe isn't a give back, but I look at it as an opportunity to be of service and to help them become the type of adults who can fend for themselves and contribute.

I'm working very hard with them to teach them about social justice and equal rights and have them go out and be people in the world who will put a hand out and lift others up, and be compassionate and sympathetic to people of all different backgrounds and hopefully have an impact on the world.

**[00:24:02] WS:** Nice. Well Brian, I'm grateful for that, how you give back in that way. I'm also just grateful for just walking us through just that price quality schedule, just the high-speed renovation process that the Jade Group can deliver. I know that's much faster than what most listeners are probably used to thinking about. That's just interesting to hear that that can be done and that your group is doing it at a very skilled level, and just appreciate you bringing that

to us. Tell the listeners how they can get in touch with you and learn more about you and the Jade Group.

**[00:24:32] BS:** Probably LinkedIn is probably the best way to reach out to me. My phone number is on my LinkedIn account, so is my e-mail address, which is [bsnow@jadegroupinc.com](mailto:bsnow@jadegroupinc.com). J-A-D-E-groupinc.com. Or my phone number is 916-595-3934. We're nationwide, so wherever your project is, if it fits the profile that allows both of us to meet in the middle, then we'll come to you and do the work.

[END OF INTERVIEW]

**[00:25:00] 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.

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[OUTRO]

**[00:25:40] ANNOUNCER:** Thank you for listening to The Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge 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. Lifebridge 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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