

EPISODE 747

[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 syndications show. I'm your host, Whitney Sewell. Today our guest is Chihiro Kurokawa. Thanks for being on the show.

[00:00:32] CK: Hey, thank you so much, Whitney. It's a privilege to be chatting with you. Appreciate the opportunity.

[00:00:37] WS: Chihiro decided in 2017 that his vision of the future required more than his corporate paycheck. He persisted for over two years before closing his first commercial real estate acquisition, a 128-unit multifamily property in Central Texas. He currently manages just under 400 units in addition to his passive investments. Chihiro, I love some of the things you put just the information to us that the listener would normally see, but Chihiro has just an amazing level of being relentless until it pays off. And I just wanted us to be able to dive into that and what he has done and accomplished. How he's gotten there? Just from our conversation before the show, I'm just really looking forward to hearing this, and I hope it encourages the listener for where you're at right now to just be relentless and keep pushing forward.

Chihiro, thank you again for your time. Get us started. Give us a little background so we can just show the listener how you've been relentless and how all that effort has paid off.

[00:01:35] CK: Yeah. So my story really starts with kind of drifting through my college years without having a whole lot of direction or strategy. Then I graduated in 2003 from college. And then I went into the insurance industry and worked there for actually over a decade and really just wasn't feeling fulfilled, challenged mentally or in any way really. And just kind of had thought that that was going to be my lot in life to kind of be drifting through life and be subject to the winds of change and not really control my destiny.

Well, the very first step of personal development for me was to realize that my kind of lofty dream of thinking of going to business school was actually achievable. And when I actually took the five minutes to research what it would take to go to a business school, I was like, "Oh shoot! There's no reason why I can't do this." So that was a big personal development step for me.

Fast-forward out of business school, I graduated in 2015, and I get my dream corporate job and I do that for about a year. I'm really learning a lot, enjoying the job. But then I realized that that presented its own challenges as well as far as a lack of control over my own destiny and how am I – At that time, I'm looking at getting married and potentially starting a family and paying for my retirement and my wife's retirement. I'm like, "How the heck am I going to do this? That just seems pretty precarious." So it was then that I started to seriously think about how to diversify my income streams and increase income beyond the corporate realm. And so beginning of 2017, like you mentioned, Whitney, is when I first made the commitment to myself that I was going to get in the multifamily. And like you said, it took almost over two years by the time I close that first apartment deal, 128 units in Abilene.

So during that whole period of two years, the story was relentlessness. When you think about working a full-time job, having commitments with your family and then really trying to start up an entire new business from scratch, while you're doing all that, it takes relentlessness. There's just no two ways about it. There's no easy way to do it. And so it was that realization at first that got me going, but it was relentlessness that got me through it and ultimately led to a successful acquisition that closed in March of 2019.

[00:04:12] WS: It's awesome. I mean, I have a very similar story, and just a full-time job, family commitments, all these things happening, but it still takes just an extraordinary dedication, a commitment. And I want to quote you, before we even got started, Chihiro had said, "No

abnormal results without abnormal effort,” and that’s his quote, and I just love that, because it so true, right? I mean, you don’t have to be the smartest person in the room. But I’ll tell you what, if you’ll outwork most them, you’ll still achieve greater results. Chihiro, let’s dive into that just a little bit, being relentless. What does that mean when you are that busy, you’re trying to accomplish all these things, how did you maintain that level of relentlessness and dedication?

[00:05:02] CK: To get will specific, it really means waking up way earlier than any normal typical person would wake up, which is a common theme with people doing what you and I do, right? Like a lot of guests have mentioned. I wake up at 4:30 or what have you. So yeah, it’s waking up very early.

One thing I love about waking up early is people don’t maybe never say never, but I have never heard of anybody who wakes up early to feed their drug addiction or some sort of compulsive behavior. That sort of stuff tends to happen late at night, right? So when you wake up early, you almost can’t help but be productive, whether it’s reading better yourself or working on underwriting, in my case. Sending out emails to maintain relationships with brokers, to constantly be hitting them up for new deals and acquisition opportunities. So that sort of work got done very early in the morning before I would go into the office. And then I’ve got a full workday, and then I would do the exact same thing coming home or after coming home. Eat dinner will quick, do the dishes, and then work.

And going back to the relentlessness point, Whitney, that’s really difficult when you think about somebody who’s in that mindset, they’ve told their loved ones, their spouse, their friends, “Hey, I want to own apartments.” “Yeah. Yeah. Yeah. Okay. Cool. Great story, Chihiro” But when you think about somebody who’s been spending money traveling to tour deals, going to conferences, buying all these books, completely immersed in multifamily and yet he owns zero properties, has never even made best and final and he’s a year and a half into that process, think of the challenges that that person has interpersonally with their spouse, for example, like, “Oh my gosh! You spent thousands of dollars on this thing. Got nothing to show for it.” Those are some tough conversations, right?

And so getting through that I think requires that relentlessness. Like you have to be just obsessed with becoming a multifamily investor, becoming a syndicator, or it’s just not going to

happen, because this is too hard of a business. It just isn't going to fall into your lap. So that was I guess kind of a look into where my state was or the state of my mind was during that two years which felt much longer than it actually was, wherein I didn't actually have anything tangible to show to my friends or my loved ones. But I just had steadfast faith that, "Hey, I just got to keep doing this thing, and it will happen at some point."

[00:07:40] WS: I love that. You didn't have anything tangible. I experienced the same thing, and it was like 2-1/2 to 3 three years before we really broke through, but it just took that daily, daily grind and many, many hours, keep pushing, right? I mean, I can relate so well to what you're talking about. But I want to ask you, doing these things every day, what were a couple things or a few things that you're doing daily that helped push the needle forward? If you could just pick a few things for the listener to focus on, what was that?

[00:08:10] CK: One I mentioned was definitely waking up early. I think there's just no more productive period in the day than early. When you're up at five and you're already at your computer doing work, that's just so critical to your development. So that's number one. Number two is find some way to surround yourself with people who have done what you want to do. It's easier said than done. I chose the path of doing that through mentorship. So I joined a group called Think Multifamily with Mark Kenney and surrounded myself with outstanding people that I admired that I wanted to be like. And being around them, talking to them, meeting with them was a huge step my development. There's nothing that motivates you like seeing somebody similar to you who did what you want to do. So that was a tremendous motivational factor.

Numbers three, and I'd say the least important is the mechanics. You got to understand the jargon, the lingo. You've got to understand how to underwrite. You need to learn concepts of asset management. It's those mechanics. But I say that last because I think the first two are more important. Having a sense of discipline about yourself and commitment and being around people who motivate and inspire you I think by far are the most important of those three.

[00:09:34] WS: How did you say motivated when the friends and family – Let's say you're 18 months in and friends and family have just seen you working this many hours. Definitely, they've seen the less of you, because you're over here focused on something else now. What were some of the setbacks that you felt there, or maybe your friends and family are really questioning

what you're doing? How did you handle that? What were your responses? How did you stay focused during that? Maybe it made you start to question yourself, "I know it did me." But how did you stay motivated during that?

[00:10:08] CK: I did question myself. I absolutely did, and I specifically recall one fall just explicitly taking a two-week break. I did nothing related to multifamily, because I was just burned out. But knew I was going to get back into it. I knew it was temporary, but I had to take a break, because I was driving myself nuts. So was there an element of questioning myself? 100%. In terms of motivation though, I kind of have an interesting thought on motivation, which is I feel like to a large extent, creating, regenerating motivation is kind of a falsehood. You either have it or you don't.

So when I say – And I have said this and I will say this, that anybody can do multifamily. I do mean that. Anybody can do what I do, but not anybody. In fact, very few people will do what I do, because they're simply not motivated to do it. Or perhaps they don't have the resources to do it or what have you. But either most likely they won't, because they're not motivated too. Or in some instances, they literally can't. Maybe they're a surgeon and they work 90 hours a week or something.

And so I think the topic of motivation is a little sticky, like to some extent like you have to have it within you to go chase after something relentlessly, and it could be watercolor painting, it could be football, it could multifamily, whatever it is, but if you've never demonstrated that sort of grit in any activity in your life, then I would find it probably very unlikely that you're going to pick that up at a later point in your life and apply that to anything inclusive of multifamily.

[00:11:53] WS: Tell me a key thing that helps you get to that first deal and tell us about the first deal.

[00:11:58] CK: So that first deal, I had – I wouldn't say a relationship, but I knew broker because I had offered on a deal prior. So at least he knew who I was. And so it's in Abilene, which is a tertiary market in Central West Texas. The metro has a population of about 170,000 people. And when I was doing my research on markets, what I saw was that it's very common

for smaller markets to have less economic volatility than major metros such as Dallas, where I reside. And so that is the case with Abilene.

And so once I saw that – Well, let me get more specific. Like during the last recession, the Great Recession, what I saw was that, for example, the drop in median income wasn't as steep as it was in neighboring Dallas-Fort Worth. I also saw that the increase in unemployment rate wasn't as high as in Dallas-Fort Worth. So I liked that lower volatility aspect of Abilene, because I felt then as I do now that the market was getting rather overheated in Dallas-Fort Worth. And so that was one thing that I liked about that market. I also like that it was small but not too small. It's still 170,000 in the metro. I also saw that that market is pretty economically diversified. One thing you want to pay attention to when evaluating markets is is it a one-horse town economically? And specific to Texas and certain parts of the Southwest, is it an oil and gas town? Which Abilene is not. So they've got to private universities, an Air Force Base.

And so economically, I like the picture there. And so I knew that this property, Riatta Ranch, in Abilene was interesting to me from an asset standpoint, and then I liked the market. So I went ahead and chased it. And from there was really the process of chasing the deal is you do your desk underwriting, and then you kind of knock down dominos. So that's the analogy I use. The first domino is, "Well, does it underwrite well from your desk?" "Yeah." "Okay. Well, is the market all right?" "Yes." So you knock down another one. Then at that point I engaged a third property manager, have them put ice on it, and they think, "Hey, this looks like a pretty good deal. All right. Well, now let's tour it with the property manager." And so you go through the sequence of steps, one step after another. And sure enough, at some point, you're putting in an offer and then hopefully make invest and final on it.

[00:14:39] WS: How did you raise the capital for this deal?

[00:14:41] CK: What I did there was – So I knew that my capacity was going to be limited as a brand-new aspiring real estate investor. So I partnered with my mentor at the time, Mark Kenney, as well as a gentleman by the name of Will Crozier and his partner Jason Sharp, who those three people are all very experienced multifamily investors and they've raised many millions of dollars across them across thousands of doors. And so we formed a partnership with

the four of us and we'd split up the asset management and acquisitions, responsibilities, and I've leaned on them heavily to help with the capital raising process.

[00:15:22] WS: Any other quick tips that you learned just through that first deal that you could pass on to the listener?

[00:15:28] CK: Even when we closed the deal, I didn't hold some sort of big celebration, because I'm always thinking about the next step. So for example, I find a deal that I like. Okay, well the next step is to get an LOI in. Okay, once I get in the best and final based on the LOI, then I'm still not celebrating, because then I need to win the deal. Okay, now I won the deal, but now I need to operate this thing. So you always want to – Once you hit a goal, then you always want to think about what's the next goal. What's the next step that I need to do? Because life is always a process, it's not a destination, and there is no destination at which you're going to all of a sudden magically be happy. That's a myth, right? You read that enjoy yourself in the process of life.

And so that's what I would say, is once you have a goal, you need to establish a new one, because what you need to enjoying in your life and hone in on is the process of what you're doing. You need to figure how to ensure that, or otherwise change the process.

[00:16:30] WS: What's been the hardest part of getting to this point in the syndication business for you?

[00:16:34] CK: The hardest part was and remains acquisitions. So finding a deal that meets my criteria. So we followed that first deal up with the second acquisition, which closed in September of 2019. But we haven't acquired anything since. So pricing has been a challenge. I'm still very consistently underwriting deals and keeping up relationships with brokers, but just I haven't found much worth offering on, and we haven't acquired anything. So that's been the toughest.

[00:17:05] WS: Are there ways that you're overcoming that now or ways you're finding to overcome it?

[00:17:10] CK: I don't know that there's a way to overcome it. I just got to keep going. Sharks got to keep swimming, right?

[00:17:14] WS: Yeah. How do you prepare for a potential downturn?

[00:17:18] CK: You make your money when you buy, or maybe more importantly, you avoid losing money based on how you buy. So that touches on your previous question. That's why it's so hard for us to find a new deal right now, is because at this point in the cycle, there's a lot of money chasing not as many deals. Valuations are high. And so that's when you need to have even more margin for yourself and your investors, which is paradoxical with the market, right? They're paying more. So it makes it harder and harder to find a deal.

[00:17:48] WS: On that note, what do you see happening over the next 6 to 12 months?

[00:17:52] CK: I don't know what I see or expect, but what I hope is that there is going to be some sort of a correction in multifamily. We are in the midst of a recession, and yet that hasn't really affected multifamily receipts, revenues, and consequently hasn't affected multifamily valuations. So I think that with upwards of 30 million people having lost their jobs, not most of them or many of them not regaining employment. I think there has to be a trickle-down effect on multifamily revenues. And once NOI goes down, then that means valuations are going to go down and cap rates might expand. So my thinking is that within the next 12 months that we may see some sort of correction in values of multifamily and that may present some buying opportunities.

[00:18:44] WS: Chihiro, how did you gain such a high-level of self-discipline?

[00:18:47] CK: I don't know, maybe it's my parents, Whitney, and my mom specifically. I owe her a lot of credit, but she was a disciplinarian, a strict mom for sure. And while I had no idea that I was going to go into entrepreneurship, specifically, real estate entrepreneurship, as recently as five years ago. But that discipline I think just comes back when I was a child when there were strict rules on what could and couldn't be done, and there consequences if I were to break rules or act in an undisciplined manner. So I think I give her a lot of credit.

[00:19:20] WS: Love that. What about – I know we've talked about some of these, but maybe you could just cite quickly a couple habits that you are disciplined about that you must do every day.

[00:19:31] CK: I think being healthy is really important. So eating right and exercising. I heard a brilliant quote. I can't take credit for it, but somebody said a healthy man has a thousand wishes. A sick man has one. And so when I heard that, it really struck me and stuck to me. So that's a big part of me and my wife's lifestyle is eating healthy and staying fit. And I think that that actually contributes to the discipline that you just asked about. The way you do want things the way you do all things, right? So I think one would benefit greatly from having overall approach to life that that is about discipline and doing the right thing.

[00:20:12] WS: What's the number one thing that you changed recently to improve your business or added whatever that we could also apply to our business?

[00:20:20] CK: Across these two deals that we've done so far, the first one I didn't have a true team. But for the second, by the time we had closed that second deal, I have a true core team at our firm Black River Equity Partners, my partner Stuart and Hunter. And we run together. We have a commitment to each other. We're a true team.

And so I think developing that, having gone through a variety of different potential partners to finally arrive at the three of us I think has been an important development for me personally and professionally. I think you always have to be thinking about what your team's going to look like, and it'll take you time before you can formulate that team.

[00:21:02] WS: Great advice. What's your best source for meeting new investors right now?

[00:21:05] CK: Right now, to be totally honest, like a lot of what we're focusing on is maintaining relationships with our existing investors. And one thing that's really helping with that actually is that we are under contract to sell our first deal. So that definitely strengthens conversations and relationships with those investors. So that's been the primary focus for me right now, is maintaining and building the strength of our existing relationships.

[00:21:34] WS: What's the number one thing that's contributed to your success?

[00:21:37] CK: We already talked about it, Whitney, it's being relentless, no doubt. Being unwilling to stop, hearing the criticism and just letting it roll off your back, a steadfast belief that you can do this thing.

[00:21:49] WS: I appreciate you just hammering that home. I think the listeners and myself just can't hear that enough. Maybe they're in that spot right now where they're being criticized by family or friends, and I think sometimes we just need to hear that over and over. You got to keep looking forward. So looking down like you're going to fall, you don't look forward where you want to go. Chihiro, how do you like to give back?

[00:22:12] CK: Right now, the principal way I'm doing that is through mentorship. So I'm mentoring a few people who are undergrads, and one of whom I've kept up a relationship with for a few years now. And so really saw him flourish from – We started talking when he was a sophomore in college, and now he has graduated and working in spite of the very challenging job market with COVID. So I'm very proud of him and really enjoy the process of mentoring people and having the privilege of seeing them develop and playing a small role in that.

[00:22:45] WS: Chihiro, so grateful to have met you and heard more about your story. We have very similar stories and I'm so encouraged just watching somebody like yourself just push through a hard two years to get to where you're at now to reach that level of success and pushing through what other people think or questioning what you're doing. And just having that – Being relentless like you have mentioned. I'm grateful again for your quote, “No abnormal results without abnormal effort.” You're definitely an example of that and an encouragement to the listeners and myself. Tell them how they can get in touch with you and learn more about you.

[00:23:21] CK: Thank you very much, Whitney, of your work. I love your podcast. So thank you. We can be reached at www.blackriverrep.com. That's BlackRiverEP as an equity partners.

[END OF INTERVIEW]

[00:23:33] 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 are 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]

[00:24:14] 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]