

EPISODE 773

[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 Justin Richards, thanks for being on the show Justin.

[0:00:32.7] JR: Pleasure to be here, sir.

[0:00:34.1] WS: Justin is a trailblazer, visionary and cofounder at Greyson Capital group. He has more than a decade of multi-family property experience with competency spanning physical asset management and leasing customer relations and collections. Earlier real estate activities include commercial and residential construction.

He's also a father, husband and mentor to those looking to take the road less travelled, Justin, welcome to the show, grateful to have you on, I know you have some great experience, especially in deep value ad and I know that's a term we hear often but you have some great experience, I'm looking forward to diving into that because I know many of the listeners hear that term so often it's like what is that, is it really value ad, what does that really mean.

So looking forward to just hearing that from your experience and what you all do, but let's back up a little bit and just give us a little more about who you are, your real estate business and let's jump in.

[0:01:25.9] JR: Certainly. It's a pleasure to be here, I always love gentlemen like yourself that are paying it forward to their community and helping educate. My partner and I started off with nothing, a lot of guys that join or start these businesses, start off, I don't want to say well capitalized but you know, they'll leave a job with a few hundred thousand bucks in the bank, they can afford to make some mistakes, they can afford to spend some money to learn and we didn't have any of those luxuries.

And, Damon John, I think said it best in his book, the power of broke is when you don't have it, you're forced to be most creative — and it's very interesting for us starting, we started flipping houses because that was just something that came naturally. I've been in construction, one way, shape, or form for most of my life and it became very evident, very early on, especially after some conversations with Mark Kenny that it wasn't scalable, it wasn't a scalable model. I hated firing ourselves every six months, you know?

It's not the right way to go. So, we wanted to go down this track of building wealth and I feel like we took the roughest path possible. We've had projects that were a challenge, we've had — I feel like broken and battered, we've hit so many blocked walls and climbed over and around 'em, it's been interesting.

[0:02:59.9] WS: Yeah, that's some great learning though, right? Maybe you can just highlight a couple of things learned through that path to getting where you're at or something you could share with the listeners so their path isn't as difficult maybe?

[0:03:12.4] JR: Some of the things I learned early on, Mark really beat up Aaron and I in the very beginning and said, "Look man, go out there and start educating early and start communicating with people, telling them what you want to do, what your path is," and I would argue with them, "I'm like dude, what do we have to give? We don't have these huge multi-family properties under our name like you do, we don't have this, we don't have that," and I was concentrating on what we didn't have and he stopped me in my tracks and he said, "Well, why don't you look at what you do?"

"You guys have flipped houses, you have smaller multi-family properties," I — knowing I wanted to be in this industry after I read *Rich Dad, Poor Dad*, when I was a younger kid. When I came

to western Michigan, I started working for a property management company and I managed, I was an assistant manager in a 328 unit complex and I realized very quickly that I'm on the wrong side of the table.

I may not be a financial genius and a Wall Street guy but I can work most people under the table and I'm not afraid of putting in hundred hour workweeks. I really need to be over there — and Mark said that level of education is something a lot of people are afraid of. So, go share it and start building a network and we waited and waited and by the time we got our first deal, we had nobody to talk to about it.

So, it was one of the toughest deals we could have had because we didn't know how to talk to people. We hadn't been talking to people very long. The people we were talking to didn't trust us because we hadn't been in conversation long enough and looking back, I think that that was a pretty big mistake. We could have started talking to people way earlier and we could have started generating a network way earlier, even when we didn't have anything because continuing down that path takes so much strength that most people don't realize and just people watching us continue to do it and make baby steps forward is, in and of itself, an inspiring process.

[0:05:36.8] WS: That's awesome. That's just some great advice and I think so many people can relate to what you just said and just starting earlier with communicating what you're doing and educating people, focusing on what you do have instead of what you don't have. All those things, I mean, it's just some great advice there, no doubt about it.

Let's jump forward just a little bit to what your specific business model now, you know, what are you all doing, what are you looking for, what types of properties.

[0:06:00.1] JR: We love deep value ad. Value ad's a term that's thrown around by brokers loosely and every body has value to add, they make it sound like there's always this beautiful rainbow at the end of the tunnel, but we like ones where we went into Memphis and picked stuff up for under 40 thousand a unit and had really rough crews, we picked up our first property where it had 16 units that were burned down and we were able to negotiate terms, we were able

to leverage a pilot program and it turned out to be a phenomenal success for us and we're extremely excited about the project, we're about ready to refi here in the next couple of months.

And we just found a groove and we found it a couple of different ways, number one, management company, that was our biggest key for us, multi self-management, cut their teeth on 10,000

[0:07:02.4] WS: Having your own management company?

[0:07:04.4] JR: No, Multi Self-Management is a management company out of Memphis but the gentleman that owns it, David, he cut his teeth on 10,000 a unit properties and just rough his nails, he can get through anything and he knows how to manage in markets that people competent management companies fail.

Because of that, we've had a tremendous amount of success.

[0:07:29.4] WS: Wow, key relationships.

[0:07:31.8] JR: Key relationships and people that really understand the market, there has been so many as I said, competent management companies that have moved into Memphis because it's kind of the cash flow king of the country, thinking that they can handle that and just getting their butt handed to them because they had no idea how to manage in that market. And then you have other individuals like myself that bring the most competent person in the area to the table and just knock it out of the ballpark. It's the old adage, it's who you know.

[0:08:06.5] WS: Yeah, wow, that's such a key point there, key relationships. Can you give us an example or maybe you dive into that property you mentioned earlier that the fire but you know, just the deep value ad, when you consider something of deep value ad, can you give us an example, maybe we talk through it just a little bit.

[0:08:22.4] JR: Yeah. Most people, when you're looking at adding value, we're talking \$3,000 to \$5,000 a unit. I'm going to come in, I'm going to put laminate floors in, I might resurface or new

counter tops. Put some nice shiny handles on it, paint and call it a day. Maybe an appliance package.

That's value add and kind of smile at that because you know, it definitely is going to drive pricing a little bit but when we come into places, you know, this place had a big hole in the roof, everything was taken down to the studs, and we had to start from scratch, you know, dried in and rebuild everything from the inside to electrical, redo some of the plumbing, you're talking 10 to \$15,000 a unit value ad and in my mind, anything north of 10 is starting to get into relatively high value ad when you start talking to bridge lenders — if you're talking \$15,000 a unit, their next question is, how many of those have you done and can you send me some success stories.

[0:09:29.3] WS: No doubt about it, you better have a track record or some experiences, somebody on your team anyway that has that experience.

[0:09:35.3] JR: Absolutely. That would be the next s thing that you know, going back to the question you asked me, team is the next thing that if somebody's new and getting into this, you have to have a good team. Have to. You don't have to know it all, you can't know it all, it's impossible. But if you have or surround yourself with extremely competent individuals and you're willing to set your ego aside, put people that are stronger around you, you can have a high level of success.

[0:10:03.5] WS: I feel like that's kind of a way maybe you all niched down a little bit, you know? By being willing to take properties that have a deeper value ad than maybe the common term of value ad, would you say so, as well?

[0:10:16.3] JR: Certainly. A buddy of mine, Tim Steering from Bull's Eye, we're working on a project in Alabama right now and we went in knowing that there was foundational work that needed to be done. A lot of people would run scared because it can get really expensive. But, if you bring in engineers, if you understand soil, if you understand how to address the issue or how to mitigate the problem, then there's nothing scary about it. It's just information. It's management of good information to make a deal solid and you know, we're going to do very well, no doubt.

[0:10:56.3] WS: When you're looking at a property as a deep value ad, this is why it's a niche for you all because a lot of people do run away, you know, like you discussed, are they going to stay away from those — but you know, not being fearful but being knowing how to dig in and sure, this is a good investment, so important. What about the market that you're looking in at that property, I think a lot of listeners would say wait a minute, you know, it's probably part of town, I don't want to drive through to find a property like that or you know, how do you look at the market or where that property is located to see that type of deeper value ad property?

[0:11:25.9] JR: You know, none of the stuff we're in is really scary areas. Our properties in Jacksonville, Florida are in phenomenal markets, sub-markets, our stuff in Memphis, Tennessee, it's in an area that's gentrifying, is it the nicest area in town? Far from it, but it's also far from the worst area of town. And we bought one, saw a tremendous amount of value coming in around us, bought another one, then bought another one, and now we're trying to control that market segment. And you know, myself and a couple of individuals that we work with own a significant amount of units in that particular area that we see gentrifying —

It's very close to German town which is a highly affluent area, it's close to east Memphis which is a highly affluent area and it's been poorly managed by out of staters who don't understand what they're doing and end up getting into a situation where they allow their managers to manage it untouched.

And it goes downhill to a point where it gets ugly, and they don't know how to get out of it so they sell. And we pick it up with smiles on our faces, put on our work boots and get to work and bring the right people in, you know, the one thing I've learned is no matter where you are in the world, people always want safe, good looking housing that they can feel confident and comfortable bringing family members and friends over too, that they can be proud of. That's something Aaron and I stand by.

We call it the Greyson Touch, as corny as that sounds, we're Greyson Capital Group but we want a home, whether it's A, B, C or D, we want a home that everybody can walk in and we have personal touches so you know, a lot of people are okay with paint on the side of the trim, that's an absolute thing that I go nuts over. I pay for painting; painting needs to be done right.

When you're sitting on the can or you're walking around your house, you can feel proud, it doesn't look like somebody threw together something for you to live in. It's those little touches that make people feel like you care.

[0:13:37.0] WS: No, taking pride in what you do as well, right? And doing it right if you are going to do it. Justin, you know just through this from where you all came from, from flipping to just some other things we talked about early on getting to where you all are now being able to deep value add, what's been the hardest part of that process getting to the syndication business?

[0:13:54.6] JR: Everything. That's general but it's drinking through a fire hose for a long period of time and being completely comfortable being uncomfortable. Everything is new. It's new brokers, it's new relationships, it's new bankers, it's new markets, you know each market has its little intricacies. So when you move in, you are going to fail. Be very comfortable falling flat on your face. Hop up straighten your nose, keep going.

If you are comfortable enough in your own shoes to just continue to move forward and always do the right thing or to the best of your ability to do the right thing, you will always find success. It may not be a flawless road but you will always find success if you continue to just do the right thing over and over again and that is sometimes hard to do.

[0:14:45.8] WS: Yeah and focused on say the deep value add model, how do you prepare for a downturn?

[0:14:53.2] JR: You know one of the beauties of a deep value add model is you go into it with conservative underwriting, you are coming out of it with downturn numbers and your upside is your bonus. So you're not underwriting to the top of the market. You are underwriting so some of our places in Memphis will underwrite 20, \$50 bumps with the pile up program so it makes sense when we know in our hearts because over property we have down the street.

We can probably get a \$100 or a \$125 bumps or we'll underwrite some units at \$75, some units at \$50 because you just never know but then you deliver a 100, deliver a 125 and that's the best way to do. It means it protects most of the downside.

[0:15:41.7] WS: No, that's awesome. It's a way to gain some long term investors as well. So you know Justin, I believe that anyone who's successful in any business especially this one, they have to have a high level of self-discipline. How have you gained such a high level of self-discipline?

[0:15:56.6] JR: Getting my butt kicked over, and over, and over again. I mean I come from a very country, humble background. My family was very well off early on. Both my parents were high tech even though we lived out in the middle of the country and then we lost everything. I mean we lost our house, we have to move out and fend for ourselves. I helped my brother go through school, he is 10 years younger than me. So I was working 100 hour weeks so he could go race motocross.

And our family stuck together during the crisis and when I would get a check and my parents didn't, then I helped with bills and that work ethic is very difficult to find in today's generation and just people who are willing to stick by the side of individuals that they're partners with is extremely difficult especially when stuff goes sideways. So I call myself a sophisticated hillbilly, because you know I got that country side of me where I'd love to sit on a tailgate and drink beer with people and talk shop.

But at the same time, you know the people that I surround with talking shop is normally what's going on in debt markets, what's going on in the city, where money is being spent and those are the conversations that really peaked my interest.

[0:17:20.6] WS: There's qualities that are learned through a rough time like that that can be received any other way it seems. So yeah, well tell me are there a couple daily habits that you have that you are very disciplined about that have helped you achieve success?

[0:17:36.4] JR: I try never to leave. My wife does not like this and sometimes I concede to that but I try not to leave projects undone. So if I am working on a project and I need to stay here until one in the morning, you stay and you finish and I learned that at a young age. My dad always taught me finish your job and whether it's bigger, if it's small whether it's hard or it's not — just finish it and if you continue finishing things, you will inevitably get good results.

Because there is a lot of people out there that will start something and not finish or they will start something and they'll get scared and they will run and hide or bury their head in their sand and if you just finish stuff, it's impressive what can happen.

[0:18:22.5] WS: What's a way you've recently improved your business that we could apply to our business?

[0:18:26.9] JR: Systems. We were a small shop with myself and my partner and we started getting a lot of properties and with each one, we started to see inefficiencies. We started to see places where we could turn failure into success. We started to see ways that we could save money if we could collect data. So I would say early on, start looking at what ways you can implement processes and procedures to help yourself grow and mitigate the downside of repeated errors.

[0:19:01.1] WS: How do you document your processes?

[0:19:04.0] JR: Right now, we are using software like Juniper Square but we started like everybody else, had really elaborate Excel files. We would just go through kind of like an after operations report. What went right, what went wrong, what can we learn from this, break down closing statements, you know why did we pay this, what value did we get from this as we called the bankers back and can we negotiate this? Is this something we can move the needle on?

And it's amazing how afraid people are to ask questions because they are afraid of feeling stupid or their afraid to know and, who cares? Know is just the beginning of the negotiation at least you know where your basis is and you can build from there.

[0:19:53.9] WS: I like that, know is just the beginning of the negotiation. That's a good outlook right there. What about the best way for you right now, your best source for meeting new investors?

[0:20:04.9] JR: Oh now has been more challenging than ever because people don't like being around each other. So use your network, most people only call their network when it's time to do

a deal and we've been trying to go out and meet our network's network and we met our accountants two years ago. We saw a tremendous amount of value and KC, he saw a tremendous amount of value and Nasi stood behind us and now he is signing on deals and bringing people to the table.

He is managing or should be soon managing a small family office and things are really starting to change positively for us because we just kept working in the network and kept having those conversations and at first, it's like when you first start working with investors. They don't know you, they don't trust you therefore you don't get anywhere and the more conversations you have, the more you deliver, the more they see you execute and they see your work ethic then doors start to open and that's what happened with us.

[0:21:13.8] WS: What's the number one thing that's contributed to your success?

[0:21:17.3] JR: Dogged persistence in the face of just obstacle after obstacle after obstacle. You just cannot give up. It's like the story we've heard in some of the old books, being three feet from gold. Mr. Darby had all of his equipment and they were digging and digging and digging and the vein went dead and they gave up and they sold it to the local pawnshop there and he was smart enough to get a geological engineer and go out there and take a look at it.

And found out that Mr. Darby stopped three feet from the finish line from one of the largest gold veins ever in history and I have taken that throughout my life. You are going to have bad partnerships, you are going to fall on your face, spending is not going to work the way that you planned it to work. So you are going to have to turn on the fly and adjust. Just don't give up, look for options and execute.

[0:22:15.9] WS: Awesome. You know I say often, people say, "Whitney, how did you get to where you're at right now," and I say, "You know it is not because I am some kind of genius or anything like that and I don't consider to be successful," you know I am barely skim the surface I feel in this business and just getting started but it's like you just have to be willing to dig in and keep digging and keep working and keep moving forward. Get kicked in the face, get back up, you know?

It's almost that simple, you know? People wait for that book or that one thing that is going to just make them for them and I think you just hit the nail on the head there. I mean it is just that persistence and being willing to keep going. There is so much value in that and it's just seeking the next correct step and guys great wisdom and I couldn't agree more. How do you like to give back?

[0:23:01.4] JR: The biggest way is through venues like this. I can't say how much I appreciate venues like yours because when you're first starting, you don't even know who to go to and you are afraid to talk to everybody under the sun because you don't want to look like you're crazy because you don't have in our case, you don't have money and you're getting ready to go ask people for millions. You sound like you've got two screws loose.

So for people like myself to sit in their car and to listen to podcast like yours and hear people that have had success and how they had success and give them nuggets to run with is so impactful that people don't understand and this is the medium from which people derive so much strength. So this would be the primary way I like giving back. I am almost too much of an open book, but I like sharing failures with people because to be honest, investors don't want to hear about successes.

Because when successes are happening, it's easy. People want to know how you screwed up and more importantly, how did you react when the screw up took place. So those are the ways I can give back. I can take the pain and frustration I've had and share that with other people. So maybe it might lessen the blow. I am not going to say you're going to go out there and have a flawless execution because that's a pipe dream but lessening the blow is helpful.

[0:24:35.9] WS: For sure. Now Justin, we're grateful for your time today and just taking us through just your how you all love the deep value add and now you found your groove, you said but just the key relationships and your team and systems and really I love that persistence that you talked about and I just think that that's important to any of this just your mindset of having that from the beginning and for the listener and myself. So grateful for your time today, tell the listeners how they can get in touch with you and learn more about you?

[0:25:04.0] JR: graysoncapitalgroup.com and you can find me on social media under Grayson Capital Group. I am old school, I am not on social media that much so hit me up, I'll get there. I am thankful for your time and thankful for you leveraging this medium to help more people.

[END OF INTERVIEW]

[0:25:26.7] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

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