

**EPISODE 912**

[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 Whitney Sewell:** This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is AJ Shepard. Thanks for being on the show AJ.

**0:00:32.4 AJ Shepard:** Thanks for having me, Whitney. I appreciate it.

**0:00:34.2 WS:** Yeah. AJ and his brother Chris own Uptown Properties out of Portland, Oregon. AJ is a current RVP for the National Association of Residential Property Managers, and volunteers, have property managers learn, grow and build relationships across the nation. AJ definitely has some skill sets that we all need on our team as commercial real estate owners, operators or even as a past investor, you need to know that your operator has someone like AJ on their team, one of their claims of fame is turning a bad property into a good community.

And that's what I want us to get into today, and some examples of how they have done that successfully, 'cause that's where the value is as well... Right. Is operating that property. Well, I'm building that community. So AJ, welcome to the show. Give us a little more about your background in commercial real estate and maybe getting into property management and why that's your focus, and let's talk about maybe some examples of how you all brought those bad properties and made them into good communities.

**0:01:30.5 AS:** Sure, I appreciate you having me on the show Whitney... I've been listening to a long time and very excited to be here, so I appreciate that. My brother and I started buying properties right at the down turn back in 2007, 2008. We got up to enough properties that were like, Hey, why don't we start managing for other people to bring in some more income, so sometimes we call ourselves the accidental property manager, and in around 2013-2014, we found the Association, National Association of Residential Property Managers, and it's been a great place to learn how to really hone our skills with property management and really just become kind of like the best in our craft.

We like to think that we're rising and growing a lot, growing at least 50% to 60% each year, a steady growth when we started doing syndication ourselves, just in the last couple of years and starting to buy larger and larger properties, so that's kind of our background as far as like we've gone. We've got a property management company that we opened up in 2011, construction company that we opened up in 2011, brokerage and then now syndication.

And really what we found, through what we know is really making sure that the property is managed well and turned over well is really the keys to success, and making sure that you keep your vacancy low and then you're profit high.

**0:02:48.6 WS:** Nice. Well, you have tons of experience. And there's so many things we could talk about on the show. But as far as the property management piece alone, I want us to dive into that bad property, and maybe you have an example or a couple of examples of where it was difficult or where it's not the common scenario of that value add, we talk about often, but some scenario where you've been able to turn a bad property or what was considered a bad property into a good community, and let's walk through some of the things you did that the listener could do as well.

**0:03:16.0 AS:** Yeah, absolutely, about a year ago, we purchased a nine-unit complex from a self-landlord, someone that manage it themselves, kind of had deferred maintenance on the outside, a lot of tenants on just different lease agreements, maybe some cars or some vehicles

and some landscaping. I'm sure you've kind of seen those type of properties, what we did was I come in and I wouldn't say lay the hammer down, but it's really being diligent about making sure that you keep on and say what you're gonna do, and do what you're gonna do, do what you're gonna say...

So in this property, what we did was, is you generally... The first thing that we like to do is make sure that everyone is on the same disagreement, typically, when you get this property, everyone's got a different sort of agreement, so what we do is give them a notice to put everyone on the same agreement, so as agreement that we know really well.

**0:04:10.6 WS:** You have to honor that old agreement though, right?

**0:04:12.5 AS:** We do, we do. Most of the time when you get these properties, the tenants around month, month, so usually it's just a change in terms, there's no real consideration that needs to be given for that, just because their term is literally like 30 days, but you do have to give him that 30 days notice to change the terms, so that's really good. And maybe not starting right away. With rent increases, we usually like to change the utilities over to a rub system that I... Or rental utility billing system, and then once we've got those new terms in place, it's really about making sure that those new terms are followed.

In ours, we have specific considerations that don't allow for vehicles to be parked in landscaping, they have to be parked on the streets there's no tarps, all these kind of little things that like the curb appeal of the property to make it looking a lot better.

**0:05:02.9 WS:** It's in the lease because people have done it. Right?

**0:05:05.7 AS:** Yeah, I mean like, there's a lot of... Knowing your lease inside and out is really important, and as a syndicator, it's kind of important, your property manager is gonna have one that they use inside and out at every property. It just makes sense for us to do that. So getting a copy of that lease and understanding what's in it, what sort of rules the property manager has to apply by and what sort of rules that tenant needs to apply by, and having a

good idea... That can be super helpful.

**0:05:35.2 WS:** Alright, so making sure they follow those things is easier said than done, right, and I can definitely think of some examples personally where it's so important to know your lease, 'cause there are just times where there's bad actors that you need to be evicted. I mean there... It's damaging to the entire community, but there's ways that obviously you're trying to protect the other tenants as well and create that good community like you're talking about. Any other ways as far as you take over a property like that, you're going to ensure everyone's on the same lease, you're going to put rubs in place, new terms in place, and you're gonna make sure they're followed...

Speak to that a little bit, obviously, and maybe you speak to the operator who's working with a property management company like yourself and trying to ensure that these things are followed and what happens when they're not followed and just following up to ensure we do develop that good community like you're talking about...

**0:06:24.6 AS:** Yeah, again, it's about consistency, making sure that the correct notices go out at the right time, and every jurisdiction is a little bit different, we're in Portland, Oregon, and I'm sure everyone's heard on the news of Frank control and all the stuff going in and the landlord tenant laws are pretty strict, so making sure that we follow those to a TA is really, really helpful. I will say that NARPM as a community of property managers, which allows us to ask questions of our fellow colleagues, which is a lot, I would say, not necessarily, but it is cheaper than just going to a lawyer every time.

So it's really kind of like crowdsourcing that information and anyone in the Norton community will say that they've asked for that information, and it makes it easily accessible, which is super nice.

**0:07:13.3 WS:** Is that a platform or association that's good for landlords as well, or owners, I mean, our operators, or is that mostly just for a property management company?

**0:07:21.3 AS:** It's comprised of professional property management companies, so one of the prerequisites to be in as you have to have a professional license.

**0:07:29.0 WS:** Alright. So go right ahead just about that relationship between the Operator property management company, when we are turning that property from the bad community into a good community, it's so important, how do we manage that relationship to ensure we're doing it as efficiently as possible?

**0:07:42.6 AS:** Yeah, and we work with larger clients as well, and the best thing to do is have regular meetings with them until the property is really stabilized. Usually we have a once a month meeting with our client. Make sure that we have a schedule, so we know what notices are gonna go out and then how long it's gonna take for those notices to come into place, and then what the next notice is gonna go out, and we just kinda have to schedule down and that schedule, it kinda goes like a notice of the change of agreement and then we'd go in and during that time, let's say we strike the parking lot, make sure to put numbers on it, it would come up with a plan for parking, and then we start charging for parking.

Or we change that agreement, and then maybe a month or two later, we then implement rubs and then we know that that takes 90 days to set effect and then we kind of stagger these sort of increases or stuff that the tenant is receiving and hopefully we always try to couple it with a little bit of improvement as well, maybe fixing up the landscaping, like I said, maybe removing those vehicles from the site, like making that curb appeal better, so what you're doing is you're actually improving the community and the tenants see that you're improving it, and then understand why the rental increases warranted.

**0:09:01.7 WS:** Nice. Speak... I wanted to go back to the lease a little bit. Document is very important, right? I mean, speak to maybe common things that are not in a lot of lease agreements, I know you talked a little bit about it, but anything that's out of the norm that is... Has been just a game changer or a life saver for your property management company?

**0:09:21.4 AS:** The lease that we... Is this a pretty standard and we've been using it a long, long

time. I know that what we find in other people's leases is they try to add stuff in there that isn't allowable by law, so we use a standard form that I wouldn't say the state comes up with, but some associations come up with, and it's tried and true as far as what's in the least specifically.

Items that deal with parking, items that deal with tenant upkeep, what they're responsible for, whether there's barbecues allowed on the place or not, whether they can have their bikes outside strap to the railing or not, like these sort of things that you go by and you're like, oh man, that place kinda looks interesting, and just having those small little nuances not there and increasing that carpal can do a lot for your overall return. I think the main thing is really like reading that all the way through and the fine tooth comb.

**0:10:20.0 WS:** Yeah, any other just keys to success in property management that you could share before we moved to a few final questions.

**0:10:25.0 AS:** Yeah, yeah, so the other portion as you're bringing this new property on, getting it set up correctly is great, but then as you're going through the cycle, really managing it and making sure that you're reducing your vacancy and you're maximizing your profit, like vacancy is the silent killer for a lot of properties, so what we do, there's a new program called rent check out, and we send that to our tenants, sometimes we get a property and we haven't even been in the unit.

And we're bringing on new clients, sometimes the tenants are... It's a Four-PLEX and one unit is vacant, but the other three are occupied, so we've never seen these units, the owner typically doesn't provide us any sort of information, so getting the tenant to actually do that rent check and having them check out the carpet, the floor in the cabinets, is this stuff that's gonna need to be replaced, is there any major items that you can start getting prepared for.

Maybe the tenant had kids and there's just crayons all over the wall, that way you know that you can schedule your painter, so if you get that, we typically send this and we call it a scope of work inspection, we do it about a month before I turn, and then the tenant then provides us

that information, hopefully within two weeks, and then we have about two weeks to prepare for this turnover, so the day that they move out, we're able to get in there and get that work done within a week and have it ready for showing afterwards.

Another couple of tips that we do is when you write new leases, in Portland, there's a cycle, most people don't wanna move over the holidays, kind of like November, December... So that's a really bad time. Starts getting cold in October, November. Nobody really wants to move then, and then January and February is just like, everyone's working on losing that weight, not drinking, so we find that there's a season for moving, and if you wanna get the best rent prices, you put your house up for rent when there's a lot of people looking at it.

We found that the more people that see your rental, the better off that you're gonna do to get that higher price, so we typically write our leases to end anywhere from April to, like, August, I wanna say, and if we're in say September we'll just write an eight-month lease. It could be shorter than the year, it can be longer than a year, but we find that we're gonna get a 10 to 15% higher rent if we're within that window, and I don't know, there's... I'm sure that there's windows for every state, you just gotta figure out what that window is.

Another tip that we've done is sometimes people really just wanna get out or move and write in the leases to end on a Sunday, so that when... As a property manager, I employ people to work Monday through Friday. Most of the time, I might have one person on the weekend, but if that lease ends on the 30th, the 31st and the 31st is a Thursday, my inspectors are gonna be out there until Friday and then I'm wasting those two days in between on the weekend of not getting anything done, trying to really start that turnover process at the beginning of the week, so you get the maximum amount of people into the property and... Maximum of work done in the shortest amount of time.

**0:13:33.9 WS:** That's so great. That's a great tip right there. Don't make the lease and look at that, you're ahead or see what day of the week it is, so it ends on... You're saying like, Make it end on Monday or Tuesday.

**0:13:43.0 AS:** We're picking dates for eight months of the year, I literally have to pick eight days of when we want the leases to end, and then I give that to my person who's writing leases and when they set up a new lease, they just pick one of those days that works, and it's something that's really tough,

**0:14:00.0 WS:** So you mentioned vacancy being the silent killer, and tell us in ways that you all been creative to decrease vacancy or maybe increase your traffic and things like that.

**0:14:10.5 AS:** Yeah, getting the property up for lease, like, marketed, when we see that rank check, as soon as we get that back, like that property is up and we are getting people in, not into the property, but taking people in from our marketing, we post it to wanna say 30 or 40 different sites. Most of our stuff comes in through Zillow, which they've now started charging for, which is... We also still use Craigslist, and then our back-end property management software syndicates to 30 or 40 different sites, but tracking that and making sure that we know exactly how many leads are coming in, and I think that this may be a little bit more...

Maybe different because we do a little bit of smaller multi-family and there, each unit can be a little bit unique, so really looking at those numbers, if we put up for marketing two weeks before and I see that, only two or three leads and really wanna see the property, that's not enough to get the lease signed in a couple of weeks. We always shoot for two weeks at a lease signed, we may be a little bit under market, but I can tell you that having two to four weeks less on vacancy at 50 dollars less month.

It's only 600 bucks, it's well worth it to get someone in and the place leased out rather than how it sat vacant for a month.

**0:15:29.3 WS:** Now, that's great advice, that's great advice. I think through your vacancy and what it's really costing you, trying to wait and get that win increase by a few dollars a month, as opposed to the vacancy for over a long period of time.

**0:15:42.4 AS:** To elaborate too, as a syndicator, if you're working with the property manager,



they should be able to give you an idea how many people are looking at that marketing, when pricing is very subjective to each market, but if there's not a lot of people looking at that marketing... You can look at a few different things, like, are the photos good? Having great photos is... We find one of the highest things that drives traffic to your listing, having those great photos, we do 3D tours to Rico camera as a 3D camera that can...

It's a lot cheaper than matter port, so that is very helpful. We do those with our listings, so that's the number one thing to get those listings really marketed well, but as the syndicator, you should be able to ask like, hey, how many people are coming to see it per week? How many people are saying, I want to see it per week? These sort of numbers are available on the back end of marketing and making sure that if that property manager can't give you that information there it might be something you wanna look at or suggest that they can improve.

**0:16:49.0 WS:** Are there any other pieces of technology that have helped you to streamline the lease a process or even just... Or any platforms as well, like Facebook Marketplace or Craigslist for Apartments.com, any of this, it's like, we've gotta have it on this platform and this is how we handle that to ensure we're getting in front of maintenance as possible.

**0:17:07.7 AS:** I'm happy to share what we use, we use AppFolio for a back-end software, I think most of the property... A lot of property managers do some could use Yardi Buildium, we use lead simple for sales process, which is bringing on new clients, and they recently just started an automation, my company is actually in our second week of implementation of that, so I will have to come back on and let you know how it goes.

One of the things that we do that really helps out, and Whitney, I'm not sure if you use, but we use off-site professionals, I've got eight or nine girls in the Philippines that work for us that do a lot of work at a significantly lower price, which is super helpful. We also do self-showings, and I don't know if a lot of syndicators so this or allow for it, but what we've found is putting a lockbox on a site, typically it's like a code box, kind of like a real estate box where the tenant has to send a photo in their driver's license, make sure they're a real person, but then they can access it and see it whenever they want.

We actually had this implemented well before covid, which was pretty cool, like we had, I don't know, five or six showings on Christmas Day, which I was like, You're not gonna employ a least an agent to be out there on Christmas day, but if someone really wants to go look at it, they can...

**0:18:22.4 WS:** Is there a technology behind that that helps you to manage self-showings?

**0:18:25.7 AS:** Sure... We use a tenant Turner, and then there's a couple of others. There's like Showmojo or Rently, we use to Tenant Turner, they do have a little bit of AI with the response. So if someone texts in, they have an AI that responds and then gets them, that person into the place as much as quickly as possible.

**0:18:43.7 WS:** Elaborate on... You mentioned VAs in the Philippines that are working doing a lot of this... I've used a lot of VAs for a lot of different things and still have using them very useful and great workers typically do great work, tell me a little bit about what they are doing for you, what they can do in their process a little bit?

**0:19:00.7 AS:** Absolutely. So first of all, the first thing we do is we use a voice over IP, so Rowena, answers all of our phone calls, has answers all of our tenants. If they call in and they're like, I need to submit a work order, she's like, go to this website, or she maybe tries to help them out a little bit more, point them in the right direction. So she handled that, I have a next upper...

Next customer service specialist, Angel, and she does a lot of the lease renewals is the contact, and it's about renters insurance, making sure that that's all up and going, and then I have another girl that really does kind of like the least application process, she handles all the new tenants coming in, making sure that they're able to get into a new place. I have a couple of leasing agents that are brokers in Portland, but each of them now have an assistant where they can do and manage a lot more properties, so they're the ones putting up the marketing coordinating with the photographer to make sure that they get in, making sure that the photos

get listed.

Craigslist ads are all up and going, everything's looking good for all those properties and units, I have another one that does invoices for construction, another one that does accounting stuff enters, all of our utility bills, splits it up in a rubs, then applies to teach the accounts, and then another one that does book-keeping for some of our several companies, so they range in capabilities, it really depends on probably a little bit on pay, but really interviewing and making sure that you get that a player, but it's been great having them, we do call them offsite professionals and we like...

**0:20:37.8 WS:** I like that, I love that term.

**0:20:40.0 AS:** Yeah, so every Wednesday we have 'em on video conference, I've been doing video conference... Well, before covid, we use RingCentral and it just... I've had actually them on the TV screen at event, so we'd have a live event in our office, and we put them up on the TV screen and have them interact with either my clients or people coming into the office just to show that these are actual people they're human beings and they do great work just like anyone else, so we've utilized that a lot and really enjoy having them on our team...

**0:21:12.7 WS:** Yes. Us as well. I love that term off site professionals instead of VA or virtual assistant, I do appreciate that, and I appreciate you laying out those tasks there. It's great for the listener to be able to hear these people who are extremely capable. Honestly, the lady that's full-time for us in the Philippines, we have different people that work for us there, her grammar and English is much better than mine. You know, she was a teacher there, she was just very skilled and is very dedicated, and so she's been great and a great asset to our team. And so, AJ, what do you predict, say over the next six to 12 months to happen, say, in the real estate market?

**0:21:44.5 AS:** You know, I'm really interested to see what happens with the eviction moratorium currently in Portland. I think this month, some of the tenants, if they haven't said that they've got problems with covid, they're gonna have to start paying that back rent. Luckily,

we haven't seen as much as maybe the rest of the US has seen, or either of my company has not seen as much, I think we're at like 3% of people that haven't paid, so we feel very fortunate in that aspect.

But I believe that nationally, it's a lot higher than that. I have heard rumblings of landlord saying that they're gonna want out and nobody wants to sell right now with their property being under-performing or a bad asset, so I think that we're gonna see a lot of properties like this pent up selling demand or pent up people that wanna sell, coming to the market, and I wanna say it's gonna be probably towards late summer, maybe even into Christmas would be my guess.

**0:22:37.8 WS:** What about a couple of daily habits that you are disciplined about that have helped you achieve success?

**0:22:42.8 AS:** I wouldn't say they're daily habits, they're like weekly habits, I typically write a to-do list Monday morning. Like I come in, just kind of sit down before I answer email and I'm like, alright, what are the high important task that I need to get like me, I need to get done, or I need to make sure they get done this week, and then my brother and I also set yearly goals, really stretch goals, and really breaking those down to quarterly goals, and then we meet once a week and then make sure that we're on track for those goals and those... That's been super helpful. And it's really just outlining what are the high, important tasks that need to get done and then following up with those.

**0:23:22.9 WS:** What about the number one thing that's contributed to your success?

**0:23:25.6 AS:** I would say a while ago, my brother and I have always been the do-it-yourself-ers, been in there, I remember a demo-ing flooring in one property or putting in plumbing or doing all that stuff. I will say the advent of having in hiring employees and really partnering with people to help us get more stuff done has been a huge success, and over the last five years, we've really scaled with that, I think we went from two employees to about 20.

**0:23:57.0 WS:** Wow, awesome. And how you like to give back...

**0:23:59.0 AS:** I really do enjoy the NARPM position as RVP. That is a volunteer position. I help the chapters currently this year over in California and Hawaii, I'm talking with them kind of once a month, the leaders of the chapter on how they can run a better chapter meeting, how they can really give back to their community a little bit, or back to the property management community, a little bit more.

So really, I volunteer a lot of my time with that and educating property managers, and one of the things that's nice about NARPM is it's all open and honest and very easy communication. A lot of us are not competitors 'cause we're all in different markets, and so there's open line of communication and willingness to share, and I've always been a big fan of continual learning and making sure that you're just making yourself better.

**0:24:46.7 WS:** Nice. Well, AJ it's been a pleasure to get to know you and just really hear some real examples and things that we need to know about to take that bad property and make it into a good community, and even just how vacancy is a silent killer in ways that you have built a team that you have... Offsite professionals, I love that term, by the way. You've built this team offsite professionals who are helping you ensure vacancy is at its lowest at all times, and so grateful for you just sharing those details with us. Tell the listeners how they can get in touch with you and learn more about you.

**0:25:17.0 AS:** Sure, my brother and I have started a podcast with West Side Investors Network, so we're on that weekly, feel free to listen to that, if you have any questions about property management, you can email me at [aj@uptownpm.com](mailto:aj@uptownpm.com) and our website is [uptownpm.com](http://uptownpm.com), and [uptownsyndication.com](http://uptownsyndication.com).

[END OF INTERVIEW]

[OUTRO]

**0:25:36.4 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](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

[END]

Thank you for choosing Scribie.com

Cross-check this transcript against the audio quickly and efficiently using our online Integrated Editor. Please visit the following link and click the Check & Download button to start.

<https://scribie.com/files/e6f0d7a0b9ea48b59ee8137cd8bf44cf584ec63c>