

**EPISODE 937****[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, to Whitney Sewell. Today, our guest is Chris Salerno. Thanks for being on the show, Chris.

**0:00:32.6 Chris Salerno:** Thanks, Whitney, so much for having me. Very excited to be back on and add value to everybody.

**0:00:37.3 WS:** Yeah. Awesome, I know you have been doing big things in our industry, and I'm looking forward to hearing about this recent year and deal and different things that happened that I know is gonna be very valuable to the listeners as well, but a little about Chris, he is a founder and CEO of QC Capital, a commercial real estate investment firm out of Charlotte, North Carolina. QC Capital helps busy professionals invest passively into commercial real estate. Chris, welcome again to the show, why don't you give us an update on what's been happening this past year, and let's dive into a recent deal that you close during all the craziness or madness over the last 12 months.

**0:01:16.9 CS:** I know, yeah, and thanks again for having me Whitney... Very excited to be back on. Yeah, so this, the most recent deal we closed, right when covid hit... We were actually under LOI on an asset about to go into our PSA, and that's when the debt market changed

substantially, that's when all the restrictions changed. Freddie and Fannie were pumping the breaks. And so we had to go back to the broker and say, Look, we can't move forward because things just change drastically and we need to take about a couple of weeks to see where things are gonna go.

And I respect everyone and their knowledge and their history, and experience, but no one has lived through a time where they've shut down the whole economy, and I've never met someone who says, yes, I've been through this time, and we just shut down everything, so it's really a historical time period. And so going into covid, we really pump the breaks to figure out, well, what's the debt market gonna do, what's the market going to... How are the sellers and owners going to respond to this? Are they going to or lower any of their prices? What are we going to see?

And we were able to, toward the end fourth quarter of last year, get a true off-market deal here in Greenville, South Carolina through broker relationships, and very excited that we were able to close up.

**0:02:36.5 WS:** Awesome, well, I wanna back up a little bit before we get into the off-market deal, you mentioned numerous things there, like LOI... And then covid hit and you had to go back to the broker and say, I mean, nobody knew, right? Nobody knew what to expect at that time... Nor had any ideas, but you mentioned the debt market change and restrictions change, could you elaborate on that a little bit for the listeners that really don't know really what changed if we're talking about debt or restrictions...

**0:03:02.1 CS:** Yeah, very much so. When it came to the debt of changing, one major hurdle that a lot of individuals had a cross is at that time they were doing 12 to 15 months of reserves that you had to put down, and that's just an additional capital and for the deal, we were looking at that as an additional... It was close to an extra million dollar raise that we would do is a fairly larger deal, which changed the returns for investors. Now, going into it, we knew it was in Charlotte, but we underwrote conservatively, but we also had a little bit of aggressiveness in there.

And once that change, we were like, okay, that changes the numbers a little bit, and then we started diving deeper and we're like, well, what's going to happen with this eviction memorandum? What's going to happen with collections? Can we get the rental premiums that we were projecting in our underwriting during this pandemic, and we just saw that the risk was too high, and we didn't feel that we could achieve those rental premiums within the first year and a half to two years due to covid at the moment, because it was just so much uncertainty.

And then that's when they started saying, Okay, we're gonna shut down the economy. Everyone needs to stay at home, and we're like, Okay, well, that definitely right there is our red flag, we're just not moving forward because with them shutting down the economy, we are going to see collection issues, not only in Charlotte, but across the United States, that's just too big of a risk for us to take at the moment, and we decided to just go ahead and not pursue, so those are a couple of things that really through those red flags up where we just were so hesitant to move forward with that particular asset.

**0:04:44.2 WS:** No doubt. You gotta do what you feel is right and stick to it in the moment right? No, not of us know what tomorrow brings... What about the conversation with the broker there? we had to say, you know what, this is just not what's best, we have no idea what tomorrow brings, and we're pulling out of this deal.

**0:04:57.5 CS:** Well, he kicked back big time, because brokers are paid based off of them closing a deal, and that deal did close, but it closed in the fourth quarter of last year, and then it closed in the first quarter, like it would have a closed in the fourth quarter, and so we kicked back big time, he said, this is gonna ruin your reputation, you don't know what you're doing, and it's like, look, you don't know because no one's ever lived through a full economy shut down.

No one's lived through a pandemic, so you can put as much hatred on me at the moment that you want, but I'm not budging whether... whatever you say is not going to make me budge, this is what we're doing. Unfortunately, it doesn't work out, let the sellers know and we'll work with

you on the next transaction, and after his team calm down there, a month later, we have lunch and we made up and everything's good, but with the pressure he gave, I was not willing to break because I just saw the risk was being a lot higher than the reward...

**0:05:56.5 WS:** Yeah, no, I just wanted to say, man, that's awesome, that you were just willing to stick to your guns there and say, Hey, we've made this decision, we don't know what's gonna happen tomorrow, so this is what's best for us and our investors right now, and sticking to that. It's funny, at that moment, it's like he's not concerned about the pandemic, right?

**0:06:14.1 CS:** Oh, no, no, no. Pandemic, yeah.

**0:06:16.2 WS:** Exactly. What are you talking about?

**0:06:18.6 CS:** Economy shut down. No... comes full force. That was his mindset. I just, I laughed and told him and I stood my ground and no matter what he said, but I'm not willing to take that type of risk on that particular asset at that given time...

**0:06:33.7 WS:** Yeah, no, that's awesome. Well, let's move forward now, you received an off-market deal, was this from the same broker... It was from Cushman, so the same brokerage, but not the same broker. Different state.

**0:06:46.8 WS:** Well. Let's jump into that off-market deal, tell us about that, tell us even how you... Why did they bring it to you? And you... Did you... You already have this relationship with this broker, way before I assume to you give us some little details there so the listener can also find those off-market deals.

**0:07:01.4 CS:** Yeah, very much so. If you've heard me on podcasts or heard me on the first episode I've been on with Whitney, my background, I used to be a residential broker, and I always stress on that if you follow me, you'll hear me stress on it, that's how I build great relationships with brokers... is we have that connection. I've never met a broker, unless they own the whole brokerage, that they wanna be a broker for the rest of their life.

They normally wanna get into the ownership and create their own company, so we see eye to eye and we were able to build that very strong connection, as I used to be a broker, I kind of understand the transaction from the brokerage side and they understand that and see that, so that relationship... I've built great relationships with the brokers here in the Carolinas, and that one was built over time, and when we were talking about deals throughout the Greenville, South Carolina market multiple times.

And then that's when he brought me this deal saying, this is a seller that he knows that his reputation was not as good as I thought it was after and in the middle of the transaction, but he brought it to us and this seller owned around 30 properties and he wanted to sell because he hit his time to exit. I also found out during the transaction process is he had a crowdfunding platform that brought equity to the deal, and he was around six months behind on giving them back the equity.

So he was really eager to sell, and so that just made it sweeter for us. That deal was a 506 C. We were able to purchase it around 30 to 35,000 per door, less than the market at the moment, so... Yeah, so it was all through broker relationships.

**0:08:36.0 WS:** Nice, I just can't stress that enough. I pretty much almost all of our deals have come through those types of relationships on market, off-market, mostly off, but because of the time spent in building that relationship, give us some details about the deal and obviously give us some timelines too, because everybody's familiar with the pandemic that happened and let's get in some of the difficulties in ways you overcame...

**0:08:57.3 CS:** Yeah, so we went under PSA at the beginning of October. And so that was a very exciting time because one month we had Thanksgiving after that, Christmast, New Years. And so it was 144 units in Greenville, Carolina, 506 C. So it was only open to accredited investors, it's about an hour and 40 minutes west of Charlotte, so it's right there on 85, so it's a nice drive in the middle of Charlotte in Atlanta, and I went out, took a look at the asset we had due diligence process, all that.

Some of the big things that popped up through the due diligence process was collections, the great thing is, is we underwrote very conservatively for that... And that's what was another attractive piece about this asset is the collection, and I knew the seller owned his own property management company, which he was not aggressive enough, and they were very laid back and relaxed.

Which it can be good things on both angles, if you see it, we saw it from an angle, if we can get a professional property manager in place who's aggressive to change things around very quickly, which we did, and we knew the first three to four months are going to be poised for a lot of hands-on with the property management team and with the on-site team. From there, we were rolling into Thanksgiving and definitely the election as well.

Thanksgiving the election, New Years, we actually close this deal, December 29th, we had a handful of investors that just invested mainly for the tax benefits, so we were adamant to work with Freddie, Freddie really put us through the ringer with pushing back the closing, but we were able to close on the 29th, but we did have a handful of investors that really wanted to see how the election was going to pan out, they wanted to see who was going to be the next president of the United States.

How would that affect the market and their thoughts. So for the first couple of weeks raising capital, it was very quiet, because when we just kept getting about the election and we had those trusted investors who really doesn't even look at the election, they don't even focus on it... That is committed, but those that really had a major presence in the politic world, they were hesitant to, but after we got through the election, we had those investors that felt confident.

They did fully commit their soft commitment, and we were able to fully raise close to 7 million dollars through the election, covid and the holidays, which was very challenging. I would not lie to you. Very challenging. A lot of those hurdles. But we were able to accomplish it.

**0:11:26.1 WS:** Yeah, let's jump in there just a little bit, I wanted to back up to... You said the

collection side of the deal, it was attractive... What do you mean by that?

**0:11:32.3 CS:** It was attractive because we were buying at such low rate, around 30 to 35,000 per unit below, and we knew that the collections were a slight, a bit of an issue and we underwrote for that, and what was attractive about it is that we knew going in with our property manager that we would be able to turn things around very, very quickly. And so once we acquired the property, we actually do another full unit walk-through, once we acquire each asset to share, the seller didn't lie or mislead us on anything.

And in this reason the seller did mislead us, there were actually 18 units vacant compared to eight that when we first did our walk-through prior to closing, which was fine because we underwrote for that, so that wasn't something that I was freaking out about because we have that in our underwriting, but with those individuals who were behind on collections, we were able to move them out very quickly, because we came in with a very strong presence that where we need business.

We're not gonna sit here and walk around, we're not gonna sit here and let you not pay, we're gonna go ahead and push you to pay, we're gonna push you to find a local assistance, and in the state of South Carolina, you were able to evict... So we started that eviction process. And when we did that, a lot of people moved out. Well, what happened? Well, the rents were already substantially below market, so just on the classic units, we were achieving 125 dollar rent premiums with the light renovated units.

Our property manager feels that we're gonna be able to achieve another 125 on top of that 125 for classic units. So we really wanted them to get out so we can get those grit premiums early on, because that's going to make sure we're above or perform on year one, so that's why it looked so attractive to us for that particular asset.

**0:13:21.1 WS:** Wow, no, that's awesome. It's great you could evict as well for those that are not paying so many states. Still can't, you mentioned during that time, obviously, holidays are always a thing, that's like me, Should we really go out... This deal right now, it's like,

Thanksgiving is next week, or Christmas is next week, all those things. Should we really go out on it, 'cause investors minds or they're thinking about traveling or think about seeing family and always... They always wonder.

And so you all did, and you said you mentioned the first couple of weeks were quiet and they could be quiet often during holidays anyway, but much less during a pandemic and the election, the way that was going at that time, I mean just the unknowns all together I just had a lot of people on edge and still are, especially at that time, walks some of the capital raising struggles, 'cause that's starting to get a little tense, you've... You've been at it a couple of weeks. It's quiet and we see lot...

I don't know how many millions you had at that time, but the left to raise, and then what were you doing to get that capital in?

**0:14:25.1 CS:** It was really going deep with the relationships that I've had, and in first, I have a TV right here behind my two screens, because I like to look at the market, I like to find out what's going on, I know this is going out later, but today the feds are talking to the house and the Congress about what's going on in the market. So I like to be well educated on them because it helps having those conversations with investors, especially during a time of a historical presidential election where people were very hesitant and wanted to see what the outcome was.

So I may try educated myself on what was going on in the politic world, and then that helped me tremendously going deep with those conversations with our trusted investors to help educate them that say, if Biden does get him. Do you plan to not invest for the next four years, do you plan to just sit on the sideline and then just go back to them and show them how resilient multi-family was, and thankfully, Greenville South Carolina was ranked the number one place to move during covid.

So that helped tremendously when speaking to investors, but it helped educate them deeper on multi-family, why I got into multi-family, why it's so strong, why we're going to see and be



poised for a very strong recovery and the market itself of Greenville being ranked so highly... And then at that time, we had multiple articles come out of BMW mission and Greenville city proposing hundreds of millions, even a billion dollar renovation and expansion to their businesses, so that helped tremendously, and I just circle that back around to just help educating those investors deeper with the property with the location and our business strategy help tremendously for us to fully successfully raise close to seven million.

**0:16:18.2 WS:** Nice. What about going through that deal, through the pandemic, all those things, you had that other property under LOI, you decided that wasn't what best to move forward. This deal was what changed through that about just how you view assets or underwriting...

**0:16:32.1 CS:** Yeah, it was definitely at the beginning. Like I said, no one has experienced that type of economy shut down, so I had to really get a good grasp on what the heck is going on, so I educated myself with the market, with the feds, what are they gonna do? And Washington, DC, how are they gonna reopen things, and after educating myself through those couple of weeks when everything was just a stand still deal flow with standstill, sellers took their properties off the market, some buyers close...

Somewhat belly up, but I really educated myself and I had our team educate themselves, our underwriters through that time period when it was fairly, really slow, but what is going on in the market, what's BlackRock doing, what's Blackstone doing? What are they seeing? Where are we seeing multi-family going with the eviction memory and when do we think they're gonna be lifted, how can we underwrite differently now, what do we need to have a strong focus on when it comes to collections?

Depending on what state you live in. Are you able to turn that around? And so we really studied hard and analyze that from every angle to make us feel and help us feel confident coming out of the third quarter into the fourth quarter to acquire this asset.

**0:17:49.7 WS:** Nice, and was there a specific way about your underwriting that changed, I

mean, that maybe you would suggest the listener to think about as well...

**0:17:58.7 CS:** Yeah. So we watch collections very closely, we also watch the reserves, depending on the size, could play an impact into it. Also the DSR, we watch very closely. Something that we also looked at and we analyze on a daily basis is that the cash flow... How is this property? What type of cash flows this property producing, because right now, in my opinion, the larger the cash flow, the better.

We wanna make sure it's cash flowing tremendously, we've seen IRRs... Especially here in the south east and the Carolinas start to go down. Those high teams are very hard to come by, I'm prepping investors to expect low type of teens IRR, but we're really heavily pressing to find those assets at cash flow above 7% here in the Carolinas, because we want a really strong cash flowing type of asset to whether anything that may come. But we know that on a sale of a strong cash-flowing asset that IRR will probably make up for itself, you have an institutional type of quality property.

**0:19:01.2 WS:** Have you gone back and looked at the property that you passed on or a thought about... What would you have done differently or would you have done anything differently?

**0:19:08.1 CS:** I would not have done anything differently because what you don't know, you don't know. And like I said, there was no one I could call come beginning of March to say, hey, what have you been through? Like, let's talk about this now. 08, the 08 market, yes, that was a housing crash and a financial crash, but they did not shut down the whole economy, and so it was very difficult for me to call someone, say, tell me about your experience during this time...

Yes, I called people to say, hey, what are your thoughts? What do you think is gonna happen? And I had multiple phone calls, but there was so much uncertainty, like I said, the risk at that time out weighed, and I just did not feel comfortable putting my own money into the deal, nonetheless going out there, I'm raising capital for that type of property, we're very disciplined and we stay strict to our criteria, and that right there just messed it up and we weren't willing to pursue it.

**0:20:03.9 WS:** How do you prepare for a downturn?

**0:20:05.9 CS:** Yeah, I think communication is key, not only with investors, but with property management on, to having that communication on to the tenants, not knowing what is going on, I think having communication will help tremendously in the long run, letting your tenants know, letting your property manager know and being proactive instead of being reactive, I think helps prepare for a possible another pandemic or possible another downturn is being very proactive, and then also having that communication with your tenants.

**0:20:38.0 WS:** Chris, do you have any predictions just for the real estate market over the next six to 12 months?

**0:20:42.3 CS:** Yeah, I think multi-family is going to be very strong, I think Hotel in select markets are going to come back very strong, I know the coastal here in the Carolinas, all the hotels on the coast are pushing close to 100% occupancy. Every time you go there, people are wanting to get back out, I see more landlords to own retail or giving more and more concessions, so I think that's going to rebound, but it's going to take time.

Obviously, all this is in different select markets, each market is different, each market's performing differently, but I know multi-family is going to be very strong employees for a tremendous amount of growth, cap rates will compress a lot of institutional equities sitting on the sidelines, and they're okay, with a 9 to 10% IRR. And so with that type of investor, they're going to buy... They can pay more than I can, and so that's going to compress cap rates and select markets, especially on the Carolinas, like we're saying.

**0:21:41.9 WS:** Chris, do you have any daily habits that you are displaced about that have helped you achieve success?

**0:21:48.2 CS:** I think if you ask that question to individuals, they shouldn't say yes. I would hope so. I meditate in the mornings and in the evenings, I spend time to myself, I don't like

anyone bothering me, sometimes I'll listen to meditation yoga music where it's soothing. Sometimes I won't listen to anything. I meditate in the shower because I like the sound of the water, that puts me in a different zone, and I sit down and I just think about life.

Whatever comes to my mind, I let it go through, but slowly, towards the end of my meditation, I start prepping myself for the day for work, what do I need to accomplish? And that helps me tremendously get through the day and power through the day...

**0:22:32.0 WS:** Alright, Chris is a go-get or no doubt about it. Chris, I don't know if you remember this, the first time we ever spoke, you reached out, I don't know if through Facebook or something and asked if we could have a call, and I remember you telling me you... I say I was driving, almost remember or even where I was at, but believe it or not cause you said it's when you were still a broker in residential broker, and you said you were sleeping like four hours a night, and I was like, man, there's not many people that can sleep four hours a night and keep functioning well, but

**0:22:57.6 CS:** Now because I have a new born, he wakes me up between that four to five hours, so that puts a toll on me... Yeah, even on the weekends. It's hard, I get mad at myself when I sleep in at 5-30, I wake up mad at myself...

**0:23:10.7 WS:** No, that's all. So I just always remember that you're a go getter, no doubt about it. That's awesome, it... Tell me what's your best source for meeting new investors right now?

**0:23:18.9 CS:** Yeah, so our best source is definitely through podcast, very similar to yours, through our podcast, The Mindful multi-family show, and really pouring out great content that is relevant throughout our social media platform, we like to put out great content that is relevant to what's going on in the market what can help you make a decision on if you should invest passively or if you should invest somewhere else, just to help educating individuals... That's what we're doing tremendously.

We just have a full rebranding of our new website, and we're going to be releasing an e-book

and also a hard copy book as well, and then also 50 questions to ask sponsors and GP teams prior to investing, so we have that coming out just to help educate people on investing, passively into multi-family.

**0:24:05.5 WS:** What's the number one thing that's contributed to your success?

**0:24:08.6 CS:** Never giving up. I've even had close friends and you, and I know that has given me some words that were not encouraging, but I use them for fuel, so I would just say never give up and keep pursuing your mindset. One quick thing is, is I'm big about laws of attraction, you know, I'm big about mindset. I was in Chich-fil-A the other morning getting breakfast, and I looked at a number six making and cheese and I ordered it, but I looked up at the number one, which was a chicken biscuit and was thinking, I wonder how good that would be...

I get through the line, I get my coffee, get the bag, I'm driving down the road, I look at the tickets as a bacon egg and cheese biscuit, but I pull it out, it's a chicken biscuit, and that was my laws of attraction, thinking of that chicken biscuits so create the laws of attraction and never give up.

**0:24:53.3 WS:** How do you like to give back?

**0:24:54.7 CS:** I like to get back, I'm trying to get on the board of a local Rescue Mission here in Charlotte, but I've been doing some things with them, and it's Charlotte Rescue Mission to help addicts change their mindset and get back on their feet, and like... I'm big about mindset, so I really like to go in and help them out and understand their mindset, their thought process on why they went down that path in their life, and then how can we change that path to better themselves.

Getting back on their feet, getting sober and getting a job in creating that motivation to help better other people, so that's what I'm doing right now at the moment on giving back.

**0:25:31.8 WS:** Awesome, Chris, appreciate catching up with you again, it's always a pleasure

to hear your success and congratulations on closing on this deal, December 29th and through all the chaos that was happening during that time, not just everyone can make that happen and pull that off. So congratulations on the hard work there to do that, and just explaining to us today that process some challenges and how you overcame them, how can the listeners get in touch with you and learn more about you?

**0:25:57.6 CS:** Yeah, the best way to get a hold of means go directly to our website, QCCapitalGroup.com. On that website, you'll be able to submit on the investor form, go ahead and submit your information that will come directly to our investor relations team, we will then go ahead and set up a call with you and I to see if we are a good fit to work together on our next acquisition, so that's how you can get a hold of me...

[END OF INTERVIEW]

[OUTRO]

**0:26:19.0 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.

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