

EPISODE 1012**[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.

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Whitney Sewell: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today our guest is Chris Grenzig. Chris started real estate in January 2016 by trying and failing at house flipping, and purchasing tax deeds, but eventually found his footing in multifamily real estate. From 2016-2020, he joint ventured on 100 units, and worked as the director of the Florida portfolio for Toro Real Estate Partners which acquired 4,000 units worth \$300 million during his time there. In November 2020, Chris left Toro to start his own company, JAG Communities, based in Jacksonville, Florida, which is an owner operator focused on multifamily real estate with 40 units worth \$3 million currently owned and a 10-year vision to scale to \$500 million in assets under management.

So, in this interview, Chris really goes into his 10-year vision. I love that. Are thinking that far out. But also, which it seems unique, but a great plan to be vertically integrated, like that's his goal is to have the property management, have the construction management stuff processes in place so he can scale fast and have more control, and he goes into many details of that and why he wants to do it that way. Really thinking big, having control over those things, having them in-house and why.

And so, he's in the middle and the thick of that, making it happen right now, it's a great story of even the commitment of moving that far from New York to Florida to make this happen. I hope you enjoy the show and have a blessed day.

[INTERVIEW]**00:01:54.0**

WS: Welcome to the show, Chris. I'm grateful to have you back on and really get an update of what's been happening. I think just from a little bit of talk before we start recording a lot. It's been happening. You've really been making it happen to give the listeners a little bit of detail though, won't you go back a little bit and tell them what you were doing before this big move that you've made, and give us a little bit of your focus there, and then let's talk about this commitment level, why you moved and what you're doing now?

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Chris Grenzig: Yeah, for sure. So, I was working for a company called Toro real estate partners. I was there for four and a half years since August 2016. And I think when I came on the show last time, it was like right around the time I kind of took over running the Florida portfolio, so I was doing acquisitions asset management, all that stuff. So we were multi-family, B and C class stuff, value-add opportunistic. So we definitely went a little bit heavier around the value add and a lot of

people, but that's kind of what our bread and butter was. Since then, helped build out the Florida region of our portfolio. We grew with two, seven properties, 1,000 units, worth about \$70 million, give or take, one full cycle and two deals, which was really cool. 82 units and 120 units. They were between a 20 and 30 IRR net, which was nice. And then in November of last year, I decided to leave Toro, go off on my own for my own company, and I moved from New York to Jackson, Florida, where all of our properties were... I was in the process of closing on a 16-unit property down here in the sub-market, we had bought to him before, and I decided I wanted to build out an owner-operator business instead of just a outsourcing to a third party management, or at least try it who knows what I'll decide to do in the future. But, that was the goal at least.

So, moved from New York to Florida, purchase that property. Basically decided that I was gonna figure out property management, construction management, all that fun stuff, going through it, and then luckily enough was able to buy a second property, which was 24 units around the corner from there about two-ish months ago. So, in February of 2021, but you move down here with the tenure vision of building a vertically integrated multi-family investment company to get to 500 million under management 10 years.

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WS: That's impressive to me. So it's just a big level of commitment, I think, for anybody to move and do something like that, maybe you were already somewhat familiar with Florida from your previous job, I'm not sure. But it's just a big commitment, I just think most people aren't gonna be willing to move to make it happen, but tell me a little bit about... I love when you even said like, I have a 10-year vision, 500 million under management, and like, you're thinking that big, you're thinking that far down the road. Tell me a little bit about your leaving this position, family, anybody... Maybe reached out and said, "Wait a minute, Chris, why are you doing this? Why are you moving? Are you crazy?" Any of that, any push back?

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CG: A little bit. I would say 95% of the stuff I got was overwhelmingly supportive: friends, family, former employers slash friends was overall improved. Some people were like, "Oh, don't leave. Or Why are you leaving?" Stuff like that. But for the most part, it was really great. Lucky enough, my sister lives in Orlando, which isn't too far away, and then my mom is a snowbird, so she spends part of her time in Daytona Beach, which is only like an hour and half away, so that was nice. And what was also nice too was working in that market for four years, three years, I had a lot of contacts there, and that kind of led to some friendships and knowing people and meeting different people as well. So, just even from the personal side, that helped, but I guess for me, it was kind of like I always said, I think a large part of knowledge that I was missing was from not actually ever being on-site, day in, day out, whether it was the construction side, the operation side, the property management side, something there, where you get a really good feel for how these things work. And I think that we take for granted property managers, any actual day-to-day operators because of how necessary housing is for people, we're just a customer-oriented business at the end, our tenants or customers, but because housing is something literally every person needs, and because in this country, we have a housing shortage, it's very easy to have a successful or somewhat successful business with having an average or terrible customer experience. The only reason their term Lombard exists is people have bad customer experiences, but because it's something people need, they deal with it, they just... It's the lack of affordable housing. It's the lack of surplus housing in general, that you can kinda just get away with it, so fortunately or unfortunately, the ability to outsource property management is pretty easy and you

can do an okay job, but I've always felt like a lack of understanding has held me back from being better.

So, for me, I looked at it and said, "Let's go down and try it." Worst case scenario, I hate working for myself and I hate being a property manager, and I just make a change in three, six, 12 months, whatever it is.

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WS: Yeah, you know, everyone has to have a place to live, everybody's heard that. No doubt about it. And it is true, it is a reality that there's some extremely poor landlords who still make millions while being extremely horrible landlords. Right, and it doesn't have to be that way. I'll say that at first, it does not have to be that way. That's for sure.

So, let's talk about your vision. I think it's interesting, Chris, you didn't just move to there and say, you know what, 10 years, \$50 million center management, your goals also to be vertically integrated, yourself managing you wanna be a control of the construction team as well, where most would just say, I just want \$500 million under management. Well, let's just go do that and I'll hire. Whatever the rest of it. Tell me about your thought process behind being vertically integrated, like why you have such a desire to be vertically integrated? Let's talk about that.

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CG: I think it's for a lot of reasons. I think one, we were talking about a little bit off before and having... Or maybe before, I don't know, vertically integrated allows you to bring in more revenue through property management fees and other stuff, which allows you to support more stuff. When I was debating this, I spoke to a lot of owner-operators, and unless you really scale big, they basically said your property management arm is gonna break even, maybe make you a little bit of money.

So for me, it was never about making money, it was about having more staff, which allows you to do more, which also allows you to have more control. I think control is really undervalued as well, how you go about your business, how you do your business. One of the problems I always saw with third-party property management, which isn't really a massive problem, but it's just another inefficiency, is third-party managers have to put their systems together and then they take their systems and they give it to all the different owners and the owners may have their own systems, so now you've got two different systems butting heads and somebody's gotta give...

And often, the property manager is giving some and the owner is giving some, so it's not a seamless system or integration. And again, it's usually not that big of a deal because housing is such a need, and it's a great supplying demand ratio from our side. What is it like 4 million housing units are needed across the country, and they're just not gonna build them in, housing prices and construction costs keep going up, and affordable housing is nowhere to be seen basically. So from an owner standpoint, it's a really nice healthy ratio, which allows for inefficiencies in there. So for me it was okay, I'm not saying I'm gonna be the best at it, but why not take a stab at creating even better efficiencies while worst case scenario, just learning more about the process, I only thought it was gonna make me better in the future as well to the \$500 million under management is just one metric, which encompasses a lot of things I want to accomplish. One of them being, I have a lot of friends that work in companies that are very restrictive and they don't like and have really bad cultures.

So for me, my goal is to have a culture that I feel very proud of, and that gives people a way better work-life balance and paid time off and benefits, 'cause it's just crazy to me how little some people get, so that's a really big goal for me to is having a lot of people employed with things that I'm proud of, and I think people would be happy to work in.

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WS: For sure. No, that's awesome, I love that. And no doubt gives you more control, and I love how you said control is very undervalued by having that in-house, no doubt you're gonna... You have more control, you're gonna see the people that are actually doing the day-to-day management, have more discussions, you're gonna be able to demand different types of reporting or whatever, you can do it any way you want. At that point, if you have it in-house, but it's interesting, like at this point, you got a 16 unit, a 24 unit, and your self-managing...

I'd love to hear just like, what does a listener need to know if they're gonna start managing, they're fixing to be there for, let's say their first property and it's a 16 unit, give us some things that they need to know or have in mind or learn or some tips, need to talk to you about it, as opposed to, let's say, bringing in someone that has 5,000 units to now it's a very different place, and you're in that learning moment and you've learned so much and made this happen, so what does a listener need to know that's fixing to try to do the same thing?

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CG: I think the biggest thing that I didn't realize is the tenant looking first, that smaller property is different than the one that's looking to live in a 200-unit property, I've found there usually maybe been in the area longer or just looking for a little bit, a different level of service or a different level of community. So I found that the people at the community know each other way better, they talk to each other, they stop, they say "Hi," they know people by name, where you go to a 200 you in a complex and you don't ever really see that everybody's doing their own thing, everybody is just there to live, so I think that's kind of cool, which is nice, but it's definitely a little different.

I think getting into it, like anything, right, one unit has a greater effect on your bottom line than a 200 units. So, you've gotta be on top of your stuff, a little bit in terms of when units turn on units or new, depending upon what your business plan is, for me, my properties, I'm looking to get in and renovate, so it's also nice from that standpoint where one unit does have a larger effect on your NOI, your value, things of that nature, because if I do one unit all of a sudden, okay, now my cash flow is X percent higher if it was 200 units, so it's 10 times more, I would have to do 10 units and at the same time, span, so it works both ways. But those are really the biggest things.

The other biggest thing too that I knew, but it was very not school, is the lending in that space is much tougher, there's a lot less options, you've got a lot more recourse options, a non-recourse if any non-recourse, you're just dealing with a different subset of lending, and it's also typically a little bit more costly as well.

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WS: So, lending is more difficult in, say, a smaller multifamily, say like 16 to 24 unit versus say a 200 unit?

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CG: Yeah, it hasn't the same... more difficult, but I think it's just very different. Right. You're dealing with a lot of recourse options or local or regional banks or insurance companies, a lot of times you're not getting 30-year AMS with interest only. It really depends. And look, I'm not gonna pretend I've been buying these smaller properties for four years either, and I know everything about lending, so I'm happy to be wrong, 'cause it would only help me, but my general understanding of it is it's not as easy and non-recourse is not a standard and all that stuff.

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WS: Very much so. Yeah, I think you hit the nail on the head and there's no doubt about it. Sometimes on a larger deal, it's easier to get, especially the non-records, state your aim, those terms as opposed to a smaller dealer, you're probably dealing with a local bank and minarets relationships, so important anyway. But especially there, no doubt.

As far as the listener, and like I said, I think you can speak to them so well because you're in the thick over right now and you're managing these properties, tell me about your team like you move down there, did you have any team members then when you move down there, and do you have any team members now or how have you scaled that?

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CG: Yeah, so all... It was me doing everything. Luckily, I had contacts from different vendors, contractors, landscapers, things of that nature, from having other properties there for my last job, so it wasn't like I was coming in cold. So funny story, backing up half a step, my intention for buying at 16 unit property was not to leave my job was just to have it on the side, and I actually was looking at Indianapolis first 'cause I really like that market, after three weeks of looking in Indianapolis I looked at myself, so what the hell am I doing? You know nobody there, you don't know anything about the neighborhoods, you just like the idea of the market, it's gonna be way tougher to find an operated deal than if you bought it in the market you knew.

So, after about two or three weeks, I adjusted to Jacksonville for that very reason. So I was doing all the property management ownership work, but obviously having a lot of those contexts there, now I overhaul my list, probably about 50% of those people I've changed since I've come down. You're just different sizes and are actually dealing with them day-to-day, I've just made some changes and I reached out and found new ones. And I think everybody eventually develops their people and their vendors and contractors, so in the next year or two, it'll probably settle down a little bit, but I did make some changes when I was actually super fortunate that with the second deal that I purchased, I was able to bring on or basically inherit an internal property manager, an internal maintenance person part-time with the purchase of those properties because it was a 24 units out of total 84 that I purchased, 'cause they're actually six quads right next to each other and there was 21 buildings. And the seller that's all they owned. So they were looking for a new job, so I was super fortunate to bring on John and Kelly have been nothing short of fantastic, so it's been a really cool process over the past two, three months, bringing them on board and integrating them into everything.

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WS:

No, that's awesome that you bought this property and they already had an awesome property management or maintenance person at least part time that you could inherit. And I would say a lot of times, that's not the case. They're not gonna be probably the awesome property management

or maintenance person that you may want, but how did you navigate that a little bit as far as inheriting those people that became part of your team and then are crucial members of your team? Tell me about maybe the first interactions or how you knew that we should keep these two long.

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CG: Really, it was the previous owner, who really pushed me to do it, so they actually... Other buildings that they had sold, So like I said, there's 21, ilbo six, the other buyer had a property management company that they used here, and Kelly John interviewed for that management company and said No prior to me talking with them, so it was just really... The previous owner really pushed me to say, Hey, at least sit down with them and talk with them, and just sitting down with the two of them, I just thought they were really great people. The properties that they had managed for, they had been there for a while to five and nine years. So, they've been there a long time. They were some of the cleanest properties I'd walked in a really long time, so I knew that they did a good job of keeping those properties up, right. It wasn't like I bought properties that I thought were really poorly maintained or really poorly run, I mean they were very, very clean, like I was pleasantly surprised when I walked by the unit.

So for me, I was like, okay, I've got proof of what they can do and they work great together. They've been working together for at least five years or more, so they obviously have a lot of systems and processes in place, and because I am newer to property management, it was a really good opportunity for me to say, "Hey, let's work together, and let's not only work on these other properties, but let me use you to help me build my systems and processes out," where a lot of the stuff they were doing was old school pen and paper and not the most tech-savvy. We were able to take, still working through it, take those systems and processes that they have been doing for years, and look at them and say, "Hey, let's keep this or let's change this, or let's scrap this and add in technology into it all." It was not only a benefit to me from the standpoint of, "Hey, have you got people taking stuff off my plate," well, now they're actually having the systems and processes, I would have had to build up myself from scratch already in place that I can kinda just borrow and adapt.

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WS: Nice, no, that's awesome, that's awesome. They were there and you could just create that fast and have these people that already have the skill sets, not only that, you know these properties probably already had relationships with the tenants and all that in place as well. It reminds me, I can see the book behind you, Who Not How. I can recognize it from here, I did a show on that not too long ago, so important, just building your team.

Who's your next hire? Have you hired anybody else?

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CG: So I have, not technically a hire, but I have a guy in the Navy here that recently just came in where basically it's gonna be like, he's gonna help me out, I'm gonna help him learn about real estate and he's helping me really build out those systems and processes and actually putting them on paper and putting a manual together. So he does aviation, and if you know anything about pilots or aviation, they've just got the book of checklist. And it was just really cool where we started talking about how to best integrate them and how he could have the most impact they want, and I was just kind of thinking back, we had done our podcast with a guy named Ryan

Gibson, who was awesome. And they have built out at Spartan investors, and they built this incredible book of processes and systems, and him and his partner both pilots, and it kinda came up during the podcast and I was like, "Hey, by any chance, when you work on your plan and stuff, do you have a bunch of checklists and stuff," and he just reaches into this bag and he just pulls out this couple of inch thick binder of all these checklists and things he has to do, and I'm like, that's perfect. I was like, "I want that book for my business, can you help me build that out?" And he said Yes.

So, that's kind of like the next person I'm bringing in. After that, I would really love to have either like some sort of an assistant help me with the admin stuff, that's just work that I push off as long as possible and I don't enjoy doing, and then eventually I would love to have somebody to oversee a lot of the actual construction and renovations, not the maintenance, because it's just something I just don't know a ton about, and I'm relying on a lot of different people, and it's eating up a lot of my time, but I know those can be kind of expensive, so those are kind of the other avenues I'm looking at currently.

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WS: No, that's awesome. I just appreciate you just sharing your thought process and kinda how you hire and they plan to hire, I think it's helpful for the listeners who are kinda in the same boat or maybe behind you, a few properties are a few steps as far as hiring too, I was gonna remind the listeners added numerous shows on how I hired my class A assistant, she's been working for me for quite a few months now. But I just encourage you to think through that process and remember, you could hire an assistant for a few hours a week, even just a virtual systems that can take so many things off your plate and it doesn't have to be extremely expensive, and then you kind of grow into it, I'd encourage you, even a listener to check that out and get some of those things off your plate that you just dread doing every day, right, and you don't have to be the one to do it to do it, you can put that off to someone else.

Well, Chris, when you're looking at these deals, I'd say we were looking at more deals, you're open about more projects, how do you prepare for a downturn?

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CG: Yeah, I think for me, and I'm always looking at what's the worst case scenario. Like when I was buying these two properties, the conversations I was having with the family members who did it with me was I said, "Look, if I'm idiot, basically, and I was like, we've gotta take this property down to the studs and rebuild it, it's probably gonna cost us \$50-60,000 a unit." And I said, If we do that, my normal business plan that I put together, we would basically break even on the sale, so they were... Okay, that's pretty good. If you're so bad at your job that you've gotta rebuild a structure that you've walked... Right, I'm talking, "take it down to the studs. All new windows, doors, roofs, siding, shingles, HVAC, electrical. All of it, right?" If I'm so bad that you have to re-do all that. And we break even, that's a pretty safe investment, so that's kind of how I like to look at things of, yeah, maybe not every deal is gonna be that secure... Right, but I'll also look at, Okay, what's my break even occupancy? But I'm fortunate enough that both of these properties are sub-70%, which makes me feel very safe, they operate pretty cheaply, which is nice.

The other thing I'm looking at is our break even cap rate, they're both over a seven, so I'm getting the operating cap rate up to a seven, seven and a half, which is really nice. Those are the things

that I'm looking at where, Okay, yes, if interpret spike and cap rates go up 150 basis points, okay, well, we've got some way room if something like covid happens, but it actually really affects collections, well, we've got some legal room there, if I miss a big capital item. Well, yeah, we've gotta come up with the money, but at least the value is still there, so those are the things I'm really focused on looking at in case something happens, whether it's a downturn or a mistake in the business plan.

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WS: On that same note, any predictions? Do you have any predictions there over the next six to 12 months in the real estate market?

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CG: I think the one thing I have seen, at least in Florida, happening a lot, is very rapid rent growth, so when I came in, I was giving red renewals basically with the option of like, Hey, you can stay, but most likely people are gonna leave, so that I can renovate units, more people have taken it then I thought... Because rents have gone up crazy. I know I saw Chris Jackson posted a CoStar report that the National Rent growth is up like over 4% year to date, which is on track for 9% for the year, which is freaking ridiculous, and I also think that's gonna continue to happen because of construction costs going up, unless a new construction type comes out or things change with construction costs and supply pipelines, you're gonna see new supply falling off. I've heard one or two mentions that in Jacksonville, the development pipeline for two and three years out has severely dropped to where it's been a couple of thousand units for the past few years, and it was a few thousand units going for the next year or two from what I've heard, and I don't know this for sure, is that year three, it's really taken a nosedive because people can't properly budget what the heck it's gonna cost, right.

By the time you are entitled and permit, do all that stuff, you don't know what your costs are gonna be. So I just think that's gonna lead to a lot of rent growth and inflation, but that's really all I can see right now, which I mean, it's great for any owner.

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WS: So what about any daily habits, Chris, that you are disciplined about that have helped you achieve success?

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CG: I haven't been disciplined about it, but what I do, that has been helpful and something I am trying to be more disciplined on is time blocking every morning or the night prior, sitting down and really figuring out, Okay, what I'm gonna do at these times, and really leaving time for every couple of hours, leaving a half hour to answer emails or call people back and really time blocking a... Well, you okay, I'm gonna sit down for this hour and do this, so it's something I know I need to be more disciplined about, but when I do it... It is incredibly helpful. Very helpful.

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WS: Yeah, very helpful. Just for helping, being focused and getting so much, just having your thoughts on paper, right. What about your best source for meeting new investors right now?

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CG:

So, I'm not actively raising money at the moment, I will be soon, my Q2 and probably Q3 highly focused on finalizing out this management platform, construction management platform, where I feel super confident raising money, but I've had dozens of people reach out to me, and it's really just all the social media, online networking, things of that nature. So we have the podcast, we do a lot of content repurposing on Instagram, Facebook, LinkedIn, tiktok, YouTube, we do all that stuff, and really just engaging with people as they come in, so really, it's the online content creation, but over the next three months out, that's when we'll really start ramping up.

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WS: How do you like to give back?

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CG: The best way is I like to engage with the local real estate community as much as possible, and by that, I mean people that are looking to get into the space, I've had a lot of people help me along the way in various formats, even today, I was fortunate enough, where I said Ryan Gibson earlier, he was willing to take 30 minutes out of his day just to sit down, me privately, Dan Hanford did it the other day, these guys that are further along and where I'm trying to go, they're willing to lend their time... And for me, is I can turn around, do the same for somebody that's just trying to get in or was looking to do X, Y and Z. So that's really the main way that I try to do it.

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WS: That's awesome. Yeah, it's such an amazing industry too. I know both those guys personally and just amazing guys, and I've just had the same things having to have so many meetings, conversations with other guys that are way out of us and then we turn around, do the same thing and it's just need to see that happening. And how most people are so generous with their time and helping, it's really neat to see that in an industry like ours.

Chris, grateful for your time today, and just really thinking through the commitment level of moving to another state, many states away and just jumping in and making this happen on your own and just thinking through the value, being vertically integrated and being willing to just commit to that from the very beginning and putting those processes and systems in place now, 'cause that's definitely not the easiest thing to do right now, but I think it long-term and it's gonna pay off by having those things now on the things you're learning and growing, like this. Tell the listeners how they can get in touch with you and learn more about you?

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CG: I'll just say real quick, it's actually incredibly frustrating because I'm a deal guy, so I wanna buy all these deals and do all this stuff, and I'm like having to force myself to slow down and make sure I am the foundation and stuff. So, I'll tell you it's just incredibly frustrating in a way, but it's also great, I know it'll pay off.

But yeah, people wanna reach out to me. It's social media is always one of the easiest ways, and it's never gonna change, so best places, Instagram @chrishgrenzig, or you can find me on LinkedIn, if you search Chris Grenzig, Facebook, whatever, pretty responsive on all of them. If people wanna email me my email chris@jagcommunities.com. It's also, the website is also a work in progress, so hopefully by the time this is out, it will be finished. But who knows? I'm working through a lot of different stuff, and then we've also got a podcast too, that's called The Real Estate Investing Experience, comes out twice a week. John Cohen, my old boss at Toro,

co-hosted with me, which is kind of cool to compare and get trust as I've left thing gone off and done things, we have guests on and talk, so we drop that twice a week, you can check that on every platform or website, which is thereiexp.com/podcast.

[OUTRO]

[0:27:55.7] 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.

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