

EPISODE 1174

[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]

00:00:24.000

Whitney Sewell: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today your co-host is David Robinson. David is a client of mine and he is doing big things in the real estate syndication industry. I know you are going to enjoy today's show.

00:00:40.0

David Robinson (DR): This is your daily real estate syndication show. I'm your host, David Robinson. Today, our guest is Seth Teagle. Seth, welcome to the show. I appreciate you coming on.

0:00:49.5

Seth Teagle (ST): Hey David, thanks for having me on.

0:00:51.0

DR: Seth is a multifamily real estate investor operating in Columbus, Ohio, and is a principal and director of operations at Stream Group. Stream Group is a vertically integrated real estate company that has a large portfolio both in Ohio and various other States. Seth is also still working as a lieutenant-paramedic with 21 years in the fire service.

So Seth, I want to get into your story and how you've been able to build a substantial portfolio in a substantial business while still working as a paramedic and with Fire Department there. So let's back up and let's talk a little bit about your background and how you got into the space, and then we'll take the conversation for it from there.

0:01:34.4

ST: So I got into real estate, probably seven years ago. And I got into the fire fighting in high school, all through college and whatnot. And I got to a point in my life where I was kinda looking for something else or looking for something to do on the side. We work 24 hours on and we have 48 hours off. So most firemen have some other job or career or hobby, whatnot, and most guys in the fire service are pretty handy. A lot of guys do construction and different trades and whatnot. And so I had kind of been exposed to that stuff my whole career, kind of wanted to get into real estate, and a friend of mine who has become a friend that was flipping houses, and I started learning from him, work managed projects in his portfolio for a little while before I actually go into purchasing anything or being, I guess having any risk with owning anything, and once I did that, it picked off from there.

0:02:20.6

DR: And so you started in that flipping business with him? Is that where you started?

0:02:25.0

ST: Yeah. So that was my exposure. I feel like I've been doing education for a year and a half or so, consuming everything that I could. And I didn't know anybody doing real estate investing. He was a general contractor that he kinda flipped on the side and met with him, and as I was actively listening to his whole business and how he got into it. I kept hearing that he was having problems with project management.

So I offered to be his project manager, basically worked for free to get on the job training and kinda see what this whole thing was like. I did that for six months, then I switched to managing his properties, he had a portfolio of about 20 units. And through that experience, two things I

learned, one was that I didn't wanna do flipping and I didn't wanna do single-family. In order for me to maintain a career and scale, I had to go multifamily. I also realized that I kind of find them something that I was really passionate about, which is I never could find something that I like as much as fire service, once I kinda had the bug, that was it.

0:03:14.0

DR: So when did you make the transition to multifamily and how did you actually make that transition?

0:03:19.3

ST: I was with him for a year, working and learning. And then basically what I did was I said, "Hey, you know, I wanna go into multifamily, here's the money that I have." I went to an investor and I kinda pitched to him, put on a formal presentation, if you will. And said, "Look," he was a single-family guy that I've had a bunch of equity and property, I said, "If you cash out, re-fi." He didn't know what that was. I explained to him what that was, so he pulled out equity, we put our money together. And I'm like, let me go find something that is like the biggest thing that we can buy.

So I went out and doing a market here in Ohio, and I found a 50-unit. And that was the first thing that we ever bought. So I went, jumped in with both feet. It's a crazy story that first deal, but once that one was done, it was great after that.

0:03:57.1

DR: And so what were some of the challenges that you face in navigating this business of multifamily, commercial multifamily investing while still working as a firefighter and a paramedic?

0:04:08.9

ST: I think the biggest thing is time management, balancing family, and a career, and this. When I first got started, I was not big enough to have a team, at least I didn't feel like I was and I really didn't know. I didn't know what I didn't know back then. And I read a book in that first

property called, by Dan Sullivan, Who Not How. And a huge change to it because it just changed my mindset. You know, a fireman, especially my family, we are very much like, "I'll fix it, I'll do this, I'll do that, I have to do everything. There's a hole in the drywall. I'm not hiring that out to somebody else, I'm gonna do it," and I have a garage full of tools, and I used to do all that stuff, and I learned after that first property that I had to put the tools down if I really wanted to grow, get bigger.

And that's what I did and finding the right team, putting the right people in the same room. And it has really helped us accomplish our goals and kinda get me from point A to point B. And then now we're just growing like crazy and hopefully, you know, I won't say hopefully I leave the fire service, but I will eventually leave just do to what we're doing.

0:05:11.0

DR: And so maybe just to give our listeners some context, so let's like fast forward and let's talk about what does your business look like today, team members that are involved what you guys are focused on, market property type, etcetera?

0:05:22.1

ST: Right now we've, most of our portfolio is C-class. We've got some B, a little bit of A, a little bit of commercial, but I would say the big chunk of it is C-class. It was just here in Central Ohio, it's easy to get it into. The price per door and the tertiary markets, the cost per door is still lower. We can still cash flow great. I always wanna buy it for cash flow. I'm not at a point where I'm buying simply to be on the appreciation. So that's a big chunk of it.

We have on my own being the singlepreneur and I met another fireman that was in the commercial space for a long time, so we teamed up. So he and I are here in Columbus. If you look on our website, Tim Shaw's name. And then through various relationships and networking, we've just grown the business. We have several team members on there now that the partner side that is kind of like the head of the company, and then we have our own management company. Now we manage a little over 400 units. Here essentially, you know, Ohio. We have integrated construction as well now because we kept having the same problems with

contractors and having them show up on time and having delays and the budget being off and all those things. We were like, "Well, how do we fix that?"

So a guy here in Columbus that I'm good friends with had a project management and construction company called Project X. And they were doing multi-million dollar projects here in Columbus. And I went to him and I said, "I'm doing also work in multifamily. Let's create something where your service can help me." And so that's really streamlined our process now, where we go into a deal, we'll know from day two or three of due diligence, what is the budget really look like? You flip this place, take it from C to B, or whatever the plan is. And then we can provide the contractors, we can provide the project management. And now we've built it up to where it's a service that we're actually offering to other multifamily owners that are here on this, in Ohio. We can really go anywhere. That's the nice thing, and it's pretty neat.

0:07:16.0

DR: You've integrated the management company as well as a construction company, you built out the team with Stream Group. Just a quick question about the management company, are you only managing your own portfolio, or are you providing management services outside of your own personal portfolio?

0:07:31.6

ST: So right now it's just our own portfolio. Yeah, the most economical way for us to do it, in a way for us to kind of oversee the control and the quality. If you've had to deal with third-party managers if you have 300-400 units, it's a different type of management company that you're dealing with. But if you've got a 40 unit or a 60 unit or units even, depending on where you're buying it, it can be a tough, a tough thing to navigate. It's deals and those managers.

0:07:56.6

DR: And so going back to the team building and the Who Not How book that you read by Dan Sullivan and sort of open your mind to this concept of, hey, building this team with specialized roles. What was that? You mentioned that you connected with a fellow firefighter that was in your local market, you connected with some other individuals that had different skill sets that

were brought to the table, what kind of impact has that team had on your personal growth in this space?

0:08:23.9

ST: Oh, it's been able to help us explode. We've grown, company-wide, we have over 2,000 doors that we have equity in, some of it's just KP roll, some of it we got equity to help with the operations or just kind of the oversight if it was a newer operator that wanted to just bring on somebody, almost like as a mentor. So we have equity holdings and all kinds of different things.

It helped me be able to spread out what I can do in my bandwidth is the big thing right. Now, I may wanna focus on \$1,000, \$10,000 an hour tasks and keep working on the business instead of getting sucked into the daily grind of being in it. I really like, I live and die by the fact, as I said, something comes on into my lane or onto my plate, if you will, getting it off quickly, it's not distracting me from the things I should be doing.

0:09:10.1

DR: And being a guy that had a background, you talked about your family, you're a you-do-it yourself type guy, what kind of challenges did you face in taking that leap and bringing on team members? I know that there's a lot of our listeners that are in that space, right? They've been doing well, they have some systems set up for finding deals and acquiring deals. But they would like to build a team out.

Any advice that you have for someone that's in that space, that's used to doing things as a solopreneur or an entrepreneur, but understands for them to go to where they wanna go, that they need to build a team out, any advice for someone that's in that phase?

0:09:45.3

ST: Yeah, I would just say that I really, really understand where you want to go, how quickly you wanna get there. For me, I wanted to grow quickly, so it made sense. And then kind of getting to know and understand the core of the first thing you're getting involved with,. So you have

the same ethics? Do you have the same morals? Do you have the same business practices? Because that's where I see a lot of people that go on to JDS and then they jump right into it and then you're kind of married to each other. And anyone with the deals or the investors are married to the operators, the operators are married to each other. If you're on the GP side, and if you don't know that person well enough or they don't have a track record that you can kind of look into to see how have they done, it can be tough.

But I definitely think that not every, I heard a lot of bad things about doing joint ventures or a lot of bad things about partnering with people, and I've found the exact opposite to be true. And I think it's just 'cause we investigate people, and really it comes down to, I wanna work. The people I work with I wanna like. And so, sometimes more important is really just kind of understanding who that person is and how they tick, and then if we get along and then it's gonna be a great time.

0:10:51.2

DR: You spoke to getting to know somebody and sort of understanding how they do business. In your experience, did you joint ventures where you sort of kept separate businesses with your future partners before you formalized a partnership? Or did you just get to know each other outside of actually doing a deal together and then formalized a relationship?

0:11:11.8

ST: Tim and I, we had common friends and that's how we met. And then we had obviously the being both firemen, we've had that kind of brother going on. But I could vet him from other people that he was around or have been around him for years and years. And so that was kind of how I do that. I didn't have, I think we knew each other for probably a year, maybe a little longer before we decided to really truly partner up and have a business where we all have ownership.

Most of the stuff that I have though, it's like a deal-by-deal basis. So it makes sense to bring in these guys into this deal to get it done. The one thing I would say is that clearly defining roles and responsibilities for whatever, whoever's in the group was what they. 'cause that's also

where I see things get blurred is we're like, everybody's happy and great when the deal is closing, but then when you're trying to operate it and all of the decision-making and the weight is only on two people and there's four in the group, there could be a lot of resentment that builds up. And so I think that's part of it, is clearly defining what the roles are and spelling that out, and we haven't any trouble.

0:12:14.5

DR: Is there any type of framework? Obviously, you guys have grown dramatically in a very short period of time, right, and not only just on the acquisition side of things but also on the management company and a construction company. Is there any type of framework that you guys use in your business to sort of clearly define those roles? And who operates what?

0:12:34.1

ST: I have found, if we're gonna do the construction, Tim and I set like, "Here's what our expectations are, here's what we need." And then we found Mike and ProjectX fill that role. And so when we met, we're separate entities, but we're working together. It's only a joint partnership that was kind of, we wanna define the professionals and they could meet our need and then basically go to them and say, "Here's what we're looking for, here's what we want, here's how you get it done." That has really helped, I think, to accelerate their understanding of multifamily, 'cause like for instance, he was not doing anything in multifamily or apartments before we met him. But he's brilliant at the project management, the schedule, the cash flow management, the projections, all the things that I see operators struggle with. That's I see why do I need to relearn that, or we could do years to become a professional in that when I need to focus on my task over here. So that's kind of how we've done the construction side and then management.

We actually acquired a property that came with the staff. That was a B-class property. The staff was great. And so that really just sparked to us and say, "Hey, this is a big enough property where rather than go in and let everybody go, we kept them on and then train them to do it our way, and then we've expanded now double the portfolio in that area and with the same staff, and then we've brought on more people." That was kind of the groundwork for the

management company.

0:13:56.3

DR: Well, let's go back to the construction company. So if I'm understanding correctly, then it's more of the company that you went out and found and built the relationship with. That was an existing company that was already doing business in different asset types. They just hadn't had any in specifically multifamily.

But you saw the vision of being able to say, "Hey, we can help you expand your business into the multifamily space because of the volume that we're doing," so if you kept that more of a loose relationship, or have you gone in and structured something formally where you have a joint venture or ownership in the construction company, just to clarify?

0:14:33.2

ST: Anything multifamily, we have equity. If he goes out and does a huge hospital project or something like that, ground up bank or whatnot, we would not have any involvement in that. But anything multifamily or anything multifamily that comes from what we are doing, the relationships that we have or whatnot, and that's directly I do.

0:14:55.3

DR: Alright. So let's talk about any advice or strategies that you would encourage individuals who are seeking out a sponsor in a market outside of their backyard. What do you think are some of the key components to selecting a sponsor to invest with or partner?

0:15:14.6

ST: So for me, operations is very, very important. And there's a lot of, if it was me, I would wanna know, does this person actually understand how to operate these properties,? They may not be the property manager or even have their own property management company but for me is if they don't know how to operate them and things go sideways, will they recognize that it is? And if it is going sideways, especially if I'm in Columbus and I buy something in North Carolina or Texas or whatnot, and I've got local people that would be considered boots on the

ground, have they actually run these properties before, and what's their experience level? Because of great examples, I have a friend of mine who lived in California, invested out here in Cincinnati, operator he had on here, did a terrible job. And he ended up having to move out here in order to be able to save the deal. He went in as an investor, and this is gonna be great, I'm gonna be completely passive, and he was in the tech industry out in California, and when this thing started going sideways rather than lose his money, he just took over and he moved out here. So his family is in California. It was a huge legal battle, he ended up getting this gentleman, the operator's equity, just to have them walk away.

That is a great example of what can happen if you don't get the operator or they don't know what to do. And we've got a couple of deals from out-of-state guys in Columbus here where they lived in California, in New York, they bought out here. They didn't have a great operator locally or somebody that could actually kinda help keep things on task. And the management company they hired was really driving into the ground and they had to sell in distress, it was great for us. Bad with them.

0:16:46.7

DR: There's plenty of very sophisticated and qualified sponsors and operators who are investing outside of their local market, right? And so clearly that can be done at a very high level and very effectively, but what advantage do you believe you have if any of being a local operator and buying in your backyard?

0:17:09.5

ST: I think that at least on the model that I took early on was not going wide and going over all over the country, but going really deep in my market. Somebody who is listening goes, "Man, I wanted to get into this cool market." That's been huge for our growth is that we've partnered with guys that are out of state that wanna come into this 'cause Columbus is a great market. Or maybe they wanna go to Cleveland, they wanna go to Cincinnati. In any of those markets, we have the ability to touch those pretty easily. I just haven't had to go, I guess I've been successful in the state of Ohio to where I really haven't been forced to go out that way, to go out another market. I lived in New York, right? You may not have any other option than to go

out look in another market

But for me, I kept our area, originally, it was an hour within Columbus. And then we just went really deep in that market. I understand the ins and outs. You can only look up certain things on certain data, certain things on the internet and research, certainly, I don't think that you really learn the ins and outs of that market. And so you might miss a deal that high level doesn't look like a deal, but if you had to be the local they're like, "Oh no, no.". Or it's not right because every broker I talk to, whatever they're selling, is an up and coming area or this is a great area. And then "Do you really know?" Right? And especially if you don't have that local connection with somebody that is an operator that can be tough.

0:18:22.5

DR: Have you acquired anything in your local market that you felt like because you were local, you were able to either get it or get it at a price that someone that was coming outside of your market wouldn't have really had an opportunity to?

0:18:35.2

ST: Yeah, we've had several. And I think the big thing is, is that our relationships with the brokers, some of them like my kids go to school with their kids and we've known as other for a long time, or I can swing by the office and say, "Hey." And a lot of those at least when my conversations with them are they are bombarded by 100 emails a day of people that wanna buy in our market.

And so for me, it's just easier to be at the forefront. The first call, the guy that they reach out to because they know our calls, they know me personally, and they know how I do financing. And then they can come down to the office and they can see what we're doing. They're just like anybody else, they wanna deal with the closers, they wanna get the deal. It's their reputation, it's their time, it's their money that you're investing with. And so why not go with the known guy or the known commodities.

0:19:21.2

DR: Look, there has been a great conversation. I wanna start winding down here. Got a few final questions for you. The first is, what are some of the daily habits that you've developed that have helped you to reach this level of success?

0:19:35.8

ST: Well, one, I wake up super early. I've got three kids. So I try to get it before they do and it's still dark outside. I get a lot of my stuff done in the morning, admin-wise, or things that maybe we're trailing from the night before I get up and try to get that stuff done. I create a lot of lists of stuff. I found early on that my mind can only handle so many tasks and I will forget a lot of things, so I write them all out. I'm much more efficient doing that, I think, and then, like I said, just finding the right players, understanding what my needs are and where we wanna go, and then just daily looking for opportunities to connect with people that fill those bills holes.

0:20:13.8

DR: And next question is, what's your best source for finding new investors at this point?

0:20:18.5

ST: A lot of the something we've done, we've done 506(b) investments, and it's all been through friends, family, networking, it's been referrals. I have not had to actively go out and pursue people that I don't know yet. I'm sure that there will come a time, fortunately, so far, when people have a good experience with you or they know that they can trust you, and what you say, you're actually gonna do that speaks volumes. And so then I feel like that kind of that word travels and I've had people and just call me as a blue and wanna talk because so and so had a great parent with us. That's how I covered it so far.

0:20:50.6

DR: And the last question I'd have for you is, what are you and your team doing to prepare for a potential downturn in the future?

0:20:57.8

ST: Again, we're buying for cash flow out here in Central, and then we're trying to just diversify.

So we've got different, we've got C-class, we've got B-class, we're looking at possibly doing some ground-up construction in 2022. We got a pretty neat project. It's 156 units here. So we're trying to spread the risk out. And I have found too, that the bigger that we go, the more risk gets spread out, that's been helpful.

But really we're watching the market as I said, we talked to our local brokers regularly and see what they think. We attend all kinds of events here in Ohio that constantly, the continuing education, I guess what is the market is doing it, the trends are seeing, and we're all monitoring those things, and I'm looking at that.

0:21:35.6

DR: This has been a great conversation. I've really enjoyed hearing about your journey into space and how the book, Dan Sullivan, Who Not How by Dan Sullivan was critical to you, really thinking about your business in a different way. And then building partnerships and really scaling at a pace that's very impressive. Seth, what's the best way for our listeners to connect with you and learn more about what you have going on?

0:21:59.8

ST: They can check me on Facebook or LinkedIn on my name, Seth Teagle. Or they can look at our website, it's www.streamgroups.com, and they can check us out there. And then they can fill out the information tab there, and then that will generate an email to my team and then they can schedule a call with me.

0:22:16.6

DR: We'll have those links in the show notes. Again, Seth thanks for coming on, thanks for sharing some insights about how to build and scale a business while still working full-time. Yes, you do have some flexibility as a firefighter-paramedic with 24 on, 48 off, or vice versa, but either way you have some available time. But still, an incredible feat that what you've been able to accomplish and really a short period of time by building out a team, being very diligent in your efforts to find opportunities with other professionals that are in the market to build out not only your acquisitions business, but also the construction business, and then also adding the

property management piece and how you guys have integrated all three of these businesses together it's very impressive. And thanks for sharing that with us and we look forward to having you on down the road, I appreciate coming on. And sharing with our listeners.

0:23:08.9

ST: Yep, thank you very much.

[END OF INTERVIEW]

[OUTRO]

0:24:36.0 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 for free material and videos to further your success.

[END]