

EPISODE 1201

[INTRODUCTION]

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Adam Craig (AC): I have a poster in my office that says, "Go hard every day". I can't say I do that every single day but I think if you do something every single day, even if it's not going hard, if you do a little bit of something, those add up. And I'm talking to you now. If you don't work 365 days a year, that's fine. I wouldn't say I do but most days whether I'm at home or at the office, I'm doing something with the website. I'm doing something on my investment package, doing something towards what I want to focus on, and eventually those baby steps add up.

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Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell.

Today our guest is Adam Craig. He's been in real estate for a number of years but then, he transitioned to commercial real estate. We go in today to some challenges that he faced, how he overcame them, how he started raising money, and even how the first five or six investors that he received, he got them quickly. They already trusted him from previous relationships or friends and family. But you know what? After that, it was much more difficult. And we talk about some things he had to do - whether it's some skills that he had to sharpen, some systems he had to put in place that helped him to improve his ability to raise money, even how the pandemic affected his business and what that did for him. You're going to learn a lot today, especially if you are a newer operator. You're going to hear things that Adam talks about today that are going to help you and hopefully motivate you to improve your system, sharpen your skills so you can do the same things that he has done.

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WS: He's a founder and managing member of CLE Real Estate Group, a real estate investment company located outside of Cleveland, Ohio. Over the past decade, he has accumulated a

rental portfolio of 51 units, having \$7 million in residential and commercial real estate. The key to Adam's success is a genuine passion and enthusiasm for real estate investing and helping others.

[INTERVIEW]

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WS: Adam, welcome to the show. Honored to meet you and have you as a guest. You said you'd listened to the show for a while. So, it's neat to see this happen. You're doing big things up there in Cleveland, Ohio and so looking forward to hearing more about that. Tell us a little bit about your focus right now in commercial real estate and what you're up to.

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Adam Craig (AC): Sure thing. Thank you for having me. I've listened to a lot of your podcasts and you guys are doing great work over there. So first off, I just want to say that. So, I am about a 10-year veteran in the real estate investing industry. Started in 2013, freshly out of college. Did the single-family route for about seven years. I wouldn't say I'm out of single-families, but I have transitioned a little more into commercial real estate, office space, many strip plazas, a couple of restaurants. So that's where we're at now. After experiencing the commercial side of things, the single-family side is still nice because you can make a lot of money doing it, but when it comes to economy of scale, nothing beats the commercial side of things. So, that's pretty much where I'm at now. We're exclusively doing commerce deals.

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WS: Nice. What specific asset class are you all focused on at the moment?

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AC: I would like to say it would be large-scale-apartments is where I thought it was going to be going. But three years ago, I did what would be considered an office hack. I had a three-year-old and a newborn and working at home was not working anymore. So, I was looking for a place to rent that I can work out of part-time. I found a place that I bought. I still

own that building today. I occupy one small office for myself and I lease out the remaining 5500 square-feet. That somewhat launched me into my commercial real estate investing career because it was successful. I just kept going with it and it was office space in the office space thing. While apartment space is probably pretty lucrative, there aren't value-add deals out there that I'm looking for in my market right now.

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WS: That's incredible, Adam. Oftentimes, it seems like people get into commercial real estate 'cause sometimes there's some kind of need that they had. There's something that happened that kind of exposed them to this opportunity, and it sounds like you did that. Tell me now, what were some of the next steps you took to kinda scale that side of the business?

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AC: So, prior to that project, I had been financing my single-family business with hard money lenders, higher rates. It costs a lot but if you burn and turn them quickly, it doesn't cost you that much. But what I discovered on the commercial investing side is you can't necessarily refinance these as quickly as I could on the single-family side. I knew I was going to have longer holding periods, which meant I needed to find cheaper money. And that is kind of what launched my private equity investing side and the syndication side. I started with a couple of small private lenders, and now I'm at the point where I have roughly 15 and growing. So, that not only launched the commercial side of things, but it really helped me understand the syndication side of things.

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WS: Nice. Tell me about your transition into syndication there a little more. How did you learn that business? How did you take that step? It's often difficult, right? People there get mind block or a mental block, taking that leap into doing a bigger deal or either with working with other people's money. Or there's something that's like, 'Oh, you know what, I'm just going to stick to single-family. I'm just going to stick to the small multis that I can handle myself. I don't want any part of that over there'. How did you get past some of those limiting beliefs?

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AC: So initially, I thought early on, I didn't tell anyone that I did real estate. I kinda have everything close to the vest. No one wants to hear about everyone else's successes.

But, either through a podcast or BiggerPockets reading, I completely flipped the switch on that. I started telling everyone I did real estate and not only that, I started a social media campaign. A couple of years ago, again, I didn't ever think I would be on social media. But I think what I needed on the private lending side was some confirmation that I knew what I was doing. So, that kind of encouraged me to launch the social media thing and share my projects. That way, potential investors or current investors can log in. They can check me out, they can see I mean business, and I know what I'm doing. So, really the exposure from things like these podcasts really helps with the syndication side of things. Because your friends and family might trust you, they might know you but the people that are outside of your immediate network need more than just a little nudge to give you 50 or \$100,000. So, the social media side of things really helps that.

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WS: Okay, so getting out there on social media helps you to expose your business, grow your brand. What are some things you are doing now to continue to scale your business or to continue to grow your commercial real estate side?

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AC: Regarding the raising money portion of it, I was able to find five or six investors when I started fairly easily. But once you get past your immediate network or the people that you know rave about you and say, 'oh you have to invest with this guy', those people were easy. It's once you get past that they need a little more, they need a little more knowledge I would say.

So, I thought initially it would be easy. I've done 80 plus deals. I'll just tell everyone my experience and they'll invest with me as well. That didn't really happen. So, it made me realize I need to sharpen up my business practices, whether it's on social media or whether something as small as sending my investors checks that aren't handwritten. Now, I type them. So, just looking like a professional business that has their stuff together and has their systems in place

makes much more of a difference than I initially did when I thought I can just get investors through my experience and expertise.

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WS: I love that tip right there that you just said. I know this is what, 1200 and some episodes, I don't think I've ever heard anyone talk about typing out the check versus having it handwritten. And so, what you're saying though, does that kind of give the impression to your investor that you're a larger business? Or maybe more structures in place? Or a larger organization? Is that what you're saying?

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AC: Yep, all of those things, structures in place is a biggie. For a while, we were flying by the seat of our pants just going as fast as we could, and a lot of those structures and systems kind of fell by the wayside. But at some point, a few years ago, I got to the point where I caught back up and I said it's time to focus on these things. Because these things aren't fun but they're not going to wait, you know, they're going to pay benefits in the future.

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WS: What would you say some of the crucial systems are now that you've developed? You know, looking back to the end and looking into now, like, if we had these things in place from the very beginning, we would have been so much better off.

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AC: Legal documents are a biggie. I was, again, doing things off the cuff for a little while and saying 'here's the document, you can have your attorney review it'. Things of that sort. Now, I just have much more of a systematic approach to it. I say 'this is the document we use for our investors, you're more than welcome to have your attorney look over it', but it's just coming from a much more professional standpoint.

You know, I would say, 'Here it is, maybe it's right, maybe it's not. Let me know what you think'. Now, I hand them a mortgage, I hand them a note. I give them specific details about how

the process is going to work and it is just a lot easier for them to understand, especially when they don't have a real estate background.

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WS: Now, that's awesome. Tell me a little bit about your team and maybe go back a couple of years, getting into the commercial real estate business. Maybe your first hire, who that was, and then to where your team is now?

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AC: So, prior to the commercial, I had about six years of single-family business. So, in terms of rehabbing construction property management, I pretty much had a good system in place because we had done a lot of single families. After we started commercial, I again, was just winging it. I contacted a commercial real estate broker, not to lease out my buildings, but use it somewhat as a consultant because we were doing things, something as simple as a triple net lease, I knew nothing about. So, I would consult this broker. She was actually happy to do it. I bought a building from her and she gave me her card and said, consult me. So, I have. I have used that card a lot. And she's been great, great team because, you know, we were doing things profitably. But maybe not how the industry was doing them. I don't think you always have to do it how the industry is doing it. But, until you know what the professionals are doing, maybe you're not doing the right thing.

So, we have since changed some of our business practices on the personal side to kind of sharpen things up over there. Another big one is a real estate appraiser. I was able to connect with a commercial real estate appraiser who I'm able to run deals by. I didn't understand how the valuation of commercial real estate worked when I first got into it. He's been a big help in that and now I'm at the point where I really don't have to contact him. I have a nice excel sheet. You can just punch in the numbers, punch in the cap rate and you can come up with a pretty consistent valuation based on pro forma runs.

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WS: Nice. Talk to me about, you know, you've been in single-family for a number of years, you got into commercial real estate and it sounds like you were creating, developing those systems and processes, and then all of a sudden the pandemic hits. What happened then to your business, or commercial real estate business? How did that affect you? Maybe let's talk about some of the things you learned or changed during the last year, two years?

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AC: So, the pandemic somewhat forced my hand even further into the commercial side. Because I was still doing occasional single-family homes and then you know the deals really dried up in our market. And most markets, the steal deals that I was getting for many years through auction sites just weren't going for cheap prices anymore. So, I started looking more into the commercial space, and then the pandemic hit, which was good and bad. I would say it was good in the fact that commercial real estate was at a very steep discount during that time. We purchased a mini-strip plaza that was roughly 18,000-square-feet right at the height of the pandemic. It had a restaurant vacancy and then it had about 7,000 square-feet vacancy on the second level. So, it was only about 40% occupied when we bought it.

I remember posting this deal on Instagram and getting snarky remarks saying, 'Oh, office space during the pandemic. Way to go!' or 'Oh, restaurant space during the pandemic. That's smart.' You know, a lot of haters out there so I always go back to the Warren Buffett quote of "be greedy when others are fearful and be fearful when others are greedy". And we were greedy during the pandemic. It proved to pay off because that same building is fully leased with the restaurant and the valuation on that is going to be about 4X.

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WS: 4X. Listen to that. Yeah, I love that quote as well. Warren Buffett quote and that's a great example of that. Speak about getting investors on board during a time like that in a project like that during the pandemic.

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AC: It was difficult. I was fortunate enough to have one of my biggest investors. Just been paid off on another commercial building that was the second building he had been paid off in a row, so he had some really good confidence going into that. So, he brought probably 60% or 70% of the funds for that project so it wasn't too difficult to fill in the rest. But at the end of the day, I just try to share the numbers. I share some of my past projects. This is what we do, this is how we do it. And transparency is big.

Yeah, I think a lot of people when they actually...sometimes my wife says I share too much. But at the end of the day, I don't want to sugarcoat or hide anything. I break it all out there and I try to be an open book. I think, at the end of the day, that's what people will trust. People can sense when you're not giving them the whole picture of the pie and I feel like I never hide anything.

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WS: They don't want surprises, right?

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AC: They don't want surprises.

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WS: And while we're on that note, about this and your investors, you mentioned and I think there are many listeners who can relate to this or will soon, that first five or six investors that may come quickly. They're people you've known from another industry or previous job. They already trust you right? They're already pretty far along in that process. That 'know', 'like', 'trust' and I also add in their loyalty. You know you've already had that relationship over many years. Maybe you've worked with them or, or their in-laws or, you know, there's something like that right? But then, all of a sudden, you need more, you want to do more deals and you need to raise more money. What was the next step for you to start finding more investors and building those relationships?

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AC: So, I received five or six loans from those first investors that you talked about. And then, when deals would come up in the pipeline, I would advertise to mostly my network, still a lot on Facebook, and friends of friends and family of family. And I would get a lot of phone calls from interested people. I would speak to them, tell them about the deal and I wouldn't get any follow.

So, I'm wondering what's going on? And then, the more I listened to shows like yours and tips on real estate syndication, I realized I just needed to sharpen up my presentation. A phone call saying, 'Here's the building. This is what we're going to do to it. This is what it's going to be worth. This is when you'll be paid back,' is not enough for people that don't know you.

In hindsight, I was naive in thinking that it was. But at the end of the day, this is \$50,000 or \$100,000 we're talking about. It's not chump change so these people want to feel like they're protected and just me saying, 'I'm the best and you should trust me', didn't fly.

So, our offering documents are much more professional and we have already started. We have a deal in the pipeline. We'll start sending out information about the deal through our CRM system. That way we can kind of get some of our investors some pre-information to get their feet wet. And then by the time we need funding for the deal, they already know about the deal. They've received a couple of different emails about it and we can kind of coax them along from there. So, a lot of prep work before we actually ask for the money is kind of what we're doing now.

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WS: Can you give a couple of examples of how you sharpen that presentation a little more? So the listeners thinking about their presentation, you know, how did you go about doing that? How did you create that skillset? Did you find somebody to help you build a presentation? Not everyone's going to have those skillsets and maybe even on their team. How did you do that?

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AC: I've looked at guys that are more experienced in this field and I saw what they were doing and I implemented it. So, something as simple as three or four-page PDF of pictures of the building, a video of the building, and then another page with numbers on them showing expected numbers, the expected ROI. So, essentially just a presentation that you might give to a commercial bank to get a refinance is the same type of thing I am doing to investors. Sometimes, it's really benefiting the investor but other times, I might be a little too analytical and not realize that cap rate and some of these numbers investors throw around aren't understood by people that aren't in real estate. So, I do walk a fine line between being overanalytical with my numbers and just trying to present it in a dumbed-down fashion that non-investors can understand. But, at the end of the day, it's just about having some type of presentation on paper with a video and some pictures, so people can actually, kind of, see the asset and get a little more comfortable with it.

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WS: What's been your biggest challenge over the last year? Let's say in the commercial real estate space and how did you overcome it?

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AC: Doing our cash-out refinance during the pandemic was a struggle. We had a great building, great cash flow, brought it to a bank right past the peak of the pandemic and they weren't touching anything related to restaurant space, or they were discounting rents 30% because of the pandemic so we couldn't get the cash-out refinance number that we were looking for. So, we decided to sit on our heels on a couple of properties and wait for things to cool off rather than take the lower cash-out amount the banks were offering. And it didn't take much time for banks to get comfortable with everything.

So, we overcame that struggle, and right now it's just about finding additional lenders. We're almost at the point where we have 20 lenders but we need to, like you said, there's always a deal around the corner. I'd love to do two or three deals instead of one at a time. On the single-family side, that was really easy to do because you know you have a hard money lender

or smaller numbers available. But on the commercial side, you start getting in the \$500,000 or a million or two or \$3 million space and you realize you need a lot more capital to work with.

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WS: Coming from a single-family real estate for as long as you have and now commercial real estate as well, what would you have done differently if you could go back to the very beginning of your first deal?

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AC: The first deal on the single-family side?

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WS: It doesn't have to be single-family, but would you have gone into a different asset class? Or would you start commercial real estate in the beginning? Or you think, do it just the way you did?

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AC: I still think single-family is a great way to start. What I've discovered since single-family is commercial but what I've discovered since commercial is that there are so many asset classes in real estate - whether it's mobile home parks, which I've been really interested in the past two years, or storage units. There are just so many avenues you can take even with our most recent commercial deal. I knew nothing about historic tax credits going into this deal but I got lunch with the neighboring building next to me and I discovered they were doing nothing but these historic tax credit investments. And sure enough, we're actually going through the historic tax credit route on this building.

So, that's what I love about real estate you never know what you're going to go into and where it's going to lead you and really just having these meetings and finding out what's available is how you discover these things. So, I'm still happy I started on the single-family side. I would not say that that's something I wanted to do forever because it's back-breaking work, but it was a good way to get my feet wet compared to starting on a commercial building.

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WS: Do you have any predictions for the next six to 12 months, Adam? Are you buying or selling or both? Or anything that you're planning for just for the market? Anything to happen in the market, saying that we should be expecting?

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AC: So, when I got into single-family, I had planned on holding every property forever. You know, 30, 40 years and then maybe dying with them passing them on. It didn't take long till I realized that maybe it isn't the best strategy so I have been selling some of my single-family properties. I don't think the residential single-family market is going to crash or decline, but I still wanted to get a few properties on the market and sold while the iron is hot. Just in case something were to stop. So, I do expect prices to keep rising. I don't think the rate that they're rising is healthy or sustainable, but again I feel really bullish on the single-family and commercial real estate market.

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WS: What about thinking about your potential downturn sometime in the future. I mean, no matter where you are at the market cycle, I still want to be prepared, just in case right? Nobody has that crystal ball, nobody knows what tomorrow brings but I still want to be as prepared as possible. How do you do that when you're looking at a commercial piece of property? How do you know that you're as prepared as possible for a downturn?

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AC: Well, getting in at the right price helps. You can make a lot of mistakes if you get in at a low price. But other than that, diversification. I don't want to sell all my residential or single-family homes and be holding all commercial. I did not invest during the 2008 recession, but I imagined commercial properties took a major hit during that time, probably a lot of vacancies. So, if you have 100% commercial and something like that happens again then you definitely have all your eggs in one basket. So, I'm all about diversification. That's why, right now, I'm holding single-family and some commercial office space and renting storefront space but I

would love to get into, like I said, some of the other asset classes. I don't think you should do everything because it is good to focus on a few things and get really good at them. But again, at the same time, I think having a lot of different asset classes is going to protect you if a market downturn were to happen.

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WS: What would you say right now is the biggest thing that's holding you back from scaling to the next level?

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AC: It's got to be capital. I have a little over a million, between \$1 million and \$2 million in private capital being used between three different projects. Sometimes, I'll see a \$2, \$3 million building come on and I have strong interest but I don't have the means to go grab that building as of yet. I do have quite a bit of fund available on the hard money side but the rates are just too high for me to make that work. So, I need to find more private capital and lower rates or partnerships that can make some of these higher-priced deals more feasible.

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WS: What are some steps you're taking - and maybe we've already talked about some of them but I wanted to ask you so the listeners can hear too - the steps to improve that challenge? Or the thing that's holding you back so you can have more capital available?

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AC: So, the CRM system I talked about which essentially is just sending consistent emails out to investors or potential investors is a big one. I underestimated that for a long time. But, I'm at the point now where I have a long email list of investors and I think that's been huge. I'm letting them know what's going on. Telling them, maybe in Q1 or Q2 of next year, we anticipate having this deal. So, that way when the time comes, they already have some information. It's tailored to a larger group of people than me just blasting it out to my Facebook people. So, I have people who have contacted me before that have expressed some interest. So, I make sure they stay in the loop.

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WS: What CRM did you decide to use?

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AC: This is nothing fancy. It was just a free one that I found online. I can't even remember the name of it but for now, it's meeting our needs. I know there are some more investor-friendly CRM systems out there and we've talked about going further into that route. But, right now, it's just a really basic one.

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WS: Most importantly you have one, right? I guess even more important than that is that you use it. So, yeah, that's such a powerful tool. And like you said, there are many that are even free that can be so useful, that are going to be better than say that Excel sheet or that notepad that you've been writing on. Or you can just have that professional presence in front of your investors and ensure you're following up like Adam is doing.

What are some daily habits that you are disciplined about that have helped you achieve success?

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AC: Well, I have a poster in my office that says, "Go hard every day". I can't say I do that every single day but I think if you do something every single day, even if it's not going hard, if you do a little bit of something, those add up. And I'm talking to you now. If you don't work 365 days a year, that's fine. I wouldn't say I do but most days whether I'm at home or at the office, I'm doing something with the website. I'm doing something on my investment package, doing something towards what I want to focus on, and eventually those baby steps add up.

For a little while, shortly after I had kids, I was sleep-deprived. I was a little out of my funk and I then tore my ACL. So, I had a few excuses to be sidelined for a while and it took me a little while to get back into that daily consistent drive. I was getting things done but it wasn't the,

you know, listening to the podcast in the car instead of radio, wasting a lot of time not improving myself for quite a while.

And then, I finally got back to my old ways. I'm at the point now where I'm at the gym listening to podcasts and educational things and it's just been such...it helps more than you think. When you're listening to the radio, you're like, well, I've heard all these podcasts before. But I pull something out of every single podcast that helps me and not only that, it encourages me to maybe try something new or keep going. So, even the tax credit podcast I listened to on your podcast about three or four weeks ago has been huge. It's been great.

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WS: Awesome. I completely agree. It's the daily consistent action, as small as it may seem at times, that add up to very big things. And you're a result of that in your business and what you're talking about now, it's incredible.

Tell us, how do you like to give back?

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AC: So, I like to give back right now through helping other investors, whether they're new or experienced. Again, when I started my social media campaign, I didn't realize how much traffic I was going to get or questions I was going to get about how to start in real estate investing. Right now, I'm not selling any coaching services or one-on-ones or anything like that so everything is free. And the benefit on my side is not only helping investors but working with people that might develop into a relationship down the road.

One of the commercial buildings we bought last year would not have been purchased if I didn't get a cup of coffee with a guy. Five years prior to that, the guy called me up for a cup of coffee, didn't know anything about real estate investing. And then, you fast forward five years later and he has a few duplexes and fourplexes and he wants to partner on a somewhat larger commercial building. So, those meetings tend to pay back at some point in the future, and even if they don't, it's just nice helping people and networking.

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WS: Adam, it's been a pleasure to get to meet you and have you on the show. Just appreciate you sharing your experience, from single-family to commercial real estate, even some ways that you have improved your commercial real estate business. To go from that five or six investors to be able to raise more than that and even now working through that. You know, the issues, 'I need more capital', maybe you have deal flow and but we all need more capital to be able to do more deals. You got to have both of those pieces to make it happen. But I'm grateful, grateful to have you on and to be able to share with listeners your story.

How can they get in touch with you and learn more about you?

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AC: So, you can visit my website which is cleinvest.com. Or you can find me on Instagram, it's adamtheinvestor.

[END OF INTERVIEW]

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WS: Thank you for being a loyal listener to the Real Estate Syndication Show. Please subscribe and like the show. Share it with your friends so we can help them as well. Don't forget, go to the www.LifeBridgeCapital.com where you can sign up and start investing in real estate today, Have a blessed day!

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