EPISODE 1231

[INTRODUCTION]

0:00:00.0
Whitney Sewell (WS): This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today is a Highlights show that's packed with value from different guests around a specific topic.

Don't forget to like and subscribe but also go to LifeBridgeCapital.com where you can sign up to start investing in real estate today. I hope you enjoy the show!

[INTERVIEW 1]

0:00:24
WS: Our guest is Kris Benson, thanks for being on the show Kris.

0:00:27
Kris Benson (KB): Thanks for having me Whitney, pleasure's mine.

0:00:30
WS: We're honored to have you on the show, Kris. I've seen you doing lots of big things and we talked over a year ago and I know you'd be a great guest for the show. And a little bit about Kris, he's the chief investment officer for Reliant Investments, a subsidiary for Reliant Real Estate Management and one of the top 30 commercial self-storage operators in the US in 2018. He is part of the investment committee and develops institutional qualities, self-storage investment opportunities for credited investors. His investing goals have always been about changing the paradigm of trading time for money in order to have time for more of the things we love to do.

Likewise, investing in real estate has been Kris's steadfast path to passive income and he is passionate about inspiring others to change their mindset around investing for their future. So, Kris, again, thank you for your time today and being on the show, look forward to our conversation, but tell the listeners a little more about who you are and where you're located, and your focus right now?

0:01:27
KB: Yeah, for sure. Where I'm located in the easy part, we're in Roswell, Georgia so our office is just outside of Atlanta and that's where I'm talking to you from today. We're about 25 miles north of the airport. Just as far as who I am, my background, Whitney is I came from a sales

background, first in business to business to business sales and then I got into medical device sales and about 10 years ago or so, I distinctly remember waking up, Whitney and saying, “I don’t think I can do this for another 20 years or maybe 30.” I was making great money but our lifestyle was rough.

That was sort of a beginning like many of your listeners, I’m sure I read Rich Dad Poor Dad and said, “oh, passive income seems like an interesting way to make money.” And so, that was sort of the beginning of the journey for me and we did some residential real estate starting, kind of follow the path that everybody does, realized very quickly that was miserable. I wanted nothing to do with that and then we got into commercial multifamily in a number of different facets.

About three years ago, we started investing in storage and you know, long story short, got to Reliant about 18 months ago. First I was – there was an investor and then there was a partnership opportunity for us so I’m running the equity arm of the business at reliance so really Whitney, managing investors and ensuring we have equity to closes on our properties as we go out and expand our portfolio across the southeast.

0:02:46
WS: Nice. You got into residential, you had that day out. I’ve had one of those same kinds of days where it’s like okay, “wait a minute, something has to change, I can’t see doing this for 20 or 30 more years.” That pushed me into another path, right? Like it did you. You started with residential, what was that, single-family, small multi, what were you doing at that time?

0:03:06
KB: Yeah, small multi. We ended up with a portfolio of just about 20 units, like in 22 is what we ended up with, I still have one duplex left, but we mostly had duplexes in the county where I lived.

0:03:17
WS: Nice, okay. You got into commercial real estate, started doing multifamily then you see an opportunity to partner with Reliant. I’d love to get into what that means to run the equity arm and what that looks like. I mean, that’s a big responsibility for that group.

0:03:29
KB: Yeah, what happened, Whitney, for me organically is real estate was always a side hustle and I still had a day job where I was surrounded by essentially surgeons and hospital executives and other guys and gals like me who had a little bit of disposable income. They knew what I was doing and I was investing my own money at first. And slowly but surely, people started asking like, “Hey, next deal, I’d like to know about it.”

That grew organically. As it did, it gave me the opportunity to bring a little bit of leverage to negotiations where I could go to an operator, either on the multifamily side or storage, and ultimately, that's what happened to both and say, "Hey, I can bring a little bit of equity to the table, can I have some back-end ownership if I do that?"

I wanted my own money to be deployed and then people were trusting me with bringing them opportunities as well. So, I got really good at underwriting and understanding another operator's, underwriting so that essentially, I could make sure I was making good decisions for my own family and then other people who are trusting me to do the same.

So, yeah, I mean, on the self-storage side of things, it appeals to my skillset, right? So, I'm a salesperson by heart. I just happen to understand real estate at this point. So, how I got connected with Reliant first was I wanted exposure to the asset class to self-storage and literally Whitney, I just started calling the list of self-storage operators, there's a top 100 list that comes out every year and I just started calling them, until I found a few that would meet with me basically saying, "Hey, I have some equity, I'd like to go meet you and see what your platform is and if I'm able to deploy some capital, can I earn some back-end ownership?"

That's what we did, that worked out really well, I found love with Reliant and the guys who founded it and Whitney, probably like many of your listeners, especially if you're looking at syndication, I'm a big believer that it's about the people, right? You're investing in the platform, the real estate certainly, but for me, it's always guided me well to invest in the people first.

Usually, everything else takes care of itself. I think that's a good tip that everybody can take with them because you know, when things are going well, everybody's friends. It's when things hit the fan and if you're in real estate long enough, it's an inevitability, that's when you find out who you've really partnered with.

0:05:39
WS: Great advice right there, no doubt about it, it's a relationship business and when everything's good, it's easy for everybody to be friends, right?

I'd like for you to back up a little bit before the transition actually, but you're meeting all these people, then they're coming and asking you questions.

Elaborate on how they knew what you were up to, what you were doing?

0:05:56
KB: I talk about it a lot. I mean, I think Whitney, two things is one, for the people who are trying to do that, I had a track record in that I had invested my own money. I think that's the key thing,

Whitney, syndication is now a very hot topic. Everybody wants to be a syndicator and there's a low barrier entry on, it's not a bad thing to say, right?

So, essentially, anybody can syndicate a deal and you know, the caution I would put out there is to understand what people are trusting you with. It's their time, right? They've earned this money, able to invest with you because of the time that they've spent to do it and so I took that responsibility pretty seriously and I would say that the advice I could give is one, talk about it with everybody, what you're doing, usually that will generate some organic conversations.

Two, keep an email list, so when you ask that question or they say, "Hey, I'm interested." Make sure you keep a list of who those people are so that you can bring an opportunity to them when you have it. The third thing and this is what I would say a lot of people ask like, "Hey, how do I get started?" If it were me anyways, the first thing I would ask is if you invested your own money, "have you done this before?"

I think that's a critical component to this. As syndicators, you have a great responsibility and it's easy to make money in this space on a fee structure. But what you need to make sure it was you being a good steward of your investor's money. My thing was, I felt comfortable talking to people about it because I had done it with my own money first and was still investing my own money in all the deals that I brought as a 'syndicator.'

That's still the case here at Reliance so even though I'm an employee now, I'm investing my own money in all the deals because I feel just as good about the underwriting as I'm hoping that they will.

[INTERVIEW 2]

0:07:34
WS: Our guest is John Manes, thanks for being on the show John.

0:07:37
John Manes (JM): Thanks Whitney, appreciate you having me.

0:07:39
WS: Yeah, I'm honored to have you on the show just from reading the short bio I have, you're going to be a great guest. John is the owner of a hundred million dollars worth of self-storage. A 14-year veteran of the self-storage industry, he's a frequent speaker and author of local state and national self-storage industry topics. And John, thank you again for your time, tell us a little more about maybe how you got into this industry. Did you start with self-storage or maybe you can go a little further back than that and how you got into this thing we call real estate?

0:08:09
JM: So, I actually started my career in retail and I always say like in the Walmarts and Kmarts of the world, even though I never worked for either of them. And I spent 17 years in that environment and just got burnt out on it and I worked my way up to district and regional manager in that environment and wanted something different.

So, I started to apply to multistore leadership in a space like warehousing, multifamily and I applied to this job as a district manager of self-storage with this little tiny self-storage company called Uncle Bob's Self-Storage which is now Life Storage and the fourth largest self-storage company in the United States. Ended up getting the district manager position with them for San Antonio and Austin, Texas.

Doing so well over a three-year timeframe, they promoted me to regional vice president of the company. As a reward, they moved me to Buffalo, New York.

0:09:06
WS: Congratulations.

0:09:08
JM: Thanks. So, I spent like six and a half years with them and then networked back into Texas as the COO of the Jenkins organization which owned and operated 55 self-storage properties. Ran that company for five years or so and then about three and a half years ago, went out on my own and started buying my own stuff and here we are 20 properties later, about 110 million dollars worth of self-storage.

We've raised over 35 million dollars worth of private equity and still rolling. So that's been my journey, from retail to storage to publicly traded to a private entrepreneur environment to doing it ourselves.

0:09:51
WS: I get that right? 35 million raised, 20 properties and that's in three and a half years?

0:09:56
JM: That's correct.

0:09:59
WS: That's impressive. So, you know, in the next few minutes, I want you to tell us how we can do the same thing.

0:10:06
JM: Okay. Get ready to, I don't know if they can see me or not, but I had a really pretty head of hair when I started and I don't, now. Be ready to lose all your hair, that's all I can say.

0:10:17
WS: All right, go back three and a half years ago, you know, you're focused obviously, you were focused on self-storage, you're a burnt-out of retail, you had some great experience, you'd worked for some larger companies and played a big role there and then went out on your own. Tell me a few key things that you learned from the other jobs or you know, even the other asset classes that you were in that were instrumental to being able to move that fast when you started your own business?

0:10:41
JM: I think the biggest thing was through the years I learned how to build teams and how to market not only a company or an asset, but myself as well. When I started to go out on my own, I thought I could raise probably a million dollars maybe, but in the end, I raised a million dollars in about 45 days and I was like, "Okay, wow." The way I did that really was being out in the storage community, speaking for the prior six years.

So, a lot of those people that are invested with me were friends and family as well as different vendors in the storage industry. I was able to line up people ahead of time that said, "man, if you ever buy a property, I'll do this with you." When it came time to go raise the money, I'd literally had a list in a notebook of all the people throughout the years that had told me that and I called them. They invested and I was like, blown away, I was like, "oh my God, they actually invested!"

That started and then we started to build a machine internally through different marketing avenues and I do a lot of speaking like this on the local, state, and national levels. You know, now we've gotten really sophisticated, we use CRM and all that kind of stuff. Where before, I was on the phone making telephone calls and saying, "Hey, I think you told me you might want to invest." Now I do a lot of one on one, why storage is a good investment and probably talked to about a thousand people in three years so they go into our database and when it comes time to raise money, we do an email blast and we're rising about a million bucks a month right now.

0:12:31
WS: You know, I'd love to hear your response too about why self-storage is the way to go. I know you've given that too many talks, but I would love to hear that and maybe we talk about a recent deal as well.

0:12:42
JM: First thing I'll tell you is, self-storage has a 2% foreclosure rate, so I'll ask you this. What do you think people do with their stuff when they lose their house?

0:12:52
WS: They don't get rid of all of it.

0:12:54
JM: That's correct, they put it in storage. What happens when they lose their business? They put it in storage. So, the same thing happens when the economy expands. When the economy contracts, people use storage, when the economy expands, people use storage. So, in the 14 years that I've been in storage, they've had one down year and that was 2008 to 2009, and if you look at it from how many self-storage properties are in the United States, which is around 57,000 self-storage properties.

Only about 2% of those go foreclosure in a given time. I've only known three of them go foreclosure out of the two or 3,000 I've been associated with for 14 years. So, if you look at it from that standpoint, one of the safest investments, because of what the human behavior behind it is, that is people want to keep grandma's dresser, people want to keep mom's pictures and all that kind of stuff, so what they do is they put it in storage.

And that helps our business. Outside of that, if you're an investor, it has an awesome cash flow to it and in this environment, you can be very creative in how you structure deals, so that you can either get small money upfront, a little bit of money along the way or big money as you add value in the end and because of those 55,000 self-storage properties, there's only 12% of them that are publicly traded.

There's another 17% that are traded by big money. So, only about 30% of them are organized. The other 70% are home by one-off people. So, when you look at it from that standpoint, it's still boots on the ground where you can go as a common person, you can go buy a self-storage and still make money on it. And, then if you know what you're doing or your partner was somebody who knows what they're doing, you can make a lot.

0:14:54
WS: That's helpful, that's a plus. So, can we talk about like I say, a recent deal or current deal or maybe when you've all have worked on or just closed recently and love to hear some details about it, how you found it and then you know, maybe how you structured that deal.

0:15:08

JM: As I mentioned, I do a lot of speaking at local, state national types of stuff. We find a lot of deals by relationships is we're out there in the forefront building those relationships. So, we get first looks or of market deals a couple of times a week, literally. We've probably underwritten 250 deals in the last 12 months. Of those 250, a hundred of them are probably of market or first looks through the relationships that we have.

Even though it might go on the market, we get a two or three-week head start on it. How we find them is very creative, we call ourselves grinders, we're always out there grinding, we're always doing things like this podcast in order to get our name out there, so that when somebody's listening to this in Savanna, Georgia and you're like, "All right, well, who do I call to sell my property?" They can call me and I'll underwrite it and one of the things we do is we give them a fair price.

So, that's how we find them. The current deal, we have probably 10 deals in the pipeline right now that just made new offers a couple of weeks ago and we're getting ready to make a couple of more offers, we recently just raised 15 million dollars of private equity which is not part of the 35 that we've already raised.

Once we place that, we'll be able to probably double in size in the next six months or so. Those deals consist of one version project here in Texas that a guy that is already in storage. He owns four self-storage properties, hasn't been able to create that machine of raising money, approached us, and said, "Hey, we want to partner on this deal. We'll be able to split it all up accordingly based on who does what." I say there are four parts to a deal:

The person who finds it, whoever raises the money, whoever signs on that, and then whoever runs the property when it is all said and done. That is the four pieces of it and the only one we want, we'll go on is the one who runs the property because we are pretty good at that. So outside of that we do sign on that, we do raise money and we do find deals but if somebody finds a deal and doesn't know how to get it done, we know how to get it done.

So they come to us and say, "Can you help me raise money or we'll give you X piece of it or can you can sign on debt and we'll give you X piece of it?" And I always say, "Well, sure as long as I get to manage it." and that is how we've been able to grow so fast since we are creative. We are grinders. We build relationships all the time, we kiss a ton of babies but in the end, I mean we've either partnered. We've partnered on five properties out west in Washington and Oregon that we didn't find the deal.

We didn't raise the money and we didn't sign on debt, but we are operating them and they gave us part of the ownership of those properties.

[END OF INTERVIEW]

[OUTRO]

0:18:08

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

[END]