

EPISODE 1375

[INTRODUCTION]

Brendan Chisholm (BC): During Covid, when deals were slow, I started running a newsletter of like the trends of commercial real estate and people like I didn't realize that you got into commercial real estate, multifamily," and it's just, it's being able to say front and center regardless if you have a deal or not.

[INTERVIEW]

Sam Rust (SR): This is your daily real estate syndication show. I'm your host Sam Rust. Joining us today is Brendan Chisholm, who is a real estate syndicator with a core focus on asset management. He's a general partner and over 100 units have been acquired in the last year and a half and a limited partner on almost 350 units. Brendan is growing his portfolio by focusing on acquiring distressed and value add commercial real estate in emerging markets across the United States. In parallel to his work in real estate, he also works for a large telecom company, where he's tasked with securing large scale access, marketing, and bulk agreements to multifamily developers and property managers. Brendan, welcome to the show. Thanks for joining us today.

BC: Thanks, Sam. It's a pleasure to be on. Looking forward to enlightening all the guests that listen.

SR: Yeah, definitely. So I was looking through your background, you've done quite a bit in fleet and logistics management for several different companies. Where along that path, did you run across real estate and what made you decide to get into syndication here just in the last couple of years?

BC: So it's been about four years, for me learning and educating myself on the syndication side, got into it with my previous employer. We're having conversations with some of my

previous employer, having conversations with some of the dealer principals and general managers as to where they made their money. And a lot of people made their money in commercial real estate. So I'm like, let me look into this, figure out how to do it. I had a 45 minute commute back and forth, well, in most days and started listening to podcasts. And instead of watching your night shows, I just jumped into books and educated myself as much as possible to figure out how I could create an add value to the multifamily world.

SR: Yeah, and there's a lot of folks that listening that are probably in your shoes, they have heard about syndication a couple of times who want to get started, is there any resources that stood out either book or podcast that were especially helpful in your beginning stages of the journey?

BC: Sure, I initially wanted to do like turnkey, long distance single-family investing. My whole aspiration was to just do stuff passively, and try to climb up the corporate ladder. So if so I'm reading into Bigger Pockets, all this stuff as to the pros and cons of turnkey and single-family investing and out-of-state markets. Me, being from the tri-state area, it's a little more difficult to source stuff that's, you know, \$100,000, where you can try to find something in Southeast for less than that.

And then one of the first or second real estate meetups I went to in my home area, there was a gentleman who was talking about multifamily, commercial multifamily, just in general. And that was his coaching platform and how he simplified it and essentially buying a business and optimizing the business by figuring out where you can drive revenue and decrease expenses.

And I was hooked at that point. I ended up going into his coaching program for 18 to 24 months. And it really provided me the fundamentals to be competent and confident when talking to brokers and underwriting deals and knowing what to look for and how to drive that value that you can find in any of the larger properties that you purchase.

So that was 2018, to almost two years doing that networking with people and got to where I am and started meeting other people through other meetups. And that's by one of my business

partners now, with a guy a couple of the guys that are on the general partnership for two deals to jump onto their deal and Newnan, Georgia, and we've been off and running since then it's been a very fast pace, 18 months in commercial real estate and your best way to do it is get the experience and can no longer sit around and just having an activity and just learning and just dive in and figure it out.

SR: One thing that I'd like to highlight for listeners is you met your coach at a meet up. And there's a lot of folks that will read books, they listen to podcasts. And that's how I got my start in this business as well. There's so much free material out there. But there's a incredible amount of value to be gained through interpersonal relationships, pushing yourself, getting out of your comfort zone, you never know who you're going to meet, what connection you're going to make. I've had the opportunity to host a local meetup group per guest host a couple and it's just it's a good reminder for me, even though we're four or five years into our business plan at this point, that man making those in person connections is incredibly valuable.

BC: It sure is. You never know who you're going to meet when you go to any of these meetups, you think most of the meetups are geared towards fix and flippers, wholesalers. And I've kicked off a relationship that's been very fruitful for myself as well as my business partner, just going to one of those meetups and then we were the two guys talking about syndications, neither of us didn't. But we have, all we wanted to do is figure out how to get our first one. So that's how it came to fruition.

SR: So there's the part of educating yourself and getting to the point where you're ready to take action. And then there's the actual action taking. Describe that process, walk us through the process of "Hey, I feel like I'm ready to win that first deal, hit your radar screen, and then all the way through closing." Let's dig into that a little bit.

BC: Sure, I thought I was ready when I first got into this coaching program, he laid out everything that you needed to do to source deals, find out who the brokers are. And it took me quite a while to find some stuff that I was going to every single available property or property that was for sale, or just started sending out direct mailers for two plus years. And then I

started meeting more people through just networking and as such, and got asked to help raise equity for one gentleman, and that deal fell through and the gentleman I keep on referring to, he asked me to join in general partnership.

So it was like all five out of the six people this is our first indication, we have a sixth person who has some experience, we're all just going to have to figure out how to raise money and close a two and a half million dollar equity raise together. So all of us thought we were there stuffing and stink at that point and thought we could raise as much money as possible just by asking people to do it. Unbeknownst to me, I think it was just more of me just being on my high horse, you know, I didn't fail.

But I didn't raise as much money as I expected to do. And it was a humbling experience. But I did, I was able to raise as the six figure amount, very, very low six figure amount. However, you know, it's just going through your phonebook and figuring out who do you need to call to help bring in capital for it. Regardless of how good the deal is, it's you know, a lot of people like the jockey as well.

So, we got the deal under contract. And we just went off and running because the first deal that we purchased was a 53 unit distressed deal in Newnan, Georgia, which is about 30 miles southwest of Atlanta, not nine down units, and then another 14 units that needed to be renovated, we tapped on the shoulder of an interior designer to help provide some guidance as to what we needed to do. But we had a formidable business plan in place, refurbishing all of the kitchens and the whole interior of those down units, bringing in stainless steel appliances, new cabinets, put it in an all in one washer dryer, and upgrading the bathrooms.

From there, once we got that the momentum going, you know, this was the beginning. We acquired it in February 2021. And at that point, you know, this was right before all the narrative of the hierarchy of the double digit rank rose that we saw, we thought we were we underwrote a conservatively as a group. And then ranches started to pop down in the area. From there, there were six of us. So you're on a 53 unit deal. We tried to find where our niche was,. We had two guys really leading the acquisition and developing their business plan and me trying to

figure out where I can add value in the business plan. Looking at it, I started contacting local zoning attorneys. And we were able to turn the leasing office that we have at the property into a 54th unit. And that should be done in the next week or so. So we're adding a 54th unit finding some orange celery revenue, introducing Rob's it was just full on for everybody who was a first time senator, it's the best experience that you could have done to do such like a hands on deal such as this. So yeah, that's the narrative or the background of our first deal going in for a refinance as we speak, our rents are 40% above underwriting.

So we're, we're looking pretty good on that one. And then we found within that group of four guys that we wanted to work with. And you know, we took down another deal almost a year to the date that and that was a seven unit deal in Rock Hill, South Carolina, similar robust value-add deal. And we're four months into ownership of that. And the majority of the exterior work is complete. And we're starting to put some of the renovated units online hopefully next week and starting to see where where those runs off to.

But similar story from the with the rock Hilldale as the one down in Noonan, we were conservative with our underwriting to achieve what we thought was a respectable 15 to 20 to 15% IRR to promote and rents are have grown an additional \$200 in that market. So that narrative of finding emerging markets really helps with it provides some tailwinds for you and helps on the deliverables for your business.

SR: Yeah. So you mentioned on your first deal that you had problems raising capital, I've run across a decent number of folks who had significant problems on their first deal and never overcame that hurdle. What did you do to increase your ability to raise capital and get after it on your next deal?

BC: I just started marketing myself? It was a big leap of faith for people to go in saying hey, I'm no I'm running for however many years through either your high school college, working together. However, you know, this is a brand new journey that you're trying to get on. And at this point, I'm gonna hold off until you got a deal or two under your belt.

Similar story for the second deal, I just picked up my phone, looked at my iPhone again and started texting people and calling people saying here's what we did the first time and I was able to 3x the amount of money I brought in. It helps that you have a deal under your belt. We send out monthly investor reports. So here's here's the narrative of our deal here. What did help too was, over the past year, people who read my newsletter, all they heard was about double digit earnings growth, double digit rank growth, or like whatever was emerging within multifamily.

And I think they were more attuned to being able to invest in a multifamily deal knowing somebody who has done it before, and it just keeps the momentum going. Hopefully, sometime in the next few months, we'll get another deal under contract. And by joining podcasts like this, and other podcasts and getting your name out there and updating websites, and being on social media and doing everything that you need to do as an entrepreneur and marketing, specifically marketer, and selling yourself, you're selling the operator, for people to be able to raise money with you.

I'd like to say I can cut like bringing seven figures right now. But you know, I have goals for the entire year. So what I wouldn't need to do, but it's just building up that phone to make sure when the next deal arises that you present something that is conservative, has risk adjusted returns and tax benefits. And it makes it appealing for people who want to invest with you.

SR: I think that just telling people, what you're doing is really important. It feels weird as particularly when you're transitioning into this world, maybe from a non sales career, you know, maybe more of a technical background. I know there's a lot of engineers, doctors, folks like that that are migrating into multifamily. And you feel like almost a used car salesman, but people are interested in what you're doing. And I would just encourage those of you who are trying to get started, just talk about be open about what you need, what you're looking for, you know, it's not all that often that you're right in the middle of a raise, we say, "Hey, we're always on the lookout for new investors. And here's the type of projects that we're working on." And and you'll find more often than not people strike up a conversation and have that curiosity sparked by running into you.

BC: Right, and yeah, that's a big thing. And during COVID When deals were slow, I started running a newsletter of like the trends of commercial real estate and people like, "I didn't realize that you got into commercial real estate multifamily." And it's just, it's being able to say front and center, regardless if you have a deal or not for those people, but just to make sure you're talking to them, or just letting them know that at some point in time, we are actively looking for deals to set some capital aside to do so.

SR: You're more focused on the asset management portion. Right? That's the kind of niche that you fill within your partnership.

BC: That's correct.

SR: So what does that look like on a week by week, month by month basis for you?

BC: We've developed our own KPIs as a group. So it's tracking that when we receive all the property financials on a weekly basis, the occupancy levels to see how everything's tracking versus our business plan and deep diving into our rent roll to see if we're capturing month to month rents or if they're if all (inaudible) are applied to every single residence. If not, what are we doing to transition those residents onto a rub system.

Recently, we found that we had a small portion of our residents at one of our buildings not have those trash rob for it. It may seem small at the time as to how much we were charging. But you know, for dollar over multiple months, that adds up to a substantial amount of money. And then you can collect 1,500 extra dollars for that. And that's a month and a half worth of rent down. And then when we're doing so it's having a second set of eyes for our property managers, making sure we're in constant communication with our lenders, and making sure that we're staying on track to the business plan.

I've implemented a Monday.com with our team and making sure that we can assign the task as well and the just implementing a lot of what I've learned in my corporate America, days into

multifamily syndications, you're staying on top of a weekly cadence or bi-weekly cadence for meetings. And here's what we need to make decisions on are, here's what can wait a couple of weeks, but here's what it's imperative at this time.

SR: You're 53 units. That's a good size, you definitely sounds like you guys are using third party property manager. It also is a little unwieldy. It's not quite big enough in some markets anyways, to have a full time leasing agent or full time maintenance person. How are you guys overcoming those hurdles?

BC: The property management company that we're using, they have a large footprint in the Georgia market. So they were able to like there's economies of scale for for the number of units that they have at that property and number of units and properties that they have in the surrounding area, they're able to share resources between the two.

And now that our deal in Newnan is stabilized, it's easier for somebody to reach out to the leasing agent or the maintenance manager set up a request through our property management, Team software. And then you'll know that on a Tuesday or Thursday, our team, our property management team will be there. It's something that we're overcoming. It's not necessarily ideal. That's why we are looking for larger deals, but it hasn't posed a problem at this point in time.

SR: It's definitely something that shouldn't be an obstacle. But it is something that I would encourage folks that are getting into syndication themselves, just know if you're going to be under 100 units, it's going to be a little bit more management intensive from an asset management perspective, because you're not necessarily going to have that day by day presence. In an office on-site. It just there's a few more moving pieces you have to account for.

BC: Right. And one of the things too, and I will say this, we have with the value adds that we're doing, we have more of a presence during the actual stabilization of the asset. So we have more, we had the office that I was mentioning earlier, they were using that as their main office.

And they were there three to four times a week to make sure everything was running smoothly at the property, as well as overseeing some of the construction that was going on there as well.

SR: We've dug into the nuts and bolts a little bit here, Brendan, but I'd be remiss if I didn't ask you why, why get into commercial real estate, and then tie that into your future goals in the industry.

BC: Sure, I just fell in love with commercial real estate over the past four years that I thought saw this as a channel that I can tap into, through the learning that I do the books through the podcasts or the coaching platform, I thought this would be a great opportunity to just try to create my own corporate ladder instead of trying to ascend it.

Another reason why too is time maximization, being able to balance. I have two boys, one, two and a half, the other is turning one tomorrow. And this is the 23rd of June. So happy birthday, Connor. But I want to be able to create generational wealth for my boys and being able to show them that you don't necessarily need the mantra of go to school, go to college, get your nine to five job, get the 401k. There's other ways to carve this out. So just really helping them carve a path in life, whatever they so choose to do, this will always be an opportunity for them. But I think that really captures my why and where I'm going is we're continuously looking in active. And in the southeast looking for new deals.

We're trying to find that that value add deal that meets our underwriting criteria to make it attractive for people to invest with us. And at this point, you know, we're making offers on it feels like 20 offers a week. That's what it feels like right now. But you need to keep on doing that to be able to find that needle in the haystack and making sure that you reduce people's downside risk. And there's enough meat on the bones for upside there as well. There's no unit count number that I want to get to. I think it's just being able to support, transition fully away from corporate America and just running my own syndication business.

SR: Well, in some cases, I can only take one deal, right? If it goes well enough, it sounds like you guys are well on your way with the ones you've been able to take down to this point.

BC: I hope living where I live, having two boys, I don't think one deal is gonna cut the cake. I think it's seven to 10 deals is the number I'm really looking for. First retire my wife and then allow myself to transition fully into this.

SR: Oh, that's fantastic. If you are giving advice to somebody who's getting started in syndication, I know you've invested in a lot of LP or as an LP in a lot of deals. And then if obviously doing your own deals now, what would you say is the first couple of steps that people should take if they're wanting to get active in this space, become an operator?

BC: To get active in the space, educate yourself, learn as much as possible. Be a sponge network with everybody that you possibly can. Find opportunities to go to, your local real estate meetup, listen to podcasts, just read books. If you don't have experience in commercial real estate, find a coach or a mentor who can take you under their wings to do so. See if there's opportunity to get onto a GP, even if it means taking as much or as little as equity as possible to learn. That's where you can show your value to the group in hopes that you can start doing more deals as well.

SR: Daily habit, Brendan, as we're getting to the end here, a daily habit that's contributed to your success, something that drives you forward.

BC: Daily habits, that's a good one. I write down my goals every single day. I started journaling this year and it's really allowed me to have that focus on what I want to achieve personally as well as professionally. So that's that's a big one for me.

SR: I found that as well that writing I mean, Hal Elrod, Miracle Morning, big on rewriting it out in as I've incorporated those aspects into my morning routine, there is something to actually physically writing it down. That makes a big difference.

Fantastic. Well Brendan, if folks want to reach out learn more about what you're doing and the markets that you're chasing deals, how can I get in touch with you?

BC: Sure, you can give me a call my number 978-835-9376. You can reach out to me via email at [Brendan@bkcholding](mailto:Brendan@bkcholding.com), that's B, as in Bravo, K as in Kelly, C is in Charlie holding without the S dot com.

SR: We'll put links to that in the show notes. Thank you, Brendan, for joining us today. Congrats on your success. Look forward to following you for more in the future. And thank you to our audience for joining us. This is your host Sam Rust, signing off.

[END OF INTERVIEW]

[OUTRO]

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