

EPISODE 1506

[INTRODUCTION]

Craig Berger (CB): Wall Street was a great experience. I learned so much. And, a lot of that I take forward with me to real estate. A few things, one, I wanted to make a change and do something new. Two, I really wanted to be entrepreneurial and work to build something more meaningful than working a desk job at somebody else's company.

Whitney Sewell (WS): This is your daily real estate syndication show. I'm your host, Whitney Sewell. We have a series of shows for you over the next few days that I know you are going to enjoy. You're going to learn a lot no matter what stage in this business you are in. Our guest today has come from many years on Wall Street, and he learned so much from there that he's going to share with us that's helped him in commercial real estate, but also he's going to talk about his transition into commercial real estate and how maybe he wishes he had done that a little differently. He's going to share that with you in case you are getting started. You're gonna want to hear that. He also talks about first hires compared to hires he just recently made and how he looked at those, how he afforded them, then we get into deal sourcing, and then we get into broker relationships, and how they're finding deals, and he goes into detail.

And then finally, we also talked about the economy, the market, what is he looking at? How is he finding this information was changed in his underwriting? I wish I had heard many of these things a long time ago, right? And I know that you're gonna learn a lot whether you're a passive investor or operator, you're gonna learn a lot from these next few days. His name is Craig Berger. He founded avid Realty partners in 2015. After spending over a decade on Wall Street as a multi-award-winning equity research analyst. The firm's portfolio has grown meaningfully in recent years and includes acquisitions of over 1,450 apartments, totaling more than \$210 million in acquisition value, and targeted growth market of our assets across the US, in addition to even a few hotels and Net Lease assets.

So Craig's done a number of different things in real estate, but they're growing quickly, as you are going to hear he provided some great insight through this series. I hope you'll stick around for all three days if you're involved in this business in any way, and you're gonna learn a lot.

[INTERVIEW]

WS: Craig, welcome to the show, I'm honored to have you on and get to know you a little better. I know we have crossed paths numerous times at different events. And it's been neat to hear more about your business. And so, I'm looking forward to doing the series with you so listeners can learn more about you as well learn from you.

But first Craig, tell us a little bit about you, maybe what kind of business you're in, what you're doing. And then let's talk about how you got or what was before real estate.

CB: Awesome. Whitney, thanks so much for having me on. I really appreciate it. And you've done so many podcasts so honored to spend some time with you. In terms of who I am, well, I grew up in St. Louis, Missouri. I spent 12 years on Wall Street as an equities analyst, writing research and providing advice. That was fun. And I guess after you do things long enough, you know, sometimes you want to make a change. Also, today, I'm a multifamily guy. We've acquired about 2000 units, and we've sold off a chunk of those units. And we're intently focused on growing the platform, hiring, scaling, and trying to make lemonade in 2023.

WS: Awesome. Yeah, that's great, hiring, scaling. Listeners always want to know about those things. 12 years on Wall Street. Wow. And then making a switch to commercial real estate, specifically multifamily. What caused you to switch? We're talking about switching from Wall Street, being so focused on Wall Street, right? I mean, a career there for 12 years. And then I mean, just complete, pivot to commercial real estate. Tell us about that.

CB: Good question. You know, sometimes when you do something, you just get super focused, and you get like tunnel vision, and you can't see anything else that's really going on. And you know, and you work 14 hours a day trying to be successful, you can get caught up in

that book. Wall Street was a great experience, I learned so much. And a lot of that I take forward with me to real estate.

But you know, a few things, one, I wanted to make a change and do something new. Two, I really wanted to be entrepreneurial and work to build something meaningful, something more meaningful than working a desk job at somebody else's company. Not that there's anything wrong with that either. Three, the business that I was on Wall Street was changing and morphing and shrinking and sort of going away becoming less important. And four, I really wanted to take control of my life, my future, and my destiny, and as part of that, do something where I wouldn't be replaced by a computer.

WS: Love that's forward thinking.

CB: That were just a few of my thoughts. But it's been an incredible journey. You know, filled with a lot of challenges. And had I known then what I know now, I don't know, I might have gone a different route.

WS: So it's been that bad. I've been in multifamily if hadn't been the, you know, the change that you were looking for the meaningful part maybe or how about that?

CB: It's actually great. I'm just thinking back on this journey. It's been tremendous. I'd say, I didn't make my transition well, I didn't do it the right way. And I think you know, maybe going to work for a large firm with established procedures and processes and market presence would have been helpful. You know, after spending almost 20 years working for other people. I didn't want to do it that way anymore.

WS: So what would you tell somebody listening right now, even in those shoes, say they'd been doing this career, 10, 12 years, and they're going to jump into commercial real estate? Sounds like you've had some thought about how you made that transition. You say you didn't do it the right way, what would you tell them?

CB: Well, I guess I'd say find a community of like-minded people to join. There are a lot of different mastermind groups out there, there are a lot of different communities out there that are a mix of education and plus co-sponsorship and bring you up in a community with support and resources. I'd say definitely pursue that. I'd say get as smart and as educated as you can, while you have a desk job, while you're making a salary, you know, hold on to that paycheck, and make as much progress and get as smart as possible. While you're doing that maybe you don't work 10 or 12 hours for your company anymore. Maybe you're only working six hours a day and getting by and spending four, six hours a day on some of your own activities. I don't know if it's ethical to say that or not.

But you know, I mean, there's a risk management benefit to getting a paycheck. And that's just reality. Third, if you do decide you're ready to make a change, going to work for a larger, more established company, I think is helpful to getting experience, sort of achieving personal and professional credentials in the space, and so on. So just a few thoughts on that.

WS: Yeah, no, that's incredible advice, you talked about at the transition, you know, maybe lessening your hours at your day job so you can work a little more hours. Sometimes there are your supervisor may even be okay with you cutting back some hours. Right, you know, especially maybe they think they're going into a recession, they may be looking for people to do that. Right? So it may be a great time to think about that.

CB: Absolutely. Look, I don't really support the quiet quitting thing. I know, during Covidome people, especially in tech, engineers or coders might have two or three jobs. But you know, as someone who worked 14 hours a day for other people's companies for 15 years, maybe work a little less and spend a little time on yourself.

WS: Yeah, incredible, no doubt. You know, with your experience and desire to do something meaningful, taking this transition, pivoting this way, you could have gotten a lot of different routes, started different kinds of businesses, or even something your own business in that same line of work, potentially. So why commercial real estate?

CB: Well, I did try a few different things and explored various avenues. What I eventually got to was that, you know, even if you just do fix and flip homes on a small scale, you can create and build a path forward for yourself. I ultimately felt like real estate was something that I could do on my own, where I had a 50-50 chance of survival. And those odds were better than starting my own tech startup or better than, you know, some of the other things that I might do on my own.

I did consider going to work for a hedge fund, but ultimately, you know, passed on that. I wanted to try it, have some different experiences, and get some different skill sets, but that's a good career path forward for people that were in my position previously. And, you know, it's just, that's life, right? You make choices and take different paths forward, and you know, give it a go. But ultimately, I was just really looking to hopefully survive. And like I said, build something meaningful, which, you know, takes time.

WS: What about some lessons or takeaways from your previous job that we were able to move into real estate? And how did that help you?

CB: Wow, being on Wall Street, I think has been incredibly helpful for me as I work to build a real estate business. So you know, a few things. One, I had the good fortune of living and breathing the stock market and the economic cycles, right? Everything is a cycle, even though this cycle was a monster upcycle from 2009, all the way to 2022. Maybe we'll even have a soft landing here.

Really keeping in mind that everything is a cycle is super important, reading those tea leaves. Let's see, I had the opportunity to study formal risk management from traders and institutional investors and had the opportunity to spend a lot of time with Fortune 500, C-level executives when we were out co-marketing our hedge fund and mutual fund. You know, my clients, their investors slash bosses. And these are just sort of, you know, things that you pick up over a decade plus of being on the street obviously, got to do a lot of deep dive analyses and ultimately developed sort of institutional mindset. So if I was just starting out fixing and flipping at 23 years old, I wouldn't have the same institutional mindset, checks and balances, process

and process control type of thoughts that I've had after spending 12 years at various banks, big banks, little banks, and so on.

WS: Yeah, no doubt, some great experience, I think that you learn that you can move forward into commercial real estate. And, you know, there are many other avenues that you could have taken that probably wouldn't have helped you as much. But I think you're probably grateful to have some of that. Now, I wanted to get into your thoughts about the economy. And some of that especially through this series, at some point.

You mentioned earlier, you know, you're hiring, scaling, you're growing, pushing that, you know, really hard. Speak to your first couple hires, I get that question often like "Whitney, who is your first hire? Why did you hire that position?" And maybe thinking through the order of hires. Speak to maybe a little bit about your hiring process. We don't have time to go into maybe depth about hiring, but I'd love to know, who's your first hire? Because I get that question all the time. And maybe how did you find some of your best people?

CB: Perfect. Let's see my first hires, I really hired on Upwork.com because my resources were limited. I had to stretch my limited resources as far as possible. Most of my money was in my deals, does that ever really change? I'm not sure. You know, my first hire was someone who could help with admin and paperwork stuff. Someone who could underwrite deals and opportunities for me and help with any and all tasks that I needed. Importantly, someone who's really trustworthy, ethical, honest, and there to support me and whatever, whatever it is, we're doing any tasks that's required sort of a jack of all trades with the ability to learn the analytical side of the business from me, and that was sort of my first hire.

And, you know, you do have to sort of define the superstar. You've got to really, you know, have multiple encounters and work through some folks that aren't superstars. And it's just the reality of that process.

WS: I appreciate you being real about that, you'll be able to say, "I don't want to go through the trouble because it probably won't work out and then I'm tiresome." I'm like, "well, the faster

you get started, the faster you'll find that person," because they probably won't be the first person you hire. I appreciate you're just the reality to everyone, "Hey, I used Upwork."

I also used UpWork a lot to get so many things done that I didn't have time to do. I was also working full-time. Well, it seemed like I was working another full-time, second full-time job trying to get a real estate business started and had to have some help. Right? And so you said, you know, the admin, paperwork, but then you also mentioned like underwriting deals, was that the same person? Could you find somebody that kind of had some of those skills that did both of those things for you?

CB: Yeah, so I mean, there are so many talented people on Upwork and there are millions of people on the platform. You've obviously got, you know, more expensively priced, domestic US-based folks. You've got, you know, less expensively priced international folks. I sort of, you know, I did hire some task-based people in the Philippines. Virtual assistant types of folks to help with this task or that task.

But, you know, really first hire was someone who's full-time, shoulder to shoulder in the trenches with me understood the potential upside whether they were in another country or not. And so yeah, I did find someone to underwrite deals and do all of that. I train that person, a person's with me for two or three years, then I sort of, you know, hired a replacement person for that role. And, you know, three years later that person is still with me and a critical part of the team. But it's, like I said, you're gonna, you're gonna try different things.

Obviously, you've got task-based engagements and then you've got that sort of full-time, 10, 12 hours a day, it's shoulder to shoulder in the trenches person and like I've traded that person who's with me now is helps me with deal closings, which is you know, huge and heavy lift, underwriting deals, loan compliance, taxes, compliance, property tax, paperwork, it's just a never-ending barrage of admin tasks and whatnot when you own deals, so can't live without that person at this point.

WS: I can completely relate to that. What about you know, now as you continue to scale I mean, 2,000 units now, obviously, you've had some traction. You've all done a lot of deals. What's the I guess the motor behind the scaling now, you know, what's pushing you all? What's driving the, you know, you all to grow?

CB: Well, we exited three deals in early 2022.

WS: Congratulations.

CB: Thank you. It's been a long road and also you have to know when to sell, sell high, buy low, sell high. Prices were really high and you know, the second half of 21 and early 22. And we, not by mistake, but we tried to sell as much as we could at high prices. So with that we had more corporate resources to invest and we had more track record to go out and build a business around.

So, I think of hires as sort of what tier of hire right? Is it really a C-level executive? Is it a mid-level executive? Is it more of a junior analyst type of hire. So, you know, low, medium, high. Lately, we've hired a president, we've hired a Chief Operating Officer, and we've hired a Chief Financial Officer. And, you know, those are three senior positions, I'm all in on this business. The reason that we're hiring seasoned professionals with significant prior real estate experience with REITs, or with GE Capital or with other large operating partners, large operating competitors, is because we want to go out and raise institutional capital.

And institutions want to invest in organizations that have personnel, infrastructure, redundancy, risk management, folks that have done it before, folks that have raised meaningful capital before or run 10,000 unit operations. And so that's really our goal. Our goal is to hire the best people we can at this point in time, leverage our track record and go out and raise meaningful amounts of institutional and high-net-worth capital because I think the next 12 to 15 months is going to present some really unique opportunities in the marketplace. And we want to be positioned to pounce on those.

WS: I love that. That's a great place to end this segment because I want the listeners know the next segment, we're going to talk about deal sourcing. And I'm gonna twist Craig's arm to tell us a little more about what he's expecting over the next 12 months. Thank you so much. I look forward to our discussion tomorrow.

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

CB: Whitney, thanks so much for having me. If anyone wants to get in touch with me they can find me by email at craig@avidrealtypartners.com. Reach out anytime.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being with us again today, I hope that you have learned a lot from the show. Don't forget to like and subscribe. I hope you're telling your friends about The Real Estate Syndication Show and how they can also build wealth in real estate. You can also go to LifeBridgeCapital.com and start investing today.

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