

EPISODE 1509

Christian Osgood (CO): You do not have to ask for sales if everyone in your market likes you knows who you are and that's why it's significantly important. And that's the whole business model and that is all we do.

Sam Ross (SR): Welcome to another episode of The Real Estate Syndication Show. I'm your host Sam Ross. Joining me today is Christian Osgood, co-founder of Multifamily Strategy, Christian has been investing for several years in multifamily real estate, has over 100 units without syndicating and without using a lot of his own cash.

We're gonna get into a lot of owner financing and creative financing structures and various other aspects of running a decent-sized multifamily portfolio. Christian, welcome to the show. Thanks for joining us today.

CO: Well, thank you very much for having me.

SR: Fantastic. So you're based in Washington. I'm curious, are you guys investing primarily in the Pacific Northwest?

CO: So actually, the vast majority of our portfolio is in Central Washington. I have seven units in Seattle. Cody, and I just bought a resort and the adjacent property on the Hood Canal, which is on the coast, and the rest of our portfolios in Moses, Lake Washington, Grant County.

SR: Okay.

CO: So all in state, but kind of all over the state in two separate markets.

SR: So I'm really curious about the resort property. You've mentioned that as we were getting started. Give us the story on that, because nothing that I love more. It's a good story around real estate, a resort property, and it's a little bit different. Is it Airbnb? How did you guys find it? Let's get in and do a case study here.

CO: Yeah, absolutely. So I'm gonna preface this with a couple of quick things. I'm not a big fan of people changing around their business model. Stick with what you're good at. So we bought 100 multifamily units. We went to a resort that is a change of model. I usually tell people not to do that. So I want to preface with exactly why we don't --

SR: Do as you say, not as you do. Is that what you're trying to tell our audience? Christian?

CO: No, do exactly as I do. But there's a reason that we did it this way.

SR: All right. Preface accepted.

CO: Yes. The original goal that Cody and I set between the two of us was in the next two years, is it possible for the two of us to buy a hundred units together? We just had this crazy goal, we're on a trip in Florida that's where I met Cody. And we're like, "Okay, let's try to do that."

Well, we did it in one year. And the way that we did this is every time we do something, we meet someone at the next level, who's done what we want to do. So say on a duplex, I talked to some of the 12 Plex, "how did you get to where you're at?" And once you get to 100 units, that was the original goal.

I built a team that had a lot of Airbnb experience through the process. And we went to a resort owner and this is how this deal came together -- tying it in. The deal came up from a friend Dion McNeeley for Dion Talk. He's on a YouTube channel. He was looking at this deal, it was too active for him. And he's like, "You guys should check out this resort."

And I'm like, well, we don't really do resorts. But I would like to learn so we called the owner and said, "Hey, I want to check out your resort because I want to see what it looks like to run a resort." And we spent a few days down there. And Cody liked it so much that he moved in for a month just to learn how to run a resort and that was all during the negotiation.

SR: That is one way to go.

CO: Yep, that was all pre-close. We were talking about it. I love this property and it felt like the appropriate next step for our team in real estate. We hit our original goal first. We have a base of renters paying; its cash flow on long-term leases, like annual rental leases. That was a place where I was comfortable taking the next step in our business. Which brings us to the resort.

Resort deal was a seller finance, like everything in the portfolio was \$4.5-million purchase, 20 cabins on the water. If you're watching and you're not familiar with the Hood Canal, so one of Forbes' most beautiful places in the United States, Union Washington. Right now the orcas are running through the canal; some are swimming up our creek that runs through the resort. It is a super cool, unique asset in a gorgeous place.

The opportunity on this one is adding systems. The owners have owned that for a long time, the prior owners, and they lived on site full time, and they had no debt. So they didn't have to push every business revenue piece. They didn't have to optimize everything. Because they already had a model that worked well enough for them. And they were doing just fine for us coming in and actually having debt we had to take it to the next level. And that's the process that we're at now.

SR: Fantastic. How did it go negotiating that project? Because it's a small resort, it's very boutique. There's the Airbnb, it's very heavy on operations. You know, this owner sounds like they really loved the property. If I had to guess reading between the lines, it was kind of their pride and joy. They don't want to just sell to anybody they want to sell to somebody who's going

to kind of take it to that next level. So there's an emotional component that maybe you don't see in some traditional multifamily deals. Walk us through how you guys navigated all of that.

CO: Well, negotiations were kind of fun. The prior owner has done some serious business leadership. I don't know how much he wants me to share, but I'll say he's done very, very well in the medical space, very well in multiple industries. So he knows how to run a business. He knows how to negotiate. So we went through, remember our first conversation when it finally got down to, "Well, what do you guys want to do?", and it's like, "Well, I'm in."

It's like, "So, how are we closing this? You guys bring a checkbook:" And that's where we got to start laughing because we got to share a little bit more of our story of how we started in multifamily without any money. And it's all storytelling. If you're building relationships, you just connect over this is where I've been, where I'm at, where I'm trying to go. And lastly, why it's significant. But we just shared our story of how we got to the hundred units, where we're at and we shared maybe unwisely.

Well, we're looking at another deal in Central Washington right now where it's a million-dollar raise. And that's, that's where we're comfortable in what we can raise. So of course, they went out, well, a million dollars down sounds ideal. We should have said we were raising 450. But that's the first number thrown our way.

They helped us structure a rather complex contract. It's a combination of seller financing and contract for deeds on the multiple parcels. But we put together a master structure to take it out. I think, if I remember correctly, Cody's here, he's our numbers guy, but four and a half percent interest, million dollars down, seller-financed, eight-year note and day one, it is very cash flow heavy, which is good because it's an active project. You expect a very active resort where you have more inputs. The income does need to be higher than traditional multifamily.

SR: Yeah. And are you guys going to run that with full-time staff, dedicated part of your property management team? What's the strategy moving forward?

CO: Yeah, so there were seven on site employees. We actually own a hill behind the resort that has a bunch of mobiles. And so we have a group of people who actually get a rent credit to live on site, in addition to their hourly pay. And we hired them into our existing property management company, which was way easier for me than figuring out multiple payrolls.

I just brought them onto an existing setup system and said, "Okay, put you guys in here. And let's run the resort." It is not easy integrating seven new employees, when you haven't done that type of acquisition before where you inherit a bunch of other people's employees.

I am very, very grateful for the team we have there. We have excellent people, and they help us when we don't know what we're doing.

SR: You mentioned pulling in at seven employees, your property management company, you mentioned earlier, maybe 15 employees. That's some major assimilation. What kind of culture are you trying to drive at your property management team? And I love that you guys are vertically integrated.

But there's some challenges that come with that, and then you're adding on this resort component. You're bringing in a whole swath of employees all at once. How has that gone? And what are your goals? Where are you going with the property management company, specifically from a culture direction?

CO: Yeah. Oh, wow. That's a great question. I get a lot on the business side, not as much on the culture. The biggest thing with the culture is that I do not like to be micromanaged. I don't like to micromanage. I want a culture where people can work hard at their job, and we give them all the tools they need to be self-reliant. I like doing team meetings, I do not like babysitting. And whenever we bring on anything new, there's always drama. This is easy until you add people. That's just true across the board.

That's true for raising capital. It's true for buying real estate, it's true for employing people, people are complicated. The culture that we want to create is, we want to be fun, we want to be absolutely service-minded, because it's property management, and it's resort management. We're in the hospitality industry.

So service comes first but internally, I just want people to have a clear path to reach their goals without having to be babysat. And that has proven to be very, very difficult to do.

SR: I was gonna say it sounds amazing. I mean, I think most small business owners, we want to create a culture in our business of ownership and pushing responsibility down to the lowest level. And we're thinking with our entrepreneur brain, which is always trying to optimize and dreaming big and seeing opportunities.

And then you deal with employees that often, and I don't mean this in a demeaning way, but they just want to paycheck, they want good steady employment. They're not necessarily looking to advance; they're comfortable with where they are and figuring out how to communicate that responsibility down in an effective manner can be challenging. That's where the rubber really meets the road.

CO: And it's really getting an understanding of what is the objective of a person who would take this role? Like for the resort, the Hood Canal is about an hour and a half south of Seattle. It's a drive to get there for most places. It's a little bit remote. That's the charm of it. It's on the water, it's in the forest, it's an escape. They all have hot tubs. They're beautiful historic cabins built in 1934. Like you go there to get away.

The type of person who wants to live there and work there isn't trying to get a new promotion at work. They want to live in a beautiful place. And that resort is also their home. You have to keep

that in mind as you're managing people, what are their objectives? Who wants to do what I know we have a few people on the team who just want to work the required hours, and then they want to just enjoy the area and that is totally fine. I have other people who really want to take on more responsibilities and want to work a little bit more.

A big piece of personnel management is just mapping out just like we would for any other relationship, who's on our team, what are their goals? And ultimately, what do they want the role to look like? And we try to line things up the best they can. You can't be perfect, but it's not easy when you're a seven-person team to add another seven people.

SR: Do you have a GM for your property management company? Or do you and your partner run that yourselves?

CO: So I've partnered with Cody Davis, I think he is the single best buyer of real estate alive. He's a freak of nature, you're gonna need to have him on, he got distracted today with a project that we need him on. But he's amazing. Personnel Management is not his main thing. I've done a lot more hiring and unfortunately a heck of a lot more firing. And so I have a little bit more experience in the personnel HR side of our business. Cody is really good at keeping those owner relationships and deals flowing.

So while Cody's the visionary, I do a lot of the integration, which means managing the people, the one other person we have is critical. Her name's Hannah. She's our director of property management. So everything flows through her for property management.

And that is a lifesaver. She is phenomenal at both short-term and long-term rentals. Gotta pick her up after she just finished managing a 300-unit building on-site. And then she worked for a smaller firm where they managed a massive portfolio of duplex, triplex, four-plex units. And that was their whole model. So she's done units spread out everywhere. She's done big buildings all at once. She's been very successful on Airbnb.

And so picking her up was a game changer for us and getting the right person in the driver's seat of that company. That makes all the difference. And that opened up Cody and I to actually go buy real estate, negotiate deals, and do the day-to-day that we have to do

SR: I want to go back to something that you said earlier, the importance of storytelling. As humans, I believe that we were created to communicate through a story that just resonates with people. That's how we remember things.

You think of oral traditions from times long ago. That's how things and principles were handed down from generation to generation. It's a very effective tool for connecting with people. How have you guys leveraged that inside of your business?

CO: So that's the only thing we've ever done. I have never asked someone to sell a piece of real estate before. I've never asked for a sell. The biggest mindset shift, I think between Cody

and I, and what a majority of other people are doing, I never think of an owner of real estate as a seller. They're all owners of real estate, I have something to learn from each of them. We're all players in the same game.

When we reach out, it is solely, "Hey, it's Christian. This is why I'm calling and it's not some stupid reason." Like I want to buy your stuff. But I'm gonna use a hypothetical example to illustrate this. I own a duplex. This is when I got started. This is how I learned to do this. I bought the duplex down the street from you, you have this 12-plex. I have never bought one. Their usual response is, "Well, I'm not selling." Because everyone thinks of them as a seller.

"Well, awesome. I just spent all my money on a duplex, I have no idea how I buy it. It's actually why I was calling, you've done something I've never done. I want to scale up to this because I'm trying to retire my wife. Now I have some significance here. I have been doing this one duplex at a time, I'm realizing it's going to take me 20 years, I don't want to do that. I need to figure out how to play bigger, we live on the same street. I want to know the owners out here and I'm in town working on my duplex. How did you get started?"

They share a little bit, you book a meeting, and now you have a story going but that is how you build relationships. And that's how you avoid getting hung up on and the coffee meeting is going to be an expansion of that meeting. But all Cody I do is go there's someone in this market who owns a property we don't, which means they know something about this market that we don't. I only go to learn.

And if you meet one, maybe two owners a week, and that's all you do, you're gonna meet 50 to 100 other players in your market where you've shared your story and they've shared theirs. You do not have to ask for sales. If everyone in your market likes you, knows who you are, and that's why it's significantly important. And that's the whole business model. That is all we do.

SR: That's fantastic. You speak about significance and you alluded to retiring your wife, what is the significance that you and Cody are chasing. What's at the end of the rainbow for you guys?

CO: I love that. So we have an original goal and we both reached our original goal. So the fun thing with goals is you reach them then you set new goals. My original one -- my wife works for the school district here in the greater Seattle area and did a short there for five years. And I am not political on podcasts. Just Seattle school district is unique. They don't align politically; COVID did not help any of that. It got a little bit weird. There's a bullying culture throughout a lot of the leadership in the district.

And so a major goal is okay, my wife started and she loved her job and her jobs evolved into something that she hates. How do we get her in a position where she can thrive doing what she wants to do instead of what she has to do for money? He and I, that's where a lot of people are. I think that goal resonates with a lot of people because I think there's a lot of people who do a job because they have to not because they want to.

And so that was all I was focused on is I want to provide for my family. I want to own my time. But more importantly, I want my wife to own hers, because I think she deserves it. And so we've communicated that to a lot of people. And you know, when I was starting, and that was the original goal. Well she's retired, and now she works in our company, and she is indispensable and she's fantastic.

Cody's original goal is to retire his mom, he has set up the finances for that. They're just looking for the house that he's going to buy her. He is all set up. He has reached the ability to hit the goal. They're just shopping to finalize that. Once we're done with that, well, now we have a new set of goals.

And the big thing for Cody and I awhile back, Cody Matt did a quick little one on one with Grant Cardone, I imagine a few people know who he is on a syndication channel, he does a good deal of that. But he looked at the business model, and he's like, "What you've done is really cool," especially because Cody was 20 at the time, and you have 30 units at 20. "What you've done is really cool, what you're gonna have a problem with is scaling this."

And for Cody and I, like well challenge accepted, which is where we started picking up the 100 units and the resorts and we're looking at a few 100-plus unit opportunities where we don't need to start a fund, we're gonna do low down seller-financed deals on large, large assets in core markets. We're looking at a couple right now, while we're also expanding the seller finance resort game.

Turns out resorts trade a little slower, people hold them a little longer. And you find a lot of these hospitality properties have low debt and people willing to play bank. So we're looking at those two avenues and let's expand in multifamily. Let's keep going bigger because I wanna show everyone what is possible without using banks and without doing any mainstream methods, just solely relationships and seller financing.

SR: So you talked about the 100-unit goal, retiring your wife, retiring Cody's Mom, what's the next set of goals for you guys?

CO: Oh, the next immediate sets, we did build the year, which was actually 15 months, but we set aside a time for let's just build. A lot of people play defense for the play offense. And that doesn't make sense to me. Score and then add structure, which is our goal right now.

We're pushing for stability. I like notes longer than five years. I want to take some more five-year notes and convert them into 10-year notes, which is either a seller-refinanced or bank-refinanced. We're doing a whole bunch of work with accounting and tax strategy, I want to get that nailed down. And I really want to build out the leadership within our 15-person team.

We're grooming a few people. I'm bringing on another employee here in January to help us be boots on the ground in Central Washington, very excited for them to join the team. But our next goal is stability. So we own our time again.

I sold 100% of my time to reach our goal. And so I want to recapture that, add systems, get the business on a pseudo-autopilot so that we have the capacity to go expand. After that, Cody and I haven't closed on any building over 50 units. We want to do that. So we'll probably do that sometime next year.

SR: Yeah, that's awesome. I think there's always that push-pull, like you said, score, then build systems, some people build systems and then try to score either way will work. But it's a similar story to Life Bridge Capital, we focused on getting some deals under our belt, and then fleshing out the team around those, building those systems and processes.

Once you've got properties that actually require them. I commend you for getting after it and building a decent portfolio and really pushing the boundaries of what a lot of people think is possible in the seller financing world.

CO: Yeah, well, and you said the key word there, "when you've built the portfolio." I get a lot of people go, "What am I going to do for legal? And do I need to be in an LLC?" And all that you know, the newbie questions of how do we get started? And what happens? It's like, well, you don't have any of those problems if you don't own any real estate.

If you want to be a real estate investor, the fastest way to do that is to invest in real estate. It's not to become a broker. It's not to build out your property management team and your legal team and your bank team. And it's not to raise capital, it's go find the deal. And from the deal, you only have two questions, at least we only underwrite on two questions: How do we buy it? And how do we never lose it? If you're gonna answer those two things, how do you buy it is the structure of the deal. Is it a purchasable thing?

Now is the way you buy it the way that you're never going to lose it. And the answer to that is always long-term fixed rate debt, ideally non-recourse, which a lot of seller financing is ideally. But that's all we do. If I can find it a market, I want to own a property that I can cash flow from day one, and I know that I can hold it forever without ever having to sell every deal you buy, you have more income.

You now have more capacity to buy new deals. You can't do that if you don't buy your first deal. So if you're watching this, if you haven't bought your first deal, go buy your first deal and then figure out the defense on how you defend it because if you don't build it first, there's nothing to defend.

SR: Yeah, zero to one is the hardest. So I'm curious. Somebody gives you a billboard for 30 days on I5, what's the message that you would put on that billboard? What would you want the world to know? What are you most passionate about?

CO: Wow, just go do epic stuff. That's off the cuff, but if there's one thing I want people to do is most people set boring goals. I'm not trying to like rag on everyone. And just like sometimes

people share their goals, and "I'm like, wow, that's small and attainable." I mean, this was hard to get from A to B, But Cody and I took one year. We've been partnered for, I think, 13-14 months. We've built an education company that has hundreds upon hundreds of salespeople have gone through some of our courses, or even better people have gone through our mentorship group and actually bought seller-financed real estate.

Our YouTube channel is still super small but, in the year, we're approaching 10,000 subs. I appreciate that, that's a cool thing to do. We have a property management team of 15 employees and really significant real estate holdings and relationships. That's one year of really hard work. I mean, if we can do that, I'm not that smart.

So I just feel like there's a lot of people who are way smarter than me who can figure out how to do way more epic stuff.

SR: What's an epic goal that you have for the next 12 months personally?

CO: For the next 12 months...

SR: Is there an experience that you want to get out and conquer, something like non-real estate related? We talked a lot about real estate goals. But...

CO: That's so hard. I share this from time to time, I am a competitive board game player. And I get obsessed with games. Real Estate plays a lot like a board game. And as you get to know more rules and more strategies, you just get to get further, I am fairly obsessed. I don't spend a lot of goals outside of real estate because I only do real estate, I do a lot of travel for speaking.

I don't do a lot of travel to travel. I have told my wife last year, let's hit Europe. And then right when we scheduled the Europe trip, we bought a resort and the resort is very hands-on for the first few months. And so we're like okay, well, let's cancel Europe.

My goal is to not cancel Europe for the next year, I just want to add enough systems where my company can run for three weeks without any input from me whatsoever. And I will hop over to Europe and my wife and I will do what we said we will always do and tour that country and then I'll pop on back and I'll get back to work.

But I think that to me as someone who's just obsessed with real estate actually taking a break and getting systems in place to where my business runs without my input, that would be an astronomical feat given the speed that we build the business.

SR: Well, here's to seeing you get to Europe. I have to ask as another board game aficionado top board game that you really enjoy? You find is well-balanced and relevant. Yeah, what's a favorite?

CO: Oh, that's funny. Um, I cycle through games and I usually get caught on one I play like the classic Warhammer. So when I'm talking like nerdy strategy games, I'm talking like bring out the ruler and move your units, paint your guys sort of stuff. I really enjoyed the game Star Wars X-Wing. That was a really fun one. Fly airships around, shoot people down. I don't know why Star Wars is the theme.

I've been playing Star Wars: Outer Rim with my wife, which is be a bounty hunter, fly through the galaxy. And it's a very long three-hour strategy game. It was more, more game than Cody wanted to play. Fortunately, because like this is longer than monopoly. It's like, yes. Those are a few games that I've really enjoyed lately.

SR: That's fantastic.

CO: How about yourself? What do you, what is your idea of a good... I don't know that any of those are well balanced. They're just fun. What's a good well-balanced game for you that you enjoy?

SR: A game that I've played here recently that I really enjoyed is called Moonrakers kind of combines elements of Settlers of Catan and Dominion, if you're familiar, so both some communal aspects and some deck-building aspects of kind of a fun crossover game that I really liked the mechanics.

CO: So one of my best friends Law just told me I needed to play that game so I will tell Law that we have a plus one for that vote.

SR: It's awesome. Well, we could be here all day talking about board games nerding out on real estate but Christian really appreciate you joining the show. If folks wanna learn more about what you're doing, wanna track your progress where can they find you?

CO: Well, we share everything for free on our channel is Cody and Christian Multifamily Strategy. If you haven't seen Cody's podcast, he's the most watched podcast on BiggerPockets of all time by astronomical margin. So Google Cody Davis, not the football player, throw real estate after the name, easy way to find him. If you want to message me or ask me a question, Instagram at Christian Osgood.

SR: Fantastic. Well again, thank you for joining. Thank you to our listeners for joining us on another episode of The Real Estate Syndication Show. I'm your host Sam Ross signing off.

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