Episode 1583

[INTRODUCTION]

Mike Roeder (MR): We have a lot of passive investors that come with us deal after deal after deal. And I think, you know, the ones that are really seeing success out of their investments are sticking in money with people that they know, like and trust. You know, people that they vetted. And I think the easiest way that you can vet a sponsorship team is by getting a referral from someone that you know. So someone that you know, that's had success with the team that knows that they have great communication, they do what they say they're going to do. You know, they're not going to have issues with the team that they're putting together. I think that's one of the most important pieces that some of our really successful passive investors are focusing on.

[INTERVIEW]

Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell, our guest today is Mike Roeder transition from single family investments to multifamily in 2015, today's a general partner and over 2,200 units and over 320 million and assets under management he's also the co-founder of granite towers equity group, a real estate private equity firm. He also is the co-host “Keeping It Real Estate Show” and co-author of the book "Four Steps to Successful Passive Investing". Mike and I go through many things today about passive investing a lot of things some things as an operator as well, it's gonna help, no matter if you're an active investor or whether you're passive you're gonna learn a lot that is focused more on passive, the passive investor today.

WS: And think some questions really basic questions, but I just feel like I mentioned this in the show that oftentimes passives are not asking these questions to me early on, and passively investing I was not asking some of these questions as well. And you just don't know what you don't know sometimes right to ask and Mike even share this as you get excited about investing you learned about this thing, you want to just jump in and you know, then a year or two later, you're wishing you had known about these questions you're going to hear today. Today, we have a returning guest it's been a couple years, though, so much has happened in that amount of time in their business. It's been great to catch up a few minutes before we started recording. But today, I mean, raising over $100 million for real estate and multifamily deals, but also helping so many passive investors. And I know we're gonna learn a lot from Mike today. Welcome back to the show, Mike.

MR: Thanks so much for having me on. Again, Whitney. I appreciate it.

WS: You know, honored to have you on and just to see you and your team's success over the last couple of years. It's incredible. I've loved watching that happen, right for a number of people in our space. And, man, it's such a learning process, right? You know, as we grow, and as we build teams, and as we do deals and wow. And I we're gonna get into some of that. I want the listeners to learn a little more about you, many of them may not have heard, obviously, you on the show before it's been at least a couple of years, maybe longer. But who is Mike? Tell us a little bit about your business, your all's focus in real estate. And then let's jump into some stuff today that's going to help passive and active people in this business.

MR: That sounds like a plan. So I started my real estate career back in 2009 in the single family space, and it fell into my lap, we house hacked our first house, my girlfriend, which she's now been my wife for 13 years, we bought a four bedroom house near campus rented out three of the four bedrooms, you know, and kind of fell in love with the passive income. Over the next six years, we accumulated a couple more single families. So we had three single family rentals total. And you know, I remember commuting into work at about an hour and a half commute to downtown Minneapolis. Hour and a half back, I was kind of working some odd hours. And we had our first daughter. And I just remember that feeling of not having time flexibility, not having barely any passive income. And at that moment, I decided that, hey, I'm gonna buy 100 Single Family rentals. I don't know how I'm gonna do this. But that's the goal.

MR: So that way I can build up my passive income, increase time flexibility, you know, be financially free. And so that's kind of where it all started. And, you know, again, it took me a long time to accumulate those, those few single-family rentals. And at that same period in time, my business partner, my now business partner was buying multifamily properties. So he was buying, he had bought a duplex and a nine unit and a 24 unit and a 20 unit. And we had been chatting and he's like Mike, you know, why? Why don't we go in this together, put two minds, you know, together cooler funds, buy something a little bit thicker, bigger scale our business and so that's exactly what we did. We bought a 20 unit together. We bought an eight unit together. This is all while I had that corporate insurance job. You know, and was still working 40 to 50 hours a week. And you know, we really fell in love with multifamily. And fast forward, you know, about six years, you know, we have about 2500 units under our portfolio down in Dallas Fort Worth and in Nashville. And that came with time but again, you know, it all came from just and to changing that mindset into doing everything by myself to, you know, bringing on partners and bringing on management companies and people that allowed us to really scale our business.

WS: Yeah. Wow. That's incredible. Yeah. After you all partnered, really give us a couple of the next steps that really helped you all to scale like you have, I mean, 100 billion in capital raised all this. I mean, that's, that's a big number, right? Speak to a couple of the strategic things that you would say, hey, these are like the most important two, three steps that we took.

MR: Yep. So one of the main steps was hiring a mentor. You know, we went down to Dallas Fort Worth, we had explored multiple different mentorships. And we joined up actually with the summer rock team down in DFW, and so they've really been instrumental in how quickly we were able to grow in the business, it just allowed us to focus on the right markets, build out the right team, be able to analyze the deal properly, and then also alleviate, you know, probably hundreds or 1000s of mistakes. You know, I think back to when we bought our first multifamily property was a 20-unit apartment complex. And, you know, we held that property for about six years, and we pretty much broke even on it.

MR: And it was in, you know, one of the best times when you can buy multifamily properties. So values were going up. And the reason that happened, why we didn't make a significant amount of money is because we bought in the wrong market. We bought in our hometown, it's what we knew, but there wasn't growth there. That tenant base was really tied to the enrollment at the college and the college went downhill. So you didn't have, you know, a really diverse tenant base. And so we learned a lot, you know, by buying that first property and then getting educated by a mentor. So that was, number one, the biggest thing that allowed us to scale, we've also brought on team members as we went and that's, you know, really, really helped us because once you get to a certain point, you can't do everything yourself. So you have to bring on team members, whether that's in house employees, or if you're hiring a great third party property management team or a CPA or legal team, that'll help significantly as well.

WS: Who were the first couple of hires first couple of positions?

MR: A great question. So we brought on in house accountant, that was our first hire. Then we brought on an asset manager, local in the area where we were purchasing. Then a financial analyst. And then we've also brought on a couple other additional team members as well. And then also, I guess, one of the additional first team member was a virtual assistant, which really helped us too.

WS: Not often do I hear that someone's first hire was the in-house accountant.

MR: Yeah, it was, it was very unique. And we work really close with our actual accounting team, you know that preps all of our K ones and whatnot. And they just said, hey, guys, the owner of that company said, hey, guys, you really want to consider hiring in house accountant, to a keep your books clean, also allow us to efficiently file your taxes, because they were spending a lot of time and effort on their side. And so it was costing us a lot of money. So it was gonna save us money on that side. And plus, we look for someone that was able to handle more than just the accounting side. So he does a lot of different tasks within our organization, other than just accounting. So it was kind of a hybrid role, actually, at first.

WS: Wow, no, that's incredible. We've been going through the process of hiring a controller as well, you know, just the same reasons that you mentioned. I'm sure we have many of the same pain points around that. Those things you just mentioned, that we're trying to, you know, ensure is accurate investing, you know, and timely all those things. But wow, that's awesome. Speak to, as you have, you know, raise lots of money now. And they worked with so many investors, speak to some of your most successful maybe passive investors and how you, you know, seeing them get started passively investing or maybe yourself.

MR: Yeah, absolutely. Most successful passive investors. I mean, we have a lot of passive investors that come with us deal after deal after deal. And I think, you know, the ones that are really seeing success out of their investments are sticking in money with people that they know, like and trust. You know, people that they vetted. And I think the easiest way that you can vet a sponsorship team is by getting a referral from someone that you know, so someone that you know, that's had success with the team that knows that they have great communication. They do what they say they're going to do, you know, they're not going to have issues with the team that they're putting together. I think that's one of the most important pieces that some of our really successful passive investors are focusing on.

MR: And when it comes to our side, I think communication is absolutely crucial. So anytime a passive investor is out there and is looking at who to invest with, you know, just make sure that they have a great track record, but not only that, that their communication style is phenomenal because there's nothing worse than, you know, sticking 50 or 100, or a couple 100,000 dollars into a deal. And then all of a sudden, you're ghosted for three months, or the email updates that you receive are a couple sentences long. I mean, you're part of that team and you want to know exactly what's going on, and why The Good, the Bad and the Ugly. You know, it's okay for there to be some bad pieces of the investment, you know, every once in a while, but you want to know that in what are they doing, to make sure that the property is going to succeed in the future? So.

WS: Now, that's a great point. And maybe, how have you seen also investors that figure that find that those things out, right, how have they done that what's been some of that communication upfront that you've seen that has worked best? Is that you know, hey, this investor knows what he's talking about? Or she. And, you know, they're doing the proper due diligence, maybe on you to ensure that, you know, you aren't gonna communicate well, right? Or you're gonna send proper updates those things?

MR: Yeah, so a few different ways. So first off, you know, don't ever be shy and don't feel bad about asking questions upfront before you jump into an investment with a general partner. A couple of things that I would do, you know, if I was in the passive investor shoes, you know, first off, ask for the track record, ask all their previous deals have done, the ones that they've sold, the deals that they currently have under management. Also ask for referrals, you know, ask for three to five people that you can contact, shoot an email, or two people that have invested with them, or even better, give them a call. I know, it takes a little bit more time. But reach out to those people and have a phone discussion for five minutes. And just ask, how's the communication style, then?

MR: How have the deals performed? How long have you invested with this person for? How did you meet them? Just those simple questions can paint a picture, one of the best questions that I love to is, what would you like to see done differently? Because it's not forming the question in a negative way. It's just saying, hey, you know, there's always something that can be done differently, or better. What would you like to see done differently? And if it's something super mellow, great. If it's a red flag for you, you know, then you might want to reconsider. So that's another aspect. You know, if you're in the market, where they're investing that general partnership team go and drive by a couple of their properties, you know. You're going to be able to tell a lot if you drive those properties, and they're well kept, you know, there's no deferred maintenance or very little, especially if they've owned them for a while. So that's another easy way to get a partnership team.

WS: Yeah, that is a process for sure. Right, figuring out who you're gonna put your hard-earned money with. Right? And we're not talking about small amounts here for most people, right. It's a significant amount of harder money. And so what about what else should they consider, you know, when investing in real estate multifamily specifically, you know, maybe think, help them think through some specific questions, maybe they need to ask, and we could talk about the market and the deal, because you even mentioned, you know, you had that first that one deal for six years, and you practically broke even, but you mentioned because of the market, so maybe some market specific questions for the passive investor. But then also, you know, let's talk about the deal level questions. A few of those as well.

MR: Yep. So market level, we'll kind of take a 30,000 foot overview approach to this, because you probably want to dive in a little bit deeper, but you want to be able to tell, is the city in the state that you're investing in landlord friendly? And if it's not, you know, how are you compensating on the underwriting because obviously, you can do well, in most cities and states, but if you're in a landlord friendly city and state, you know, you're going to have these wins against your sale, it's really going to help you out tremendously. So, you know, that's we've ran into that issue, we invested in New Mexico, we've invested where I live in Minnesota, and it's been tougher to get tenants out.

MR: And you're starting to see some grant rent control and whatnot. And so, it just makes it that much more tough to succeed. And that's why we focus on Dallas, Fort Worth, and Nashville because they're very landlord friendly. The other aspect that you want to pay close, close attention to is, is the market business friendly? And also, do you have a diverse employment base? Do you want jobs to be moving to the area, so that way, you know, you have significant demand and continued demand for these multifamily units? And then also, you just want to make sure that there's businesses moving to the area.

WS: For sure, yeah, no doubt about it. And hopefully, you can you can gather a lot of that from the operator, right? Or you know, or you're asking the operator those questions and hopefully, they can guide you on some of that information. Right. So is there any kind of resource that you'd like to go to for that Mike? Or you know, as you're looking at new markets, or maybe a passive could look at as well.

MR: We utilize costar quite frequently. We also utilize Marcus and Millichap they have a nice quarterly and annual review on the multifamily market. CBRE has a great report as well. There's a lot of different avenues that you can take out there, but those are a few really good industry reports that you can utilize and Marcus and Millichap and CBRE, those are free reports. They put a lot into what they do. So it's, it's gives you a really good high overview.

WS: Sign up for their newsletter seven, you're probably gonna get it right?

MR: Exactly. You got it.

WS: Amongst a lot of other emails. But you know, let's talk about some deal level questions as well that, you know, the past investor should ask an operator?

MR: Yeah, so on the deal level, there's a lot of different aspects that you want to pay close attention to. Why don't we go over a few of the really high, highly important aspects. So.

WS: Yeah, that sounds great.

MR: Yeah, I would say, first off, what kind of rent increases are the GP team looking to achieve. And I think this is becoming more and more important, as we continue further and further down the cycle. Obviously, we have a recession likely coming. And rent growth is starting to drop off the map. You know, in some markets, it's still pretty solid, but it's not like we've seen over the last two or three years. So you just want to make sure that you know, the rent growth isn't too substantial over the next few years. And then also, you want to make sure that it fits within the parameters are the tenant base that you're looking to rent to. So you know, if you have a property and you're looking to get $2,000 a month, can that tenant base afford that? Obviously, cost of living, as went up substantially, which is really, you know, tightening people's wallets, and people have less money to pay their rent. And so you just want to make sure that you're in a good situation where you have a good demographic, that good neighborhood, or you're going to be able to find the tenants that you need to rent to and that your delinquency isn't going to spike up.

MR: So again, rent growth is key, take a close look at that, if you don't understand it, dive further into it, ask questions. Also, vacancy, you might see vacancy increase a little bit over the next year or two, and delinquency, you know, because tenants have less to pay their bills. So just make sure that that's in line with what you expect in that sub market, reversion cap rate. So the capitalization rate that you plan on selling, you know, after the end of your whole. So let's say you're holding property for five years, and you plan on selling at a maybe a 4% cap rate.

MR: In five years, well, we've seen cap rates go up over the last six to 12 months because interest rates have went up, and you know, multifamily values have come down a little bit. So you just want to make sure that you have a conservative estimate on what you're going to sell that property for in five years. And for me, you know, the further out you go with your projected hold time, the more aggressive you can be on that that reversion cap rate. Whereas if you're projecting maybe a two-year hold or a three-year hold, I think there's a lot of uncertainty over the next couple of years. And so if that's the case, I would definitely recommend you know, trying to use a little bit higher reversion cap rate.

WS: Yeah, man, some great places to start there for sure. And I was thinking though, you know, as we think about rent increases rent growth and vacancy, reversion cap rate, you know, it's there's a number of things right, that man, I you know, just the passive, you know, has to take into consideration. And oftentimes, I think it can seem kind of overwhelming, I think. And I like how we started, obviously with the operator and thinking about communication, some of those things. But anything else on deal level, though, Mike, that you'd say, hey, it may be even specific to the market today. I know some of these things. We talked about our spouse, you know, you've said specific to what's happening today. But anything else? Did you think through anything that should be considered if they're looking at a deal today, just with the current market?

MR: Yep. So I think the debt, you know, we pay close attention to the debt that's in place, you know, obviously, if you have an adjustable rate, you know, what are rates going to do over the next six to 12 months, you know, or the next 24 months? I think a lot of a lot of us think we know, but truly, we have no idea, you know, the Fed could choose a different route if inflation stays high. So make sure you're extremely comfortable with the debt, we're placing fixed debt on our properties right now, just to take all risk off the table. I think you should also pay close attention to what the competitive properties are doing.

MR: So again, this goes back to the rent growth and what you're looking to achieve on the rents. But what competitive properties are the GP team looking at and using for support on the rent? So if you're looking to go from 12 to $1,500 a month, and your property was built in 1980? Is the GP team have several deals where they found that have already done the renovations that you're looking to do that have achieved those same rents? If so great, but if they're using a property that was built in the year 2000, or you know, maybe that other property has way better renovations and they're achieving the same rents, you know, that's probably going to be a red flag. So dive into that deeper too.

WS: Yeah, that is interesting. It's very important to know what properties are really where are you getting your data, right? What properties are you getting that data from, whatever how comparable are those was like you mentioned, one, you know, one was built 30 years after the one you're buying? Well, you know, that happens that often, right? It, you know, I see, I see that in some investment summary. So, you know, from deals to invest in, and like, I don't know if that's a great comparable property, you know.

MR: Exactly, is that a really good comp or not? And, you know, I guess the last piece I want to touch on this, too, is, you know, there's a difference in between primary data and secondary data. You know, if someone's just grabbing data from a costar report, you know, a lot of times that information might be inaccurate, the best data is when you get on the ground, you go out there and you find it. So you're physically shopping these competitive properties in the market. I mean, that is primary data at its best. So you can come across that whether the GP team has done it, or you do it. I mean, that's, that's instrumental.

WS: Speak to the for the past, I have to thinking about, like, how many operators should I try to diversify to? Or, you know, and we can come up with some number, if they have 1,000,000 - 2 million to invest? How many operators would you say, because I know that it's gonna be different for every passive I know, and I don't know how much they want to invest, you know, their whole portfolio should be taken into account here, right. But, but just in general, you know, he suggests numerous operators and deals and, you know, markets are some thoughts behind that.

MR: Yeah. So I would say, as far as the number of operators, you know, I would keep it a little bit smaller personally, and this is going to be personal preference, but, you know, two, three, maybe four different operators, I think. I think it really boils down to, you know, who do you have a great relationship with? And who do you trust. And if that's one group of GPs, you know, most GPs are doing two to five deals a year, so you can spread your funds out amongst multiple deals. You know, what I've noticed is, we know a significant amount of GPS in the industry, you know, hundreds, if not 1000s, where we received their deal flow. And personally, you know, I can name about three or four different groups that I would passively invest in, and I've passively invested over the last five years. And you know, even with having that many relationships again, it comes down to how great is the relationship? How much do you trust them? And you know, that's really what I base my decisions off of these days.

WS: Yeah, yeah, I still think it goes down to the operator, right into that relationship. And, yeah, no doubt about it. So much more important than the deal. But you know, Mike, you know, even maybe from the passive investor lens here, what do you wish you had done different on the first one or two passive investments?

MR: Yep. So first couple of deals that we invested in, you know, again, I wish I would have gotten trained up properly. That was before we found a mentor, you know, before we were really trained in on how to buy a property correctly, how to set ourselves up for success. So that's number one is either you know, find a mentor, or find a general partnership group that has had success and knows what they're doing and partner up with them and kind of piggyback on their success. The other thing that I wish I would have done differently, you know, along the path is fire quickly and hire slowly. With management teams, we've, we went through some battles with a couple of management teams, and we kept hanging on.

MR: Personally, I wish we would have fired them sooner, we saw the red flags, we thought we could fix it, we tried to fix it, which is great, but we hold on a little bit too long. So that's another thing I could have done differently. As far as the passive investments. You know, I think just betting the team upfront, kind of like we talked about earlier, when we jumped into the group that we joined down in DFW, we kind of threw money at, you know 5, 6, 7 different groups, just because we were super excited about what the numbers were showing us on spreadsheets. We weren't used to these 80 90% returns over five years, we were used to stock market returns, you know, on average, and so we threw money into a bunch of deals and they did solid, but I think if we would have vetted the general partnership teams, we probably would have done a lot better. So.

WS: Yeah, yeah, no doubt about it. And I can relate to many of those things you mentioned there. And I was thinking about the, you know, the management teams that are higher, you know, slowly fire quickly. You know, and we same thing pushed on our management company, and we got some pushback, right, the more we learned over the years, like okay, now that we know these things, we got to make some changes. They want change, and then it's really a blessing looking back that they fired.

MR: For sure. And one little tidbit for the listeners here too. When you fire a management company, I would strongly recommend in the management company that's getting fired doesn't like this at all, but have your new management company step in day number one when you tell them that they're no longer going to be managing the company or the property. A lot of these companies have 30-to-60-day windows where you have to pay them after you give them notice. That's fine. Pay both management companies and have your new management company step in because you're going to lose as a lot if you wait 30 to 60 days out.

WS: I cannot agree more, it will pay you forward in a big way. You're saving money to pay both for a month or so, correct?

MR: That's exactly right. Yeah.

WS: Well, Mike, what about just any predictions that you have over the next 6, 12, 18 months? And how that is affecting your all's actions in the market, right? you know, as far as buying selling, or, you know, is it?

MR: Yep. So predictions, I think interest rates are starting to tame down, you know. I think they may go up a little bit, and then the level off the question we have, is our rates going to stay high for the next couple of years? Or are they going to start to come down you know, towards the end of this year? I think a lot of people in the market thinks they're going to start, you know, decreasing towards the year end. But, you know, really, we're mitigating risk. And we're putting the unfixed at, because we're not certain of that. Couple other things, you know, predictions, I think, you know, capital markets have been really tied down over the last six to 12 months. So, you know, the debt companies and whatnot.

MR: I think as more and more money comes in back into the multifamily space, as far as loans go, I think that's really going to help multifamily and, you know, potentially compress capitalization rates. I also think there's a lot of money sitting on the sidelines, that's going to start rushing back into multifamily once you start to see some stabilization. I don't know if that's in the next six months, 12 months, 18 months, but I think it's going to come. And I think that's going to also, you know, compress cap rates eventually. So I'm really bullish on multifamily in the long run. I think we just need to get through the next 12 to 18 months, maybe 24 months, and be very conservative, know that there's going to be some job losses, that there's going to be a little bit of increased delinquency. You know, rent growth is going to be, you know, fairly minimal over the next year or two. But I think there's a lot of properties right now that you can buy already at a 10 to 20% discount. So if you can pick up properties, put on great debt, put a great team into place, I think you can do really well, even right now buying assets.

WS: What about your thoughts on just being prepared for a downturn? And you know, as you're buying a deal, right now you're looking at a project, maybe, you know, we expect some kind of downturn, whatever it may be either way, whether it's 2008, or whether it's just, you know, barely a blip down? How are we prepared for that? How do you look at that? Maybe you can answer it as an operator. But then also, you know, just for the passive, that's listening as well, talking to an operator, how do we make sure you know, our operators prepared for a potential downturn? It whether we believe it's coming or not, we want to make sure we're prepared?

MR: Yeah, great question. So I think as an operator, there's a few things you can do. You know, make sure that you have a really good amount of capital in the bank for each deal that you own. So if you're purchasing a new asset, just make sure you come in very well capitalized. So that way, you have the cushion, and you're not going back to your investors for a capital call if something comes up out of the ordinary. I also think you need to be, you know, conservative on your underwriting again, you know, at the vacancy rate with delinquency with rent growth, make sure that you're paying close attention to that, and that you're very comfortable, you know, with these job losses happening over the next, you know 12, 24, 36 months, that you have some cushion there. So I think that's big for us, we've also increased the median household income in the areas where we're buying.

MR: So as you get into those, you know, 30 and 40,000, 1 mile median household income areas, it becomes tougher and tougher for those tenants to afford the rents. And you see delinquency increase, and you see some other issues. So we've noticed that if you focus on a little bit better area, you're probably going to see, you know, a decent amount more success. And that's what we've seen in our portfolio. So I think you can do that. On the passive side, I think you can ask the general partnership team, you know about previous performance and how they asset manage deals. You know, one of the biggest things is make sure that they have time to properly asset manage their portfolio. You know, if they have a full-time job, and they're working 50 hours a week, and they also have a portfolio that they're trying to asset manage. Yeah, that might have worked over the last five years when everything was going up. But in these tougher times, you need to spend time and energy overseeing these management teams and these deals to make sure that they succeed. And if they aren't spending that time, you're probably going to see the property trend downwards. So.

WS: You mentioned being well capitalized when buying and all we're having that reserve budget up front, right. I cannot agree with you more. No cash, you crash, right?

MR: Yeah.

WS: It's a you gotta have some, and you know, things happen that are just unexpected. It's real estate. Right? And so, do you have a way that you like to calculate that or a way that you know how much you know reserves you'd like to have upfront or I've heard some people, some guests will say, oh, I want a month of operating expenses up front, some will say three months, some say six, some say 12. You know, I've heard all over the place. But I just wonder, what are your thoughts about, hey, before we do, do we want to have this match? Or is there a way? Or a standard? I know it can be different per property, of course, but I don't know any kind of standards you use when thinking about that?

MR: Great question. For us, it's on a deal-by-deal basis. But I would say it's closer to that four-to-six-month range. And, you know, one thing that we've done over the last year or so is we're doing it all on financed rehab. So we're our latest deal, we plan on bringing about $2 million of rehab capital to the deal. And that's all-in finance. So that's sitting in the bank plus, you know, the capital stack, you know, or the working capital that you have on top of that. So that creates extreme flexibility. And it also, you know, gives you a massive cushion to work with if you do need to move things around a little bit. But, you know, again, I would say four to six months is a pretty healthy budget.

WS: Yeah, I love having that capex remodel budget up front as well. I mean, because if enough bad things happen, you can stop the remodel, and you got all that in the bank to?

MR: Exactly you got.

WS: Yeah, and if nothing else, you can just you can go in and just hit that lot open, you know, because you got all the capital there. But now that's awesome. What about what's your best source for meeting new investors right now?

MR: Yeah, best source for meeting new investors. Truthfully, it's kind of transformed over the years. At first, it was, you know, pure networking events, we continue to go to a lot of networking events. But at this point, it's really referrals. I mean, we probably have, you know, five to 10 coming in, per day. And, yeah, I mean, it's, it's a great avenue, you know, again, it takes time to build that out, obviously, you need to do what you say you're going to do. You need to put off great performance on your assets. But that will snowball over time. But again, you know, networking events is great. We do run a podcast as well, which is a good avenue. We also work hand in hand with our CPA firm, and they refer us a lot of clients as well. So if you have a CPA firm that you're working with, or a legal team that you're working with, have that discussion, and see if they have you know, clients that you might be able to help, that can be a good resource as well.

WS: Awesome. And is there a way that you nurture that referral process? I hear that often; I just want to help the listeners to as they're trying to raise money? Or what does that look like? You know, as far as within the business to ask for to gather referrals?

MR: Yeah. So when we have a referral, come into our database, we always make sure to tag it. So that way, we're tracking where each person is coming from. If you ever have someone refer you a piece of business, you know, we typically write a handwritten thank you note, we also send out an email saying thank you so much, because it means the world to us. So that's very, very important as well to us.

WS: Yeah. Awesome. What about, what are some of the most important metrics that you track? It can be personally or professionally.

MR: Great question. So professionally, metrics on each of our deals, I mean, we have a lot of KPIs that we look at, but you know, I would say 60 Day trend is very, very important to us. So, you know, what's the occupancy looking like in 60 days, also our economic vacancy, so that factors in your physical vacancy, your bad debt, so if people are paying their rent, concessions, very important as well. We also track we have a lease trade out tab. So it basically shows what our old leases were, what our new leases were, are, how much the rent is increased, you know what the new lease term is for. And that's very important to us, as well.

MR: Also, you know, cash coming in the door each month, because a lot of these properties are run on accrual accounting. So it can be a little bit tough to see exactly how much cash you're bringing in. So we track closely, the actual cash coming in the door each week. Gosh, I mean, work orders, that's very important to track. The amount of showings, your conversion rates, you know when tenants are coming through the door, how many are actually leasing? You know, that's just going to tell you so much. I mean, if you're not having a good conversion rate, why is it you know, are the units that they're showing that the leasing agents showing? Are they not looking great? Is your property not looking great? Is the leasing agent? Are they off on their personality? Is your pricing off? There's probably something off and you need to dig in. So all those different metrics are really important to track.

WS: What about some habits that you're disciplined about that have produced the highest return for you?

MR: So I would say recently, time blocking has been big for us, you know, it's very easy to get into the weeds, and all of a sudden, you know, nine hours goes by during the day and all you've done is worked on emails. And so for us, you know, time blocking for certain larger projects that we're doing has been really tremendous and has helped a lot with our growth. And then I would also say, just strategy sessions with our team. You know, coming to a zoom call, spending a half an hour to an hour and talking about goals talking about the systems that we have in place, what's not efficient, what's efficient. You know, what can we offload onto our assistants? That's been tremendous for us as well.

WS: What's the number one thing that's contributed to your success?

MR: Number one thing that's contributed to my success, I would say, building out good habits, and just being persistent. Having that drive, I feel like Dan and I both have a significant amount of drive behind us. And so you know, it's kind of always go full force, make great decisions, but you know, don't stop until the job is done. And then keep going on the next job. So.

WS: How do you like to give back?

MR: So we actually give back to a couple of organizations Operation Underground Railroad. We give a certain portion of our profits at Granite towers to that company, and they help with childhood sex slavery. So something that not a lot of people want to talk about, but it's, it's out there.

WS: It needs to be talked about.

MR: It is, it's just, you know, when you think about it, this devastating, so that's something we get back to. And then also a company here in Minnesota, they help fill hunger gaps. So when kids go home, from school, on the weekends, in the evenings, you know, sometimes their families aren't able to provide, you know, the food sources that they need. And so it basically helps those children, they pack their backpacks full of food at the end of the day, or, you know, on Fridays, so that way, they can really help their families out. And it's something where, you know, the child doesn't even need to ask for it. They're just on a certain program within the school, so we know that they might be struggling, and you those kids up and know that you're doing a great job there. So.

WS: Mike, I'm grateful to have caught up with you again today and had you on the show and really hear just the success you all had over the last few years. So congratulations again. But then just sharing, you know, from the operator standpoint, too, but even from the passive investor standpoint, some things that we need to know as we invest passively in any project, you know, the operator, the market, the deal and things that. I mean, this is gonna be a great start, just the questions we talked about today. I feel like most passives aren't asking even the questions we asked today. You know, much less looking much deeper. And man, I just encourage them to know those things, right? Before they hand their hard-earned money over to an operator then wonder, wow, you know what happened? Right? I don't know. Well, you didn't ask these questions. So Mike, thank you so much. tell listeners how they can get in touch with you and learn more about you.

MR: Yes, well thanks again, Whitney for having me on. I really appreciate it. If anyone wants to get a hold of me, there's two different ways. You can go to our website, granitetowersequitygroup.com. Go to the contact us page, fill in your information. And we'll get in contact with you that way. Or you can email me at mike@granitetowersequitygroup.com. And thanks again, Whitney. I really appreciate it. Fantastic job running this podcast.

[END OF INTERVIEW]

[OUTRO]

WS: 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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