Episode 1594

[INTRODUCTION]

Corey Chonsky (CC): The only way I've done deals since then has been through syndication. And so, to me, you can find much better deals where you're taking on partnerships where you're dealing with larger property management companies and all that sort of stuff. So for me, personally, I'd much rather have partnerships involved in taking down a property than just me trying to do it all on my own. There's obviously risk with any sort of investment strategy and you help to kind of divest some of that risk associated with purchase of a real estate property with partners.

Josh McCallen (JM): Welcome back to The Real Estate Syndication Show with the world-famous Whitney Sewell. Now, you're probably recognizing it's a different voice. It's his buddy Josh McCallen, your buddy, so honored to be part of the guest host core here at The Real Estate Syndication Show. Thank you, Whitney. Today's a treat. I'm excited to get to know a new friend here, Corey Chonsky, probably have come across him in your research, everybody from The Real Estate Syndication Show. This group Fair Winds Capital Investment, has a great origin story, has a wonderful track record and is growing. And we're gonna dig into Corey, his background in commercial real estate, his work in the military as well. And his success across multiple states of multifamily investing now amassing a portfolio that is over $1 million. So it's exciting to meet a guy like Corey, so let's bring him out of the waiting room. Bring him right on the stage.

[INTERVIEW]

JM: Corey Chonsky. Welcome to the big stage.

CC: Alright. Thanks, Josh. Yeah, I'm excited to be here.

JM: So Corey, right off the bat, we want to hear a little more about you. For those of us who have not yet met you that are out there listening. We already are intrigued by Fair Winds. We're intrigued by your story here. But can you tell a little more about yourself? Where do you come from and where do you live today?

CC: Yeah, so my name is Corey Chonsky. I'm one of the co-founders of Fair Winds Capital Investments back when we founded Fair Winds was founded by, you know, naval officers that we actually connected through real estate as opposed to the Navy. It's just we're in a very Navy heavy town in Norfolk, Virginia, where we actually still live today. So I was in the Navy for almost 23 years where I started my real estate investment journey, dating all the way back to

2012. And like a lot of investors, I started with single-family. And actually a lot of military investors, I started with my own personal residence that I got transferred away and converted that into a single-family rental.

CC: And then I kind of took a few years off, because I had a lot of transfers and moving going on, for that period of time. And then when I got stationed here in Norfolk, Virginia, back in 2015, I really went full throttle and closed on our new house here in Norfolk. And then I closed on my first rental in September of 2015. And actually wrote an article about this, but I consider myself having two first-time rentals, just because of the experience that I had with each one, it was just so different. But at the same time, it mirrors how a lot of people started in real estate. So yeah, my second first rental, I'll say, in September of 2015, it's an interesting article. So yeah, then I started with single-family, and I started just acquiring them over the next couple of years and then transitioned to your smaller residential multifamily properties into commercial multifamily.

CC: And then, you know, even if you're successful using the BRRR method, you're not ever really able to capture all of your equity back at least, you know, the longer you do it, it's some of it does get stuck and you get really limited on the back end, as you start to do your renovations and you you start to refinance. And that's kind of the position where I was in 2019, I purchased several commercial=sized multifamily, you know, smaller eight to 12 units. And at that point, my personal portfolio had kind of grown to I think about 60 units. But like many real estate investors, I was addicted at that point, like you can't just be like, I'm going to sit on the sidelines until I'm able to pull out my equity. And so then I had to discover how I was going to go about continuing my real estate investment journey without a significant amount of capital in my own accounts in order to continue to buy larger commercial multifamily things. So that's kind of when I jumped into syndications and partnerships and stuff like that, really up to that point, I had been doing everything on my own in terms of, you know, finding properties, purchasing them, overseeing renovations, and you know, using my own capital.

JM: Yeah, what a great kind of well rounded story there. I would love to dig into it a little bit because there's some unique elements to the military background. For one, did you study at the Naval Academy originally?

CC: I did not actually. I joined the Navy as an enlisted nuclear machinists mate. And yeah, from that point, I got selected to be a staff instructor after I finished my student time, and then I got selected for a commissioning program at the end of that instructor tour. And then I went to the University of Wisconsin. I'm such a big, huge badger fan, if you want to distract me with something that isn't real estate, talk to me about Wisconsin Sports.

JM: With that, then okay, so one of the things I do point out though, even though that's your journey, not necessarily through the Naval Academy, you and I were chatting that you have an asset that you've recently acquired over the last year or so outside of Annapolis, and of course we do, too, have in that area so we'll chat about that later. But let's get back to the journey. You know, this idea is not normal. It's not common for people to be able to jump from single-family rental to commercial real estate. Corey, I wanted to just ask a little bit more about this jump from your two, first single-family rentals. I love that you've had two firsts. 2012, 2015. But the mental shift, the mental mindset to leave single-family and ultimately start doing commercial, what was going on in your personal life at that time? Where are you in education? Where are you absorbing mentorship? How did you make that shift? Not many people do that. Yeah.

CC: So for me, when I first started, so after I bought my first home, and then turned it into a rental, I really that's kind of after that I started my real estate education experience, you know, through listening to podcasts, going to bigger pockets, reading a ton of books, which all started with, obviously, Rich Dad Poor Dad, like a lot of people. And so my education experience as I went to Norfolk to, you know, further my investing career that was different than what it was before. And so when I restarted, I mean, the intent was to figure out how to get into apartments, not just single-family, but you know, single families, what I knew. And I knew I wanted to get started so that, to me, made sense. Like I wanted to at least do something to get started. So that's where the single-families came in. But yeah, my goal always had been to go buy something with multi units to it, whether that's eight units, or obviously later on over 100 units. Honestly, I never thought I'd be in a position where I could own a property that had over 100 units. You know, in the beginning, I thought, man, I would love to own a sixplex or an eight-plex or a quad or something like that. That seems like a crazy goal. And something that I was driven to figure that out.

CC: And so with that in mind, I was always looking for, you know, something that could add units, whether it was a duplex or pod, which you know, I worked my way up that ladder. And then my first one that was greater than four was an eight-plex that I got off the market. And it was really just me cultivating the team that I had built here locally, more so than going out and doing mastermind courses or taking on mentors, like I said, up until I got to the point where I was like I need to go syndication. I was doing a lot of this on my own. I was very poor at networking, I was very poor with finding partnerships and all that sort of stuff. Because I was like, oh, I can just go do this all on my own. If I can get a property that I 100% ownership on that, to me seemed better than 10% of a larger property.

JM: As your mind shifts, have you changed your mind on that? Or does that still help? You know, what would be your answer? Is it better to own it 100% Today, since you brought it up, or is it better to do it the way you do it now with investors?

CC: Really, since then, since I started syndication, the only way I've done deals since then has been through syndication. And so to me, like you can find much better deals where you're taking on partnerships where you're dealing with, you know, larger property management companies and all that sort of stuff. So for me personally, I'd much rather have partnerships involved in taking down a property than just me trying to do it all on my own. You know, there's obviously risk with any sort of investment strategy, and you help to kind of divest some of that risk associated with purchase of a real estate property with partners. So that is not necessarily all in use. I mean, that's one of the benefits, you're gonna find deals out there where you may have 10-15% of the deal, but you may because it's such a good deal, you could still cashflow more than if you had owned a different property at 100%. So yeah, I'm definitely on board with partnerships and invested dollars, my own dollars and bringing it all in together to take down a good deal

JM: And jumping into your life today. So with fair wins, is this full time for you? Or do you still have any work with the military?

CC: No, I retired back in October of 2021. And so I do fair wins full time. I obviously still have my own personal portfolio that I deal with, aside from that, but doing Fair Winds and asset management for all of our properties is what I do full time now.

JM: All right, well, then, you know, this is a question we'd like to ask different founders like yourself, there's so many different parts to commercial real estate investing everything from deal finding, which is complicated and can be time-consuming deal negotiating deal structuring, with finance, you know, securing debt. There's other skills out there about raising capital for the equity side, and then there's the running and operating of the building, whether it be asset management or direct property management or both. And then there's the value add component of building and construction management oversight of all the smorgasbord of elements that go into commercial real estate and multifamily. What parts do you say you as an individual excel at?

CC: I really think I'm driven more towards asset management because of my background in the Navy . Even though I was an engineer in the Navy, I like to refer to it as operational engineering. So it was you know, ensure organ systems were operating correctly if things would break down going in and you know, making sure they were corrected in a timely fashion. And so I really feel that my strengths as a real estate investor are more geared towards Asset Management Operations and just financial stuff, you know, stuff with numbers, stuff with deadlines, stuff like that. So I mean, I have experience in all aspects of a deal lifecycle, I've raised capital, I've dealt with the acquisition side, done a lot of underwriting deals with lenders through acquisitions or refinance. I mean, I have experience and all of that. But I think when it boils down to it, I think my skill set is more geared towards asset management than it is acquisitions.

JM: So your team today consists of at least four founders, correct? And then do you have other teammates as well?

CC: Technically, only three of the four of us were there for the founding of the company, we ended up just bringing in several months later, because some things that we have planned for down the road, he has experience in that we don't necessarily have that skill set. So it seemed like a good fit. And so he's been on the team for maybe about 18 months.

JM: And with the rest of the team, has everyone moved to full time? Are people still in the military, the Navy?

CC: The only one that is not full-time as Jonathan, he had just a few years left on his Navy career. He actually got stationed down in Florida for his what we call Twilight Tour, where it's like, here's some not super difficult job to allow you to meet. You're gonna years and retire. So yeah, that's what he's doing now.

JM: s It's exciting. Okay, so now we're jumping into IT projects. You guys have done numerous projects, how many projects are you, have you done? And how many are you still in?

CC: So we did do a couple syndications before we came together as Fair Winds Capital Investments. But in terms of just Fair Winds, since we treated Fair Winds, we have see, we are at about seven projects that we are part of.

JM: And in those, are any under construction today than in the value add turnarounds?

CC: Yeah, so we have to have our Houston properties that are going through renovations right now. They've been going through renovations for about 12, 13 months on one and the other ones that about 10 months. We actually just completed our renovation plan on a local deal here that we actually got off auction. So basically took a property from less than 20% occupancy. And now we should be 100% here later this week, I believe maybe next week.

JM: And that's in Norfolk.

CC: Chesapeake, which is part of Hampton Roads.

JM: Yeah. okay. And with that, that's quite exciting, by the way. So let's use that as a case study for cost. What does a deal typically cost in that scenario? How much money are these projects? And how much is equity in debt?

CC: So for that one, we raised about $900,000. For the deal. We purchased the property, it was 48 units, we purchased the property for about two and a half million dollars and put about $1.4 million into the deal.

JM: And $1.4 million. So you're all in for three, nine, basically. And how many units again?

CC: Forty-eight.

JM: Forty-eight. And what is the exit strategy? You'll sell it? Or will you hold that and refinance?

CC: So right now we're looking to refinance it, we did have a short-term bridge loan on it, which provided the renovation funds for the deal. Now that we've basically hit over 90% We're looking to get agency debt on the property. So we're working with some lenders right now. We actually just went over 90% at the beginning of February.

JM: Congratulations. And with that, the $900,000 of investment, did you raise that through syndication in the 506B? You know, for sophisticated investor or the 506C for accredited investor model?

CC: That was a 506B. So we raised that from our network,

JM:
Great. You've done a great job of helping us understand how your world works. Now, there's this other component, and we're going to talk a little bit about where you see your business growing? And what do you predict is going to happen in the economy? But let's talk about that. First, when you go to get debt, what are you finding out there? Either bridge debt or and or agency debt? Talk to me about what your company is finding in the world of debt today?

CC: Yeah, so I'm not sure if we talked about this already. But we actually just broke a contract during our due diligence period on a project that we were going to go after in Houston. We kind of looked at it from a different perspective, because on deals that we were seeing last year, we were in that 5½ to 6%, which was obviously creeping up. So we wanted to kind of look at a different finance option for this deal that we were going after in Houston and what we were looking at doing, especially since the occupancy was over 90%. We were gonna go after a Fannie Mae senior debt and then partner that with preferred equity to help for the closing cost and some of the renovation costs and that preferred equity was actually going to provide money up front and then provide money for, you know, down the road for free future uses, and then we're gonna raise another, I think it was $2 million outside of the preferred equity.

CC: So we were looking to really reduce that blended rate as much as possible. Whereas if you go and you get bridge debt, I think what you're seeing right now could be around 7½, depending on what lender you go with. I mean, that could be some bridge loans, I mean, you're gonna be in that nine to 10% range, depending on the lender. And so really, for us, we wanted to get as much capital as cheap as possible. And we went with the blended approach.

JM: And you said, you recently backed out of it. What made you back out of it, though?

CC: Oh, there's a few things that we found during the due diligence period that were, you know, in excess of what our renovation plan was. And so we went back to the seller and said, Hey, based on what we're finding, we want to reduce the purchase price, and to offset these costs, they wouldn't budge. And so we, you know, we passed.

JM: So The Real Estate Syndication Show, sometimes people listening today are passive investors, sometimes people listening today or active leaders of sponsorship entities, like yourself and myself, it's always good to just get a snapshot from professionals like you. Use that one for an example with the high cost of value add. So you ended up walking away, probably very prudently. What was the unit value that you were willing to pay? If you just take the price divided by the units? What was the unit price, you know, within generalities?

CC: Okay, I think back to some of the numbers here. So our purchase price was a little over nine, I think we were in with like closing costs, and everything outside of the renovation plan was about 75k a door. So the renovation plan, I think it was about 1.6 or 1.7M. And based on a lot of things associated with that area, the market, like we felt like we could provide a decent return, then there are some things that we found out about the market through due diligence that didn't come up prior to. So when we combine that with say, now a renovation costs going from 1.6, you know, 1.6, 1.7, to say 2½ that increase of $900,000 or a million dollars. You know, that really then impacts your returns that you're able to provide. And so I can't remember exactly what it was, her unit for the total cost of the project just off the top my head. But in reality with that additional renovation cost, you know, now we were looking at returns in the low teens that felt like it was better to try to renegotiate than, you know, just kind of like suck it up and move forward.

JM: And the rents in that market. Do you remember what you were underwriting?

CC: I want to say? So the property had one ones, two ones, and I think a couple two twos, and we're in the range of thinking post renovation that were maybe 950 to 12 said, I've depending on the floor plan.

JM: So to some rough analysis done on my pencil over here, it looks like you were 75 Plus about 10 is about 85. Maybe call it almost 90,000 a door, and you thought you could get that 1% rent on that one month's rent, I should say, basically, each month's rent is about a 1% value of the unit. But it still didn't exactly come out with the new high interest rates, which is part of what's going on in the whole country these days. Houston seems like a great market so well done building a beachhead there. As a Navy officer, I imagine you love the beach. It's so where else are you guys looking to invest other than Houston these days?

CC: Yeah, I mean, so there's several markets in Florida that we, like my partner, Jonathan, who's at the end of his Navy career, he's actually in Jacksonville, and he commutes to Gainesville every day. You know, we were really interested, especially since he's there to be able to get stuff. And actually one of the properties that we were partnered on last year is in Jacksonville. So at the same time, we want to get in and be the lead sponsors on a deal down there.

JM: So have you done it where you're a partner sponsor?

CC: Yeah, so we have another project in Houston. We're doing a hotel to multifamily conversion where we're PO GP Jr sponsor on the deal. We haven't really done a hotel to multifamily conversion at that like size. And so we wanted to partner with a group that has a ton of experience. And so we came in and filled out the last portion of the capital stack, and we're along for the ride and learning along the way.

JM: Smart move. Well, you know, you've done a great job here today. If people want to find out more about you, and about Fair Winds. What's the best way for them to reach out to you?

CC: Yeah, I mean, you can find Fair Winds at our website, which is fwcinvestments.com. You can find me on LinkedIn as well as we have a company profile on there as well as Facebook. Otherwise, you can email me at Corey@fwcinvestments.com.

JM: It is an absolute pleasure to get to know you. Thank you for your service in the military. And we look forward to the next time we all get together.

CC: Yeah, really appreciate it. Thanks, Josh.

[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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