EPISODE 291

[INTRODUCTION]

Nic Espanet (NE): The mindset needs to be I've got these goals I want to look at on a regular basis. And it comes back to that mirror you were talking about, also the reticular activating system that what you get in your mind is what you're going to see and focus on. Your energy is gonna go where your focus goes. One of the big things is focusing on these things like, oh, the markets bad, lending is hard, capital raising is hard. Well, if you sit there and you kind of ruminate on that, you're going to move in that direction. We say, hey, there are challenges. Let's look at what's right in front of us. What can we change? And let's change that thing. Let's focus on that little small step and move forward.

Announcer: Welcome to Elevate, the masterclass where we dissect the elements of exceptional achievement and lifestyle design with a focus on personal growth and real estate investing. Now, here's your host, Tyler Chesser.

Tyler Chesser (TC): Elevate nation, welcome back. This is Tyler Chesser. I'm so thankful to have you here and I'm blessed and grateful to be sitting with Nic Espanet today on Elevate. In today's episode, you are going to learn the foundation of a growth mindset and how that can help you scale as a real estate investor, as an entrepreneur, as a leader, as a father, as a mother, as a person that cares about other people, as a person that is challenging yourself to live life at the highest level and become the greatest version of yourself. Because that person does exist. And also what you're going to learn today are some tactics, some strategies, some tools on how you can solve problems in your business and your real estate portfolio. Also, how you can put your portfolio in a position of optimal performance. There's a lot of tools, tactics and strategies that we talked about in today's episode. So, I want to encourage you to buckle up and get ready to take notes, because there's many distinctions from today's episode.

TC: Welcome to Elevate Podcast. Elevate Podcast is all about mindset, mind expansion and personal development for high-performing real estate investors. I'm your host, Tyler Chesser, and I am a professional real estate investor and entrepreneur, it is my job to decode the stories, habits and multifaceted expertise of world-class investors, and other experts to help you elevate your performance and lifestyle. Are you ready to take it to another level? It is time let's raise the bar today. And guess what, what does raising the bar mean? It means to go higher, it means try harder. It means think bigger. And by the way, that's where it starts. It starts in your mind, it starts in your beliefs, it starts in the way that you're striving for something big. And you know what, it feels a little bit uncomfortable. It feels uncomfortable to think, well, wait a minute, I already jumped that high. You told me you gotta raise the bar again? Well, yes, there's always another level, you're going to learn that today, that there's always another level and there is another level for you to reach today. So, I want to encourage you to think bigger, let's set the intention today that we are going to expand, we are going to Elevate.

TC: I want to invite you to pay the fee, the fee is to pay it forward and share this episode with one person. All you have to do is grab the link, send it in a text message, email, post it on social media. Tag myself, tag the podcast, tag your friend, who it is that you know would benefit from the realization that everything can change when you shift your perspective from a fixed to a growth mindset. And that's the foundation to expansion within real estate, within your money, within your lifestyle, within your dreams. And once you make that shift, everything can change. But I want to encourage you to think about who is it in your circle that would really benefit from hearing this conversation? Who is it that may really benefit from understanding, you know what, that middle-class scarcity perspective versus the abundance mindset or the abundance, wealthy mindset? You know what an amazing shift that could make for them. So, please pay it forward and pay the fee for this episode.

TC: Also, give us a rating, review and subscribe or follow Elevate Podcast wherever it is that you listen or watch podcasts because you know what, we can't do this without you. And your feedback and your endorsement for others is so so important. So, I just want to ask you from the bottom of my heart if you have not done that yet. I want to thank you for doing that and I want to invite you to do that now. Please do that. And also, you know, I just want to thank you for listening, I want to thank you for being here. Because you know, you are the reason why we do this. We're here to pour into your cup. We're here to help you expand your horizons to gain the appropriate insight to make the appropriate shifts in your business not only in your strategy, your application, your team, your structure, your tools, your systems but also in the way that you interact with problems and the way that you access the infinite resourcefulness and creativity within you. So, if it's your first time listening today, thank you and welcome to Elevate Podcast. We are here to pour into your cup. And by the way, there's 290 plus other episodes that you can dive into immediately. And when I tell you that, we bring the heat every single time. If you've been here before, welcome back.

TC: With all that said, let's dive in. I want to introduce you to Nic Espanet who is the founder and principal of Thrive Multifamily. And he's got a tremendous profile and years of experience. He's got almost seven years of experience in multifamily real estate, ten years of experience as a small business owner and 24 years of experience managing a physical therapy team. So, you're going to hear about how he leveraged his background, you know, in going to school and getting good grades and getting a good job and shifting, making a tremendous shift in his late 30s to living a financially abundant life that we've all found through real estate investing. So, without further ado, please enjoy this conversation with Nic Espanet.

[INTERVIEW]

TC: Nic Espanet, welcome to Elevate, my friend. How are you doing?

NE: Hey, doing great, Tyler. Thanks for having me. I'm excited to chat with you today.

TC: My pleasure, no, very excited about our conversation and really diving into your story, diving into what you're up to today in the real estate market and really leveraging your experience, which is going to be I think, very relatable to many of our listeners. So, let's start there. Let's talk a little bit about your upbringing, your backstory, because I always like for listeners to really understand who exactly we're talking to before we really dive into tactics and tools and strategies and expansion. But let's start there with your upbringing, your backstory.

NE: Great. I grew up middle class family, working parents, blue collar working parents with the mindset that I was the first one of my family to have a college degree so but it was that get you know, did well in school, go to college and get a good job. But also a little bit of the blue collar mindset of 'oh, wealthy people get it from taking from others' more of a not the abundance mindset. But like a lot of people I read Rich Dad Poor Dad at one point. And that really shifted my mindset on how we should treat money and how money works. So, that got me, you know, just exploring different avenues. And that was probably in my late 30s, it took me a while to finally realize that I was in the rat race of I went to school got a degree, a master's degree in physical therapy. You know, it's a great profession but it also is a little bit physical, you know, unless you get into the business side, you're, you know, I started thinking what, when I'm 60, is this what I want to be doing, or even 50. And so started pursuing other avenues, mostly just looking at what I wanted to do for retirement. And then that's how I got into into real estate investment. And Rich Dad Poor Dad really changed my mindset on how we can get money to work for us, instead of working for it and making someone else wealthy.

TC: Yeah, let's start there because man that is so relatable to so many people, really that middle class background. And the scarcity mindset, which is almost the underlying factor that most of us are not aware of, you know, we're not conscious of that sort of belief system that really is an underlying mechanism of many of the driving behaviors are decisions that really kind of surrounds that culture. So I mean, when you started to realize that shift, which was, you know, when you look back, it may be it may seem simple, but you know, in that moment, it is absolutely profound. It almost changes, everything changes the way that you look at everything from scarcity to abundance. So when you became aware of this line of thinking that, you know, money is not limited, opportunities are not limited, there are ways that you can structure your life, there are ways that you can design the way that you make an impact towards other people, the way that you leverage your resources. What happened for you? I mean, were you first kind of thinking, man, I feel like I'm behind because you were talking about being in your late 30s? Or what kind of went through your mind when you started to kind of unlearn everything that you had known for so long?

NE: Definitely first thought was like, oh, crap, I'm so far behind, if I started this when I was 18. That was brief. I think I'm, I don't know if it's natural, I've always looked at a more positive like, and I think it says “things happen for you, not to you”. And I think a lot of the middle class or scarcity mindset is like, oh, this bad luck happened. So I'm not going to pursue it. And I've gotten to the point now, where I don't believe in luck. To me, luck is when preparation meets opportunity, or when lack of preparation or stupid decisions come to fruition so you make your good or bad luck. 99% of the time luck is how a football might bounce if it's fumbled, that can go weird way. But you know, after a short while, I'm like, I've got to get more education. So it started at least since my 20s, been a pretty voracious reader. I quit reading fiction books. And probably in the last 10 years, I've read two or three fiction books, but just sometimes I just need to unplug if something that's not brainy at all, but started reading different, you know, just going down different rabbit holes of self improvement books, mindset books, anything like that, that kind that would just help me. And then that started out down the path of thinking I was going to do single family investments but came across two or three different references to multifamily and ended up, that's where I started my first real estate investment while passively invested in a 70-something unit. That's the first one that I syndicated, it was a 100-unit property.

TC: I love that. I love that. So you were able to really take quick, massive action, as you started to make these shifts in terms of the way that you looked at the world. But going back to sort of the upbringing, the backstory, and leading into a career of being a physical therapist, a small business owner, I mean, obviously, you know, with 17 years of experience as a small business owner, 24 years managing physical therapy teams, you had a background that you could leverage into this new mindset and this new approach of not only your financial resources and your financial freedom. You know, thinking about that, leveraging that experience, I mean, talk to me about how you were able to utilize your experience and actually allow that sort of, you know, the concept you shared about, hey, life happens for me, not to me. And so to be grateful for that experience, and then to leverage that into your future, talk to me about how you did that.

NE: Oh, great, and having the team that oversaw, but a lot of it was dealing with patients, the clients we're dealing with. Because it's somebody that's injured, that often doesn't want to move their joint or limb or get up and walk. So you have to work on their mindset of getting them to move, move when they don't want to. And so having that experience of dealing with people on that level, I think, was even more valuable than then managing the teams of physical therapy assistants that were under me as employees or assistants. It was dealing with the patients, you know, just working on their mindset of, hey, yes, you broke your thigh or femur or humerus or whatever, you broke something or you injured something, it's going to take push into a little pain to get it better. We've got to break it down some to build it back up. So you know, dealing with people on that level, that I think, that was beneficial. And I learned a lot on on how to interact with people through trying times. And it's being a real estate syndicator there, you know, it's up and down like this, and you know, capital markets and things like that. There are times when you're like, oh, this sucks. But you know, you kind of read, look at everything, and what can we fix? What's in front of us? What can we change or alter now? And let's get those small steps. And then we can start taking bigger steps to make overall improvement.

TC: I love that. And by the way, I just wanted to point out I mean, there's such a massive difference in a solutions-focused mindset and a problems-oriented mindset. Because when we look at problems, we find more problems. When we look for solutions, we find infinite resourcefulness and creativity within us. And by the way, that's the foundation. And that's really why we're focusing so much on mindset, mind expansion and personal development in this space. Because if you want to grow as an investor, your success is a lagging indicator of how you're investing in yourself and how you are shifting your mindset and where your focus is going. Because by the way, where focus goes energy flows. So let's focus on the solutions. And then so as I'm thinking about your story, I mean, you were able to take massive action as you shifted your perspective on really everything from scarcity to abundance, and from how middle class people think about money and how wealthy families have thought about money for generations. And it's a total shift. And when you make that shift, everything changes. And so as you started to take massive action, talk to me about your growth from there you syndicated a 100-unit deal, how long was it until the deal after that?

NE: First deal was 10 months, my first deal was in February of ‘18. And the second was December of ‘18. One hundred twenty four units with the same two partners. And we brought in a fourth partner and closed a 224-unit deal in August. And now I'm just close my eight deal last November, late November this year, and it was 168 unit deal in Arlington. So it's amazing it has at times I wish I'd gone faster if we only did one deal and 22. But with the lending. And you know, sometimes you don't necessarily just want to check marks up on the wall, you want to make sure their deals at work 2021 I was part of three deals. So the market fluctuates, so you just come across. So it's over 1,300 units total that I've co-syndicated on and then my wife and I are passively invested in another 13, 1400 units with other people's deals.

TC: But still remarkable growth. And to your point, I mean, no deal is better than a bad deal. I mean, at the end of the day, you know, that's our big philosophy, we look at hundreds of deals before really one will make sense. And still what you're talking about is really remarkable growth and obviously that comes down to massive action. But it also comes down to effective strategy implementation. And so I'd love to really talk about Thrive Multifamily, and how are you growing today in today's market environment, not only your business, but your portfolio. I mean, talk to me a little bit about sort of your outlook today and how you're growing in today's market.

NE: So, one of my big focuses in 2023 is being more present in front of my investor pool, is getting out sending out drip campaigns, just informational stuff monthly. So that's something I'm really focused on, keeping them warm, you know, when there's not a deal. And then we are underwriting deals, there's not much deal flow currently. And as we're doing this podcast that I think it's going to start picking back up. So, you know, that goal is to we have a few target markets, we’re in a range and age that we're looking at, that when those come out, we are underwriting them and seeing if the numbers work seeing where the lending is. You know, it's considering different lending options that use it a floating rate now rates going to be coming back down as we've been going up for a long period or getting in a fixed rate deal. But that has challenges with your exit or yield maintenance fees could be higher. We don't know where those are gonna be at that point. So you know, trying to navigate what type of loan terms and what works best on a picture, or you know, I think assumptions right now are attractive. If you can find a fixed rate, low fixed rate loan that's somebody else's started and then take over would be a nice option but if everything went perfectly as planned, which it won't, but hopefully it's close, we do three to four deals in 2023 here in the 100 to 200 unit range.

TC: And do you focus exclusively on Texas?

NE: All my deals are in Texas. If I found somebody that I felt would be a good partner in Florida, I would consider doing something in Florida and maybe even other areas. Tennessee has been well, but I live in the middle of Texas. So it's, you know, it's a great market. So it's hard to, well I can drive you know. Even though I have properties in Houston that's been in Fort Worth, it's still easier to drive to Houston than drive to Dallas go to left field, and it's about the same timeline. And I can listen to an audiobook or a podcast easier driving use that time instead of shuffling through an airport. But it's hard to leave Texas when I drove to a property yesterday to take some pictures of some stuff we're having done. It is 30 minute drive. It's like you can get over there, it's been 15 minutes and drive home where it's I don't have any plane rides. So but I don't want to let that limit me if it's, you know, there are markets I would expand into, but I'm not actively looking there just because I have so much right here in our backyard.

TC: Yeah, I mean, there's so much value in being in market. I mean, the thing about real estate is you can really employ thousands of different strategies to get to your outcome. And so you know, a lot of times you can either look at it and say live where you want to live and invest where the numbers make sense, and or if the numbers make sense in your backyard, and you have the boots on the ground to be able to source those deals, that can be a huge and amazing strategy. And so talk to me a little bit about your deal sourcing strategy. I mean, how are you coming across deals, you know, could be some in the traditional sense in the non traditional sense. So talk to me a little bit about how you are sourcing opportunities in today's market.

NE: 16:31

Traditionally, I do look at emails that come out. But a lot of us just having built relationships with brokers haven't been part of eight syndications, we have the relationships with the brokers that we bought stuff through in and we're looking at some of our deals that are coming full cycle, they're starting to list those, we've listed one, we're looking at POVs, we're currently holding off until the end, we don't have to sell them, we're going to wait, see, if the lending gets a little more favorable towards into year, it may help us sell it to at least sell at a better price at that point. But I think the relationships with the brokers are probably the most important thing, it's rare that you get a true off market worry the only one looking at it. But if you can be the first four or five people that look at it before it goes out to mass market, and you may be bidding against four other people instead of 40. Other people that will push the price up. And it's usually going to be other more sophisticated buyers who are going to make reasonable offers not somebody that's newer and may just be coming out of left field with a really high offer that we couldn't match.

TC: 17:29

Now let's shift gears and talk a little bit about strengthening the portfolio. Because obviously, growth in terms of acquisitions is only one side of the business, of course, I mean, that's where really everything starts is when you make an acquisition and you bring a new deal under management, then it's about execution. Talk to me about execution on your side. And really what I'd like to focus on is how are you strengthening your portfolio now, because in some senses, you know, this is still a great market in many senses as well. There's a lot of challenges out there. So talk to me a little bit about how you are strengthening your portfolio to weather economic storms, weather market conditions to overcome challenges.

NE: Great question. So one thing is personally or on a business thrive level, we are looking at outsourcing some of the stuff. You know, the marketing, the more admin tasks that I've taken care of in the past, so we can focus more on the money part. But I think right now holding on to a little more capital just because you know, to see what's going to happen. Investors may not like a little bit smaller returns distributions. But you know, if we can explain, say, look, we're holding back some of this just because these changes, we're seeing these possibilities in the market, and we'd rather have this money that yours in the bank and then not need it and we give it to you in a year or at some point in the future, than us distribute everything out. And then there's some changes in the market, our occupancy drops, collections drop, something like that, that just in the uncertainty right now. And we have to ask you for more money or the partnership has to loan money, which is going to be expensive too if you if we have to loan.

So, it's better to say, look, it's yours. It's sitting here in the bank. It's only here for an emergency. And we do try to keep. Whereas before COVID We would hold on to about 30 days expenses. I like seeing two to three months there just that first four weeks at COVID. When we didn't really know what was going on two to four weeks. It's like man, I wish we had more money because if we have to go six or 12 months, with eviction moratoriums and tenants not having to pay. At the time, the options to take some type of relief from the lender were not I mean, they were pretty punitive if you had to do it. So we were like, no, only we're in dire straits, because it's just even paying that back would have been hard. So, thank goodness, it wasn't near as bad as we had feared that in the first couple of weeks, like oh my goodness, I sure wish I had more cash setback.

TC: Yeah, I love that. Yeah, reserves are so critical to be paying attention to in terms of weathering storms, and just, you know, sort of anticipating the unexpected and I love that dialogue between your partners to say Hey, guys, we want to put the investment in the best position to succeed no matter what. So here's the plan. then, you know, trying to be more conservative or along those lines, how else are you strengthening the portfolio right now, whether it's from sort of hedging against, you know, issues or challenges that may be unforeseen or just literally within the operations of your assets? I mean, is there anything else that you would point to?

NE: We are definitely watching the expenses. You know, this challenging time with labor, we've had to crank up our payroll well above what we budgeted on anything we bought, rather than this most recent property. You know, I think payroll now needs to be $1300, $1400 a unit, roughly on a B, C property. We were underwriting $1000 to $1100 a unit so we've had to come in. And that's explaining that to our investors, like, yes, we can hire people at $1000, $1100 a unit, one, they're probably not going to be very good. And two, they're not going to be around because somebody else is going to pay them more. So, we're having to really push our budget on payroll. So we've made a conscious decision that it's well worth it to spend more money on good full-time employees and staff.

That's something I think one of the biggest shifts we had as we've had to replace a couple of property management companies at different assets. And the biggest problem was turnover. And we saw with a turnover, we're losing tremendous amount of money. When you don't have a consistent manager or maintenance staff, you're not getting units leased, you have vacancy where you're not collecting money, it's opportunity loss. We can come in and pay somebody 10 or $15,000 more a year, which is $1000, $2000, $1,500 a month. It ends up being a drop in the bucket compared if we have a good, somebody's good that's getting units leased, and keeping our occupancy in mid-90s is so much more worth it to pay than have them hired away from you for $1 more an hour or something like that.

TC: Absolutely.

NE: Keeping an eye on, I've been watching KPIs, you know, delinquency, how are we pushing with some of the changes in the law in Texas. We used to be able to evict much quicker and we've got some 30-day notice. So, no matter what, somebody is going to always to month's rent before we can get them out. So, making sure the staff is starting the process on the first day they can instead of dragging that out, and then it ends up into another month. I'm watching things that, you know, I like to check once a month all our people that are off the lease, have they been pushed up to full market rent? And are they paying their month to month fees? These are other things that we can make sure they don't drop by the wayside.

TC: I love that. And one thing I'll just I just wanted to add to some of the comments around the labor market is that, you know, in this business, it's very difficult, if not impossible, to cut your way towards prosperity. And so you've got to have the right people on site. And you've got to pay attention to market forces there. I mean, at the end of the day, yes, you can pay below market, but you're going to get much more below markets for the quality and outcomes. And ultimately, in many regards, that's going to lead to higher expenses in many aspects. So I think it is important to recognize.

NE: And lower lower income you're going to miss, I mean, if you're at 85% versus 95%, you're missing a lot of income. You'll never know when that day is, clock ticks or the calendar ticks and the next day that day's rents gone, never to be captured again.

TC: Absolutely.

TC: *Hey, guys, I want to remind you to check out CF Capital. CF Capital is the premier boutique real estate investment firm in the Midwest and southeast region of the United States. We are a national real estate investment firm with a purpose. We provide property investment and asset management solutions to help passive investors maximize returns on high-value multifamily communities. But our investments go far beyond acquisitions, we invest in people. We are in the business of elevating communities and raising the bar for everyone within our ecosystem. CF Capital is a real estate investment firm focused on the acquisition and operation of multifamily assets. We confidently deliver tax-advantaged stable cash flow and capital appreciation with a margin of safety. By investing alongside our team, investors can preserve and grow their wealth without having to deal with tenants, termites, or toilets. Investors come* *and stay for the outsized returns we create in our deals while appreciating the ancillary opportunity to make a bigger impact that only CF Capital can provide. If you're an investor and want to invest with us, here's how to learn more about CF Capital at CFCapLLC.com or by simply clicking the link in the show notes of this episode. We will see you on the inside of this powerful community. So, let's elevate communities together.*

TC: And a couple of other things I wanted to follow up on, you mentioned migrating property management companies in the past. I mean, talk to me about some of the decision making factors there and maybe give us a little hint in terms of the experience that you had in terms of those transitions. I mean, the good, the bad, the ugly, I mean, sure, help me understand sort of what you've experienced in that realm.

NE: And the biggest challenge I've seen when we've had to make changes was, the biggest problem was staff keeping consistent staff. It wasn't quite as bad but I said we have a manager a month if you have a different person coming in there. You got one or two weeks of training if they're an experienced manager they need to learn the property and then they're leaving in four to six weeks they can't get any systems going, can't get communications . So, even your, obviously your collections, if they're having to, you know, go out and collect specially during COVID we train some tenants. They don't have to pay on time, it's easier to you know, they can drag it out, they're not going to be evicted as easily. You've got to be proactive on collecting rent, knocking on doors, sending messages and setting the mindset.

NE: So when we moved there, first one, really the second time, I talked to the partner and said, what if we could go back six months, what would we do different. And we all said, we should have made the change sooner, we gave them too much time trying to fix the problem. And it ended up and the new company came in and did great and like we could have been two months sooner, we could have had this happen. And so that probably, number one is if you feel like if you're starting to get that gut feeling or that spider sense, you may set a 30-day goal. And if they're not making significant progress, make the change. And once you start feeling it, go ahead and reach out to who you think might reply even though you know you're not binding by talking to them. But go ahead and start the conversation with a couple of other management companies that can step in for you.

NE: Our first property was in Abilene, Texas, which is about two hours west of DFW. We took a management company that did not have a footprint there. And that was a big challenge because they had trouble hiring, they didn't know any contractor. So we have set a goal that we will not take a property management company unless they have two to three other properties already in the market, just so they have, they already have a network and they can you know, if somebody, you have somebody got sick, they can float somebody over to you. If you're solo, it's the only one in town, they just don't have the network or the team to help out.

TC: And you know, when you have that gut feeling or that spidey sense that things aren't working out, you know, I can understand the internal dialogue. Whether it's in your own mind or with your partners that like, you know, but let's just try to see this through. Let's try to work through this. Because if we make a transition, we're going to take two steps back before we take three steps forward in a lagging sort of, you know, capacity, because it takes time to build that momentum. So I can understand why maybe looking back, you would have said hey, let's let's do this sooner, maybe why you didn't do that. But what was it initially? Was it just the constant turnover of staff? Or was there something else that you know, looking back, it's like, you know, this was obvious, we should have made this decision sooner?

NE: Constant turnover of staff which led to our occupancy just slowly going down, not seeing new leases signed. I generally will let the staff know when I'm coming to the property, but also like to just drive and one of the big marks of measurements is, is the property clean? Because that's the first thing any prospective tenants are gonna see. But you know, we drive up to properties. And I wouldn't show up at eight o'clock on a Monday morning. If it's Monday I'd wait till lunchtime or so but showing up and there's trash, I started carrying with that one company before we get them replaced, I'd carry a package of kitchen trash bags in my truck. And I would pick up trash, put it all together and take a picture and send it to Rachel and say, this is what I picked up this morning on our property. And so then that was you know, things like that was okay but the biggest is seeing that they're not getting collections. So you're delinquencies is ticking up because a new manager comes in and she's got to figure out who, what notes are going on, you know, department 123 hasn't paid but they said they're gonna pay on this date, they're starting from scratch with all that.

NE: And then as occupancy was just slowly going down and if you wait too, you're at 88 or 87. That's a big shift that's already moving in that direction. And you're probably going to go to the low 80s and before you get it turned around, you need to cut rent and you know that comes back to not having staff because it looked for dropping let's do a couple of units. Yes, we may lose money on it but right now we're getting zero for those units and then another thing that we were challenged with is I would pull up the availability report and we had a lot of units that had been vacant for a long time and they weren't ready. To me if the unit's not ready, to be stabilized, I mean, a bad unit should be seven to 10 days if it has some stuff and a good unit should be made ready in three to five at the most, probably less than that.

NE: Another report I'll look at is Availability Report and see if we have units that are no more than two weeks and are not ready like what's going on with this unit. It was in bad shape and we need some materials ordered for it or is it a staffing issue is what's going on there. So that was another measurement. That property dipped into the 70s the one that was doing the worst which before we fired them I was out trashing you can't do this, this was 124 unit property. Trash some units I'd like because I went and walked every vacant, I took over the project, managed to get the new company on and walk every vacant unit and took really solid notes and then write it on, easy at the top, really tragic and horrible ones are at the bottom. Let's start knocking off the easy base hits we can get here and get those done. And then we'll worry about these bad ones when we get all these easy ones cleaned up. And that I've thought of something you talked about in the moment when we're looking to change that. Think with a growth mindset. You see a problem like man, we got to fix it, we got to fix it. And sometimes we get in that mindset we don't want to look at. We may need to pivot and go a different direction because we're being driven. We want to keep plowing ahead and get something fixed where sometimes we need to we might need to make a turn to get there.

TC: I agree man. And one thing I'll say too, just to add to the conversation is that these are like cruise liners. I mean, it takes a long time to turn in a different direction. Like if we're going in a negative direction to be able to go positive, it takes substantial amount of resources, effort and momentum and takes time. And so to your point about all of these different things, I mean, all of these different factors, whether it's make ready staff, whether it's, you know, really getting clear in terms of what is not happening to get us to the occupancy level to the performance level that we have set forth. I mean, it takes a lot of resources. And so if you were to kind of look back as well, and say, alright, well, were there any indicators of the management company that just didn't work out other than, hey, maybe their lack of you know, activity in the marketplace? Are there any other factors that you could have identified prior to engaging with them, that may have put you in a position to be successful and not have to make a transition?

NE: As we've interviewed new, what I've learned is, do they have a presence talk to some of the people at those other properties? How long has the staff been at those properties, like our paddling properties, when we switched to the company, they had three or four other properties. We talked to that 70-80% of the staff had been there for more than 7 or 8 years. So they told us a lot about the company, they're doing something to keep people. Now you may not have that, because some of these apartments turn over quicker, but most of their ownership that's already out there, long term holder. So that gave us a lot of confidence that they had long term employees. When I had to do it at the one in Houston, that was a smaller company that was growing tremendously. Maybe looking at that, because I think sometimes these small midsize companies have great success. And everybody thought, oh, property management XYZ is great all of a sudden, you know. It's a good thing, but they just blow up, I think sometimes they need to turn people away, too.

NE: And that was I feel like what happened with our Houston management company is they they just exponentially exponentially grew. We only have one asset with them, there were some others. We're bringing in portfolios and understand we may not have got the most attention, but we should have. But if they've got somebody that has ten times more properties than us, they're probably going to get the first attention and we're going to come down and they're taking care of the one that has bigger and so I think just having long term stable employees regional you're what what's the regional to property ratio? How many properties is your regional gonna be over? And how big is that footprint. They may only have five properties. But if it's San Antonio, Houston and Dallas, that five properties is hard to get to on a regular basis. But you know, if it's seven or ten but you’re inside the loop of Houston or Dallas, it's easier to make frequent visits.

TC: Really good insight, Nic, and I think the stability factor that you pointed to really comes down to, it almost indicates that there's a positive culture or a culture of, you know, retaining talent and supporting that talent, giving that talent the resources they need to succeed over the long haul. So there's definitely a lot to be said about that. And then in terms of just the structure and the practicality of that structure, I mean, think about that these are advanced questions that we should be asking prior to engaging in any relationship with a property management company. This is really good stuff, I'd love to kind of switch gears just slightly. But in terms of operations, still, in the same thought process, one of the things that's top of mind for many investors right now is insurance, because insurance has really, really shifted over the past couple of years in particular, we're anticipating some tremendous renewal increases. And so let's talk a little bit about how you're navigating those waters.

NE: So you know, we had 20-ish, or 20% or higher increases almost across all of our properties. And they we were told to expect almost the same next year hit is underwriting new deals. It's not that we can underwrite it, and I and I'm wanting us to plug in, let's show a 10% insurance even for year two and three. And another thing we're getting at these older properties that still have Federal Pacific panels, I've heard of a couple of instances where the insurance not necessarily a lender, insurance come in saying we're gonna drop you if you don't replace all these and you're looking at roughly $1,000 a panel. And that's if you don't have to move them out of the closet because the city code which is going to add another four or $500. So a tremendous expense. So we're gonna go ahead and plan on doing that at the front end on our recent acquisition. We had it in our budget, we're gonna do it over time. But we got noticed from the our insurance that if we don't get these 52 panels done by March 20, they're going to drop it. So they gave us about four to five weeks, even though we had it, we were starting to get bids, and we didn't think we were under that much of a gun. But you know, now let's go back to our properties we've already owned and it's going to be communicated with investors and say, look, here's our insurance, conventional wisdom at the time was, you know, two to 3% growth per year increase on that, but it is gone astronomically. It's been the freezes This is the last freeze we had in Texas and right before Christmas, there's one of our properties we're having to file a claim and I'm sure there's others.

NE: There was a property in Houston that had froze enough to have pipes break that's going to add that was these insurance vendors that already told us we're gonna have a 20 to 30% increase next year and then we had this next freeze so it's a challenge and then I I'm very hesitant to buy anything in the coastal counties of Texas or even south of I 10, and Houston because insurance providers are very nervous about that area, my understanding is down to maybe two or three people that will even carry those. And so there's no competition to them, but you're looking well over $1,000 a unit. If you're getting down to the in Florida somewhat of the same way, because almost all of Florida is coastal for the most part, it's a challenge. You're looking in DFW is 650 to $700 a unit is where we're penciling and to start with, and we're going to add a 20% 30% increase to 2024 as we're underwriting those, and there may be people that will come in and not do that and beat us. But we don't want to get caught with a big increase. Now that we know it. I mean, the properties we bought 2, 3, 4 years ago, and we have to resolve come up with a solution but for buying something now we need to be planning on a big insurance bump.

TC: Absolutely. And going back to the earlier part of the conversation, you know, this is the differences are? Should we focus on this problem, this problem of you know, tremendous insurance increases? Or should we focus on the solutions, because there are solutions, we may not have them to have groundbreaking sort of shares on this podcast today. But there are solutions out there, right, there are outcomes that we can sort of figure out as we continue to work through these issues. And so that really is where the mindset comes into play and the collective mindset of your partners in your team. Because ultimately, there is a solution for every problem, including this one. You know, one thing I'd love to talk to you about are you know, before we talk about sort of how you're investing in yourself and how you're continuing to condition your mind for success. Talk to me a little bit about some tools, some systems processes or things that you've adapted or adopted within your business over the past few years that have been most impactful for your continued growth that are allowing you to scale the way you have.

NE: Monday.com has been great to track things keep water, I try to keep a fairly consistent generally, my morning, I can't recall who I got this from but try to set aside though is Jesse Itzler, I heard talked about this, you know, have the morning set a time, it doesn't have to be morning, but mornings best because the further you go in the day, something's gonna get in the way. But he said, what would you do if you you're just insanely rich didn't have to work, list some things 10 things that you really are important you like hanging out with your kids, you know, doing something spiritually, working out things like that, now pick two or three of them, and make sure you do those before nine o'clock or eight o'clock pick a time in the morning to get those. So I've really tried to focus on that for a personal growth level.

NE: Now, you know, then business wise, it's just we have set up a list of KPIs that we check weekly, two or three times a week, some that we do monthly and try to just and then I have that set up on monday.com. To remind me, that's probably one of the biggest help to just setting reminders. Because if you start getting enough level, it's and we're starting to look at, like I talked about earlier outsourcing some of the admin stuff be to a VA or somebody an assistant. And that's something I wish I would have started earlier. But you know, we didn't. So we're looking at getting that going now. Because I've realized that I spent a lot of work a lot of time on admin stuff that I don't need to be doing. But I also have the mindset of, I guess a type A, I don't know what you call it, but if I don't do it, it's not gonna get done, right? Or, oh, it's gonna I just had this conversation with a partner this morning. Like, I can get all this done in as much time as I'm gonna have to train somebody to get it done, and maybe not get it done, right. But what I need to think is I can train them, yes, it's going to take as much time now. But next year when we need to do this or six months, they're ready to go.

TC: Right. I can understand that mindset. I think many of us have gone through that, because there are disappointments along the way, when you find the right leverage, you find new team members, you know, sometimes it doesn't always work out. And so then it's comes back on you and all the training that you put in, then it feels like a sunk cost. It feels like a waste of time. And it feels like it now has taken you twice as long. But the question that I would challenge any of us, you know, who are listening to this conversation would be is this belief limiting you or serving you, because in my opinion, that is a limiting belief that is holding you back from attaining greater levels of success, because the right people are out there, you just have to keep looking. And by the way, every single time there is a setback, there's an opportunity for you to rise to the occasion and recognize that you're being tested, your commitment is being tested, how committed are you to your goals. And so you know, that is a it's a helpful dialogue for us to all kind of put on the table and observe and say, You know what, that's not limiting me anymore. So let me continue forward. Let me show the universe how committed I am to that outcome. One of the things you talked about was recognizing and really keeping sort of your awareness on your KPIs on a weekly basis and even bi weekly talk to me about what are those KPIs that you're really focused on?

NE: So, we mentioned some of them earlier and obviously, occupancy and collections are big ones but then your delinquency is that ticking up? The big thing with delinquency is by the end of the month is it worked closes but I like to look Is there anybody that owes more than a month rent you know, if you're looking at especially see someone in the V once they get above one and a half, two months rent, the odds that they're going to without somebody coming in and giving them the money that they're going to scrap and get it back together or slam and then looking at if they own is the on site, putting in notes, delinquency notes, I'd like anybody that's over $500 delinquent, I want to see at least weekly update before our weekly calls. And then so delinquency. The month, the month thing I was talking about and probably run that I don't do that every, every couple of months, just to make sure one thing that we try to do quarterly is look at, if are we paying electricity for any occupied units, because when the units roll into the electricity rolls into our name, they should be switching that before they give a key prove that they have the electricity in their name. Now, the company we replaced was bad about it. So I don't check as often because we haven't found it. But it's still something I like to pull up occasionally. I wish I had my report in front of me. So, another weekly. Oh, the availability report. That's what I like to look at brought before some properties we do every two weeks. And weekly. I'll pull that up. And it's, again, if there's something that says, time I'm not ready, and how long it's been vacant, it's more than two weeks. I want to know what's the story with that one.

NE: And this is stuff that I need to train an assistant in, say, here at this number. He sent it over to me, it's a process. And then I have a list of the summer another quarterly is monthly when we get our financials, I'll look at the budget variance and see if anything that's significantly off there. Have they put a note? If not, why are we out of budget on this? And I want them to put monthly they'll do year-to-date and month-to-date mostly the month me? Yeah, it's important yearly. But what are we doing monthly? Why are we way off on an expense? What causes this?

Is this a trend I will look at on those same ones. Where does the T3 look like to the T12. And especially the ones where if we've replaced a property management company, it's nice to see our T3 is 25% better than our mostly on the income side, because expenses are so seasonal, but I still look at the expense T3 just to have an idea of where we're, we're trending.

TC: This is good stuff, man. Let me just say real quick. I mean, what you're describing as a pulse of the portfolio, and one of the natural laws of money is that money loves attention. And what you're talking about is placing your attention on critical matters that are driving results in your business that are driving return on investment for yourself and your partners. And there's so many great shares there. So appreciate you bringing that up. And I want to talk a little bit about how you're investing in yourself. Because as investors are placing capital in deals, placing capital with other partners and achieving return on investment, and you know, migrating and navigating challenges and getting to the other side of challenging problems and getting to solutions. We've also got to remain consistent in how we're investing in ourselves. So you were talking about the priority in terms of doing things that you would do if you had unlimited resources before 9am. But how else are you investing in yourself? Talk to me a little bit about that.

NE: Sure. I'm in masterminds that help with mindset, I'm actually missing one right now, because the shoulder surgery, some had a little FOMO have seen some of the pictures of my peers down at this mastermind, where they go and talk about one growth mindset, but also industry, it's multifamily directed focus. But I think getting in front of people who, you know, you're the average of the five people you're hanging out with the most being around other people with growth mindset, but also that are been had success. I've been in this market industry longer. So I can pick their brain. I have a group, the mentorship group I joined in, there's a smaller group within that, that we we have calls every two weeks. And it's great. Sometimes I'm like, man, these are guys that have owned 2, 3, 4 times as long as I have. So being able to hear them in order come from a blending background, development background. So just having these guys that have had, there's knowledge and then there's wisdom type knowledge. And these guys have that wisdom, experience knowledge that you don't get just from reading a book and they've lived through different downturns. And so I feel just blessed at times to sit and chat with those guys, or sometimes listen to them chat among themselves.

I'm scribbling notes down going, Oh, we've got to do this is something I want to do on my properties. But I think getting around other successful people that helped with with your with your growth mindset and with your functional mindset of owning the property?

TC: Absolutely. You know, it's so interesting. We have these mirror neurons within our brain within literally the biology of our brain. And it wants to regulate based on what we see around us because there's this innate need to belong to a tribe. And when we're intentional about who we're spending our time with, there's literally biology that's regulating us to be more like the people that are around us. So as we are aware of that, then we can start to be intentional about Who are we spending our time with. One of the things that you've mentioned a few times is growth mindset. And you know, I'd love to really kind of dive into that just briefly before we transition to the rapid fire section of the podcast because you know you've mentioned that a few times so I'd love to know what exactly does growth mindset mean to you? And then what does it actually do for you talk to me a little bit about that.

NE: So the definition would be that you can always improve. You're never at the peak of something, even an athlete. We just had the Super Bowl recently that there are guys in there that are some of the top athletes in the world, but they still keep working and they still keep going to the gym running, working on their nutrition. We, as entrepreneurs we need to try to be with people that are going to stretch us, that aren't the crabs trying to pull us back down on the bucket. Somebody is saying no, you can do more, you can push more, or you're seeing their success going I'm I can do what they're doing. It's not just settling for where you're at. You're expanding and growing.

NE: So what I think's the second part was, what am I doing to get that? It's reading books, I love reading, it's being with other people, joining masterminds or mentorship groups that will push you having my shoulder surgery done. That was weird, mirrored. So I felt like I was reaching out the wrong side. I'm happy that you're doing things that to improve yourself physically, spiritually, mentally, and that's, you know, I'm part of a workout group that meets at 5:30. They do it six days a week, it's outside no matter what, and that I'm missing it right now. But that's a good group of guys that push us to do something hard every morning. And holding myself accountable for some of these goals, setting goals to say you may not get on, but putting goals that are you know, they're gonna push you and if you can get 90% there, you've still done pretty well, I'm not worried if you only get 50% There, you still made some progress forward. The mindset needs to be I've got these goals I want to look at on a regular basis. And it comes back to that mirror you talked about also the reticular activating system that what you get in your mind is what you're going to see and focus on you just where your energy is gonna go where your focus, because one of the big things is focus on these things of like, oh, the market' s bad, lending is hard, capital raising is hard. Well, if you sit there and you kind of ruminate on that, you're going to move to that direction, we say, hey, there's challenges. Let's look at what's right in front of us. What can we change? And let's change that thing. Let's focus on that little small step and move forward.

TC: Absolutely. And this shift from growth to fixed, you know, from the fixed mindset of, well, I made a mistake so I'm a failure and I can never do this. And I just can't go where these people on these podcasts are going. The growth mindset says, I currently have this problem. But this, there's gifts within this problem. And I receive those gifts when I work towards finding the solution. And I'm of the belief that all human beings were designed to go big. And there's always another level. You know, if you look at somebody, maybe some of your mentors, people who have been in the business for four times, as long as you have, you know, the people that you look up and you say, man, these there's just unbelievable innate wisdom that they've gained over the years. There's another level for them. There's another level for everybody that you admire. And there are so many additional levels for ourselves. And by the way, I think one of the foundations to living a fulfilling life is expanding through that growth and finding comfort in being uncomfortable. So I just really love those shares.

Nic, I want to transition to the rapid fire section of the podcast. It's called the Rare Air Questionnaire. It's all about being uncommon. In many aspects, I'd love to see this growth mindset become even more common. I think we're starting to see more momentum around it, which is very, very exciting. But I'd love to ask you a few questions. Before we wrap today. You mentioned one of the things that you are doing to invest in that growth mindset is reading. So talk to me a little bit about maybe two or three of the most impactful books you've read over the past few years, and why.

NE: Definitely “Rich Dad Poor Dad”, as we mentioned earlier, and then I've just recently finished Ed Mallett. So just one more. That was a great book on how to push. I loved David Coggins, “Can't Hurt Me”, just seen what that guy could do. And then just finished a book, I'd actually read it a second time called “Endurance” about Shackleton, the guy that was trying to be the first person to go across the South Pole, but their ship got blocked and ice. They spent almost two years adrift on ice and then made this sailed through the Drake Passage, which is one of the roughest bits of ocean in the world and a 22-foot boat. It's just crazy. And anytime you think, oh, I'm cold these guys I think the warmest had ever got in the year almost two years was 37 degrees that was in the summer of the time. So these guys are living in tents right around World War one do you think you're doing something harder like man, our challenges are minuscule compared to live in for a year and three quarters in a tent and the Antarctic and then selling this tiny little boat to hit a little small island. It's insane. So that was a great book to do mindset. I try to mix in a history of biography or something like that and get people that have had challenges. I've got start with a walk and see it back there. I've got that on my to do but the “Who Not How” was a good one that I recently read. Also “The Gap and The Gain”.

TC: And we just had Ben Hardy on the podcast talking about both of those books and yeah, those are those are amazing books. but great shares and you know, talking about biographies, I mean that that can be extremely helpful in your journey as well just to See, you know, what challenge is other people that you admire throughout history have overcome. I mean, I'm reading John D. Rockefeller's biography. It's called “Titan” right now. And it's, it's amazing. I mean, you want to talk about scale, you know, that is an individual who scaled beyond in many of our wildest dreams, but there's so much context there. But we'll put links in the shownotes is where the listeners can find those books. And by the way, the book that you shared about the guys living in the, you know, the extreme cold temperatures and doing what they did, and drinks passage that can shift the way that you think about challenges. So you know, conditioning your mind in this capacity to say, you know, what, if they did it, I can't, you know, that's a very, very helpful context, I'd love to ask you, if you were to point to, you know, the biggest way that you elevate your life on a daily basis, what would that be and why?

NE: One of the things, I try to cold plunge every day but I haven't been able to do for my shoulder surgery, but that's one of those. Sitting down in 50 degree water is a mindset shift to get your brain to do it. And then staying in that water for 20 minutes is another long time. Once I've done that, I'm like, alright, there's nothing else that's going to be that much more challenging. And then I think, consistent exercise or physical activity to an outflow. And third, and I need to be better about this as having some type of spirituality, I need to be as a Christian need to be in the word more. But so if somebody else has another way, but having some way of meditation or something like that, I think is important for people just to get by mindset, reading each day, doing those things, like I talked about with Jesse. If there's picking two or three things that I want to do on a consistent basis, to kind of take care of myself first, and not in a selfish way. But I think it's kind of putting the oxygen mask on an airplane, if I can do those things, it makes me a better father and a husband and a team member.

TC: I agree. I call it selfish selflessness. And you've got to treat yourself first, invest in yourself first, before you can really show up for the people that you care about and others around you. And that leads me to my next question, which is what's the biggest way that you elevate others around you?

NE: One is being positive. I mean, not overly cheesy positive, but try not to break people down. Find their positive attributes and encourage, I try to, when I go on property for our on site, people, try to only encourage them, even if I see something unless it's life or death, I see a problem. I'm gonna go to the regional and say this needs to be fixed. Because you know, those guys are I think they get really nervous when we walk on the property as owners, we're just they don't realize they still have that fixed middle class mindset, oh, these guys are ultra-wealthy, did it successfully. No, we're regular people doing regular things. So try to be really kind to them, and then educate people on the growth mindset to try with my children to to not be like, oh, you're this bad, thing happened. Now it's like, no, this thing happened to you, let's find a solution. And let's figure out how to move forward with it. And you can grow from it, you may have gotten knocked back a step or two, but your decision is going to be to want to wallow in it and not improve or you can be stronger from it.

TC: I love it, Nic, this is awesome. And I just want to acknowledge you for you know, paying it forward with this growth mindset and leading other people in that because I think that's really what it's gonna take for us to see a transformation across the world is for each and every single one of us to live by example, and to lead by example. And I want to acknowledge you for that. I want to acknowledge you for continuing to challenge yourself and push your own limits and continue to expand within this business personally, professionally, so on and so forth, as well as a father and as a spiritual individual yourself, man, this has been a lot of fun. Do you have any parting thoughts or words of wisdom that you'd like to share with Elevate nation today?

NE: Now first, thanks for having me on. I've really enjoyed it, Tyler. You know, something that just light bulb turn on is talking about failure too. Failure is not a bad thing. I think society forever, don't fail a test, don't fail, don't fail, don't fail. We teach I start with my kids and with our team, it's like, we're going to take chances, let's don't blow something up. But failures, okay, and we want to celebrate failure. And you go back to the greatest inventors, Edison failed at the filament 10,000 times or something like that. But if you're trying and you're failing, I think is a great thing. It's when you're not trying, you're not growing. And yeah, you can go through life and never fail, but you're going to stay right in a very narrow lane to do that. So get out of your lanes a little bit, try something different and fell at it. Pick your sit, don't stay down, get up, dust yourself off. Look at what could you have done different work. Can you pivot and do try it again? Was it something different?

TC: Man, that's awesome. And it reminds me of the quote that failure is not fatal. And by the way, Success is not final. So you know, you can never rest in your laurels but you can always look at every day as an opportunity to grow whether it's a failure, whether it's a success, because there's always another level. Nic, what an amazing conversation today. Thank you so much for being a part of the podcast. Where can the listeners find you and learn more about what you do?

NE: You're welcome and I appreciate you having me on but my website is Thrive Multifamily. T-H-R-I-V-E multifamily. And then through there, you could, there's a link to access Calendly. We could set up a call or my email is Nic@ThriveMultifamily.com. Nic does not have a K. It's just N-I-C.

TC: Nic Espanet. Again, thank you so much for being on the podcast, we'll put links in the show notes where the listeners can find you. And until next time, my friend thanks again for being on Elevate. Appreciate it.

NE: Thanks for having me.

[END OF INTERVIEW]

TC: Elevate nation, what a great conversation with Nic Espanet. And I just want to thank him so much for sharing really so much behind the scenes in terms of decision making within the business, and also behind the scenes in terms of the way he's thinking. And I love just the basis of the growth mindset that he has really forged in his life because there's such a shift. And no matter what you go through, there's a gift. And by the way, my opponent, I don't know, maybe I'm rhyming here, I'm talking about shifts and gifts. And who knows, I'm like Dr. Seuss on the microphone here today. But I just wanted to highlight that because at the end of the day, the growth mindset is the foundation towards our expansion in our lifestyle, and the way that we're leaving an impact for the people around us. Because, you know, if we're fixed, then you know, if we try, we will fail. And you know, if we fail, then you know, we're a failure. But guess what, there is always an opportunity to grow, there's an always an opportunity to expand. So just want to identify, I want you to identify what are your top three takeaways from this episode? You know, there's many for me, whether it's in the tactics of the business, whether it's recognizing the KPIs and paying attention to the pulse of your portfolio, and really keeping your focus on that and making changes within the operations of your business, your decisions based on where things are trending and turning around that cruise line or ship, you know, to the positive direction.

TC: You know, those are some takeaways, but what are yours? What are the biggest takeaways that you realize through this conversation? What was said or what was not said that you thought about as a result of listening to this conversation? Because those can be distinctions as well. And sometimes we've got to read between the lines to really understand how can I integrate this learning and this wisdom into the way that I'm operating my business, the way that I'm living my life, the way that I'm making an impact on other people, there's so much value here, I want to encourage you to re listen to this show, because repetition is the mother of all skill. And by the way, if you listen twice, you're going to learn twice as much or more.

TC: And I also want to encourage you and invite you to share this episode with a friend and have a conversation about what it was that you learned, what the distinctions that you took away from this episode, where and how you are making shifts in your business, how you are channeling the energy of solutions-oriented focus rather than problem orientation or rumination. And as you do that, take this forward and take the commitment the challenge of taking massive action because ultimately that's where the real success from investing in yourself today comes from is about taking what you learned in integrating and applying taking massive action. Until next time, Elevate nation. Thank you so much for tuning in, and we will see you next time.

[OUTRO]

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