How Jim Huntzicker Made $1M Flipping An Apartment

Hosted by: Joe McCall
Guest: Jim Huntzicker

Joe: Welcome. This is the Real Estate Investing Mastery Podcast.

Joe: Joe McCall here. This is the Real Estate Investing Mastery Podcast. Got a special guest over here. His name is Jim Huntzicker. Did I say that right?

Jim: You did. Yeah. Thanks Joe.

Joe: Nice. And on this podcast guys, we're going to be talking about how he just made $1 million profit on an apartment that he just flipped and we're going to be talking about how he did that. Now, some of you may be intimidated like, oh, apartments, check, I'm out of here, or you might think a $1 million dollar profit. I don't believe that bs, I'm out of here. But stay tuned because you're going to learn some really cool tips and tricks and how even if you're a beginning investor, how you can find these deals, how you can find people to partner with them and how you can do this to. Jim's nothing special. He's a good looking guy. He's done a lot of deals, right? But we're not going to talk about his favorite baseball team because it doesn't matter.

Jim: Joe and I agree to disagree on baseball, we really like each other, but we agree to disagree on baseball teams.

Joe: Yeah. Even though he likes that other baseball team, we're not going to talk about who they are because they're horrible, but he's still doing these big deals. So we're going to be talking about how he made over $1 million on this apartment that he flipped and insane and it wasn't even where he lives, it was in another state. So I'm going to ask Jim a lot of questions about this. If you guys want the show notes of this podcast, go to RealEstateInvestingMastery.com, RealEstateInvestingMastery.com and you can get the show notes and the links and the transcriptions and all of that stuff and you can get more information about on Jim. But I'm glad that you're on the show on the podcast. Jim, how are you doing?

Jim: Good, good. Thank you for having me on, Joe. I appreciate it man.

Joe: I interviewed you on the podcast, boy, probably three, four years ago. Talking about how to find deals on the MLS. And so your an active investor and tell us where you live, where you're from and where you do most of your deals and all that good stuff.

Jim: Sure. I'm out of Chicago, suburban Chicago, it's where I've always worked. It's where I probably, I started in residential real estate 2005 and I stayed in residential until about 2013 when I started studying. And really I wanted to know more about multifamily, but there's so many facets of it, it's a little intimidating. And you know, and so, but you know I started studying and learning from a lot of people who, you know, like just like I did anything. I didn't reinvent the wheel on this, just like anybody listening. If you're new you shouldn't either. I went and studied people who are very successful at this and I learned everything there was, I studied for years, literally three years. I studied, commercial multifamily office deals.

Jim: Just learning the ins and the outs of the deal structures, what's possible, how you can finance, how do you know, is there a traditional loans? Do you use private lenders? Do you use a combination of the two, which is exactly what we do. And so a lot of these deals we're buying with none of my money down. And so it's, you know, but it took a long time. It wasn't a quick road to get there because then once you even get there and you have the knowledge and you've got to pull the trigger and now you're in the deal and that's a hard part too. Because we're not talking about, you know, $50,000 single-family houses. I mean the first one I did the first deal I bought was over a million dollars, you know, and so it is a little intimidating. And so, but I felt comfortable doing it because I'd studied so much prior to that, you know, and just like when I got into residential, same thing, I started kind of doing it on my own, realizing I don't know enough at all.

Jim: And that's why I got most of my deals out of the MLS originally because that's all I knew, you know. And then I started studying, learning more about private seller marketing. And that was like, 07, 08 I started really getting into, you know, different marketing. But I still got most of my deals until 2013 like 70% 75% out of the MLS. And it's still possible today, by the way. Residential, I don't focus on any more at all. In fact, I have one residential deal that I'm selling and that'll be it for awhile. Probably, maybe forever. Because my direction of my business now is into multifamily, commercial office and industrial.

Joe: Nice. Okay. You're not doing residential, you're doing multi-families now. So talk about why are you not doing residential anymore?

Jim: Well I think it's the wrong market for it, for what you know, for I've been doing I'm in suburban Chicago my office is in Schaumburg and you know, I was buying, my average rehab, I've done over 500 deals, and my average rehab was about $80,000. These are 2,500 square foot houses. In my entry level purchase price was about two and a quarter. And selling these things from between four and five most of my stuff. And so they're just bigger deals and there's a lot, you know, a lot more money involved. I wasn't doing $20,000 flips and so the market just changed and, you know, the deal's got, not hard to buy, because I still find it, but I got to pay more than I want to. And the margins got slimmer and this is just the wrong market for what I was doing for years and years, it's no longer the right market for it anymore. And not saying I won't do it again. Right now I'm done with residential. I'm not saying in five years if the market takes a dip and it makes sense again, I won't be in there again.

Jim: But for now I had been studying commercial because I just wanted, I always had an interest in apartments. And so once I learned enough, pull the trigger and now I'm full on in and all I want to do is buy as much as I can and I have a ton of money behind me to buy it. It's not like it's that just even private money. We have funds that are coming in these deals and so literally hundreds of billions of dollars I have to deploy on multifamily right now. Well I mad it a point to find the right lending sources once they, I prove my model, these guys were like all right, go spend our money. So that's what I'm doing. I'm trying to buy as much multifamily as I can right now and it's all value add. I don't want anything that's you know, stabilized and in good condition and that's fine for, you know, like a fun to buy or a rehab.

Jim: But that's not what I want. I only want value add stuff. That's what I'm looking for. I'll give you an example. I got one under contract right now it's 160 units. I'm sorry, that was 140 units and it had been vacant for like four or five years. It's brick, but it needs about $4 million in renovation.

Joe: The whole apartment building has been vacant for how many?

Jim: Yeah, it's actually like 14 buildings on six acres and it's been vacant for a long time. It just got run and it's almost condemnedable. But since it's brick, it is salvageable.

And so I went through with the contractor who's done about 10 jobs this big, you know, is obviously a big national contractor that knows what he's doing. And yeah, we can get this done for about three and a half.

Jim: And I figure with the, oh shit, oh crap stuff's going to come up. It's going to be about a $4 million job and in the end, but we'll be into it for $5 million total. And in the low end on the low end, it'll be worth $7.7, $7.7 million. So we'll create that equity spread on that deal, about a little over $2.5 million. And to keep it, and again, that is on the low end. And like it's funny with this that this particular property, because it is vacant, we're actually going to turn it into a 55 and older, not like assisted living by any means, just 55 and older because those people come in and they're quiet, they keep to themselves, they don't trash your place, they pay and they don't leave. You know, because they like a nice clean place.

Jim: So we're going to rehab all these things put granite in them and you know, so because it's vacant, we have an opportunity there. So I mean that's a huge, huge deal. But another one I'm rehabbing right now is 105 unit, 105 unit we bought for $2.2 needs about $1,000,003. So that one will be into it for, you know, $3.5 and it should be worth in the end at about $6.3 is what that one will be worse. So we're creating pretty large equity spreads on these things. And the great part is we're able to pull out, our end loan or refinancing at 80% and pulling out the equity and the equity is not taxable because it's just your equity it's not income. You created equity and it's now yours to pull out tax free. So that's part of it too. So all the partners in the deal, if we pull on an extra $800,000, just bonus money, we all take a piece of that and then we just rent the place for the cashflow ongoing. These are long-term deals that I'm doing.

Joe: So you've come a long way since we talked before on the podcast and your doing houses. And that's one of the great things I love about real estate is because the market shifted, you were able to shift with it and be flexible with your strategies. There are certain times of the market cycles that go up and down where maybe foreclosures are the best things, the easiest things to do on the MLS, and then that dries up. Then it's doing short sales and that dries up or maybe it's buy and hold rentals or maybe it's wholesaling, maybe it's lease options or owner financing, retail. So there's depending on how, what direction the market is going, there's different things that you can do. And if you're smart and one of my favorite books is Who Moved My Cheese or Who Moved The Cheese, right?

Jim: Yeah. Yeah. I love that book.

Joe: And it's about just being aware of where the cheese is going and not being so dogmatic and stuck in your ways, you don't adjust but you are always looking for new in a smart way. But how did you Jim go from like, because you know houses are kind of relatively simple and easy, to like these big complex apartments that, how did you make that shift and start focusing on that?

Jim: Well I used to, I always had an interest in apartments. I wanted to own apartments and I'm in Chicago and this is the last place you want to own apartments or really in rental properties for that matter. We have the rent rules in my market in Cook County specifically, which is where Chicago is and I'm in the burbs but I'm still in Cook County, is ridiculously favored in the tenant. So they could, if they know what they're doing, they can live in your property, they can stop paying you and lived there for six months for free and there's nothing you can do about it and the judge will allow them to do it. And now that's never happened to me. I've had people stay there for a few months and that was, you know, annoying. Because I still have payments on my rental properties and so I got to about 14 properties here.

Jim: I'm like, this isn't working for me it's taking a long time. So I bought a couple of duplexes and I bought a four unit. All here still in Chicago and it just wasn't driving the needle for me. It was like this is just taking too long to have, like I just want to buy a hundred at a time. And so that's what I really started to research, multifamily and you know, the ends and the outs of it. I mean I didn't know anything about it other than I wanted to do it. So I started studying and paying attention to the right people and you know, you hang around the right people and you ask the right questions, you're going to learn the right stuff. And I've paid, you know, paid for education, which I do every year. I mean, you know, masterminds and I listen to podcasts, you know, and I go to masterminds and I pick people's brains.

Jim: So I know that I want to know and I have information, you know, so we, we share information with each other and that's how I did it. I just did a lot of research. I wanted it, so I went out and figured it out, you know? And so that's what happened. I knew residential wasn't going to last forever and I was kind of annoyed by it because as the market got better, you know, the margins went down for a couple of reasons. And the contractors there's a shortage, you know, anybody who rehabs knows there's not enough contractors. So it's like you'll get a bid from one, maybe in two to four weeks depending on how busy they are and the number is based on how bad they want to do the work. And you could tell like, you know, these are contracts that I've used before.

Jim: I'm getting bids like double what I expected. They were like, well, we're busy. And so like, okay, well obviously you just don't want the work. And so that happened to me enough times where I was just, I was done. So I really went full force with commercial a couple of years ago. And because of that and it like, you know, I'm a pretty aggressive individual and once I put my mind to something, I just put my head down and started doing it. And I learned enough where I felt comfortable. First couple deals, I was still nervous, you know, because it's like, oh this is $1 billion property that I'm about to put my name on and I got to make this work.

Jim: So I mean like, you know, the million dollar profit. We will talk about here in a second, that's not the brag, that's just happened. And we got a really, really good deal. I met somebody at a mastermind at lunch, that's how I got that deal. And they were a partner on it. They didn't know how to do the deal. They didn't know how to take it down. And I did and I brought the financing to the table and what wasn't even an easy deal, we thought it was going to be a three month flip, but the first buyers backed out the week of the closing, threatened us, sued us. They turned out to be attorneys. So they scared the title company. The title gave them their deposit back, which they had no business doing. Oh yeah, it was all like, wait, wait, what did you just do? Well like, well you have to sign off. I'm like, I'm not signing off on anything.

Jim: I said it's our money it's hard. And anyway, there was a whole debacle in itself. Then we found the second buyer, second buyer. So this is three months when it said it took 19 months, three month flip that took 19 months. And the second buyer, I mean this is ridiculous, I felt terrible but the second buyer or lost $200,000 in a nonrefundable deposit because they couldn't perform and this asset was losing money. So it's not like that was bonus money for us. We were having to pay for our loan debt service with that money and we ended up putting $40,000 because we kept it longer than we expected. So we ended up putting 40,000 in to fix the lowest hanging fruit to get the rent roll up just a little bit. But we're still only talking about this thing being at 45% occupancy max.

Jim: That's all it ever got to. And we were able, we bought it for $1,000,250 we put only $40,000 into it, that $200,000 it was not loss, it didn't go to waste. We were able to keep some of that. But in the end we sold it for $2.3 million in current condition. It still needed a complete rehab. The $40,000 we put in was just to get a couple of units rentable that's it. We didn't really fix it up per say and we were able to sell it for $2.3 and we sold it a couple of times it's just a matter of then in the end, the third buyer, we were vetting the buyer very strong because the first one screwed us second one. I'm not sure what happened there. I feel terrible for those people because they lost a bunch of money but nothing we could do.

Jim: That's business and the deal didn't go their way and we legally we're able to keep the money. And so the third buyer we took about six months to accept an offer from, we had multiple buyers, but we just didn't feel they were the right ones. And so we finally found the right one, took it and it took about, it was 70 days from the day we accepted his, you know, put the offer together until we were able to close and you know, the total profit on it was $1,000,060. It was, I mean it was obviously fantastic. We are very pleased with that but those deals are all over the place. All that was, was that was a property that is under maintained forever under managed. It was kind of a slumlord situation where it was just not great. None of the tenants were happy. They actually, get this in their lease it said their lease, their rent payment is so low. I like their saying, we give reduced rents because your expected to do the maintenance on your own apartment.

Jim: So how good are the tenants going to do maintenance on their own apartment? Terribly. So the maintenance on these, it was just ridiculous. I mean, there was stuff was in shambles and but that's what we're looking for. The stuff that's under maintained, under managed, you know, whatever it is, it just needs a bunch of work. You know, like I said, one we're putting in it's $1 million, were buying it for a $1 million and putting $4 into it. We're going to end of the thing for $5 million and $4 million of that is rehab costs. But that's how that deal went down. I literally was at a mastermind, somebody sat at my table, got to talking, they had this deal. I'm like, that sounds like a pretty good deal. Like, why don't you email me the details on that so I can do a little bit. And as soon as I saw it, I'm like, I'm in like I it was a great deal and it turned out to be a really good one. I mean, now they're all not going to be home runs like that, but those home runs are out there all over the place, you just got to find more deals.

Joe: There's a great marketing tactic, it's called flap your lips. And sometimes that's the best way to find deals. Flap your lips get out there, the networking events, masterminds, local, REIA's whatever, and start talking to people and just finding out what they do. And you know, one of the reasons why we're doing this podcast, we were talking about these deals because maybe somebody can, who's got an apartment like this can bring it to you and say, Hey, I don't know what to do with this. What do I do? Let me rewind a little bit more. What were some of the books that you read or maybe some of the courses that you bought to learn about commercial real estate and apartments?

Jim: Well there's so many out there, but you know, I really, I'm not a huge reader as much as I have, I could show you a couple of hundred bucks over here on my shelf, all of which I intend to read at some point. But I just, yeah, I'm kind of an ADD type personality and I run pretty fast and reading, I can get through bucks and I don't remember a lot of what I read. So one day when I slow down, maybe I'll read some more books, but it was more networking and talking to the right people and absorbing information and reviewing deals and talking to people about their deals. And this is just like, like a, you know, high level people that have been doing this and like Tim Bratz is a guy who's killing it right now in the multifamily.

Jim: And you know, I went to his event years ago when it was the first one that he had and I talked to him a lot and I learned a ton there. I mean, he's a wealth of information. That guy and I just went, I went to others like Tim that we know some people that you would never even heard of, but they're just doing, they're killing it in multifamily. They're not like people would attend events. They're not people you would ever know., they're just people. You know one guy owns 6,000 units that I obviously picked his brain a lot. You've never heard of this guy. And he doesn't want me to say who he is because that's not, that's not what he does. He just owns apartments you know. It's, so I just, I through networking through REIA's through masterminds I would ask you know, and so I got to people and I wasn't looking for the gurus at all.

Jim: Not that I was opposed to that because Tim is, you know, teaching out there and Tim does a great job. But I want the guys that, this is just all they do. They're not looking for notoriety. All they're doing is, they're just grinders, they just do deals. They put deals together, they rehab units and they keep them. And so I actually got to people, my goal is to get the people that didn't have any kind of status it all just to say, you know, 5,000 thousand. That's 5,000 doors by 2030 and so I wanted to talk to guys who had that many doors. Because that's, you know, if I talked to guys that have a thousand doors, well there on my way, but I want to know that I want to talk to the guy that has 6,000 doors because that's the guy I want any like that's the guy that I want to be like.

Jim: And so that's what I did. I got, I got to the people that didn't want to be gotten to it and I talked to them. And that's where I learned the most because those are, those are the best people because you could get, and they like to talk, they're just, they're not, they don't want to be a public figure in any way. But they're usually great people. If they've done that well in business, they're happy to talk to you about it, you know, and take them to coffee and offer if I can help them in any way. Can I do something for you for free, just because I want, I'd love to take you to lunch, you know?

Jim: And so that's something, a new person, there's so much value if you can offer just even your time to somebody like that. Like I can do like if you're just beginning and you don't know what to do, you're know like offer doing paperwork in their office for free. Who cares? If you're around that environment, you're going to learn so much. And so, I mean the point I was, I wasn't willing to do like the paperwork stuff, but still sitting down with these guys. It wasn't as hard. I mean, just have to ask. I all I did was ask and not everybody said yes, but enough people said yes and I was able to get my information that I needed and here I am full steam ahead, buying as much as I can.

Joe: What if you just found one of these guys that has 5,000 doors and say, you know, I look, are you, are you looking for more deals? I will go and drive by all of these apartments in whatever target area you're looking for. I'll go spend a couple of days driving and I'll write down address. I'll go to the front office, find out who the owners are and the management and I'll start making phone calls and I'll start doing marketing for you. I'll be your bird dog trying to find these properties. Who would say no to that, right? Nobody.

Jim: Nobody. And if anybody wants to do that for me, I'm completely open to it. It's part of why I'm doing podcasts and I'm trying to meet local operators that don't know how to take down the deals that they find or can't get them financed. We can get them finance at, no problem. We come in with systems, we come in with the rehab team, we come in and you and you stay in the deal. We want the local operator, the guy who brings us a deal. We want you to stay in the deal as a partner and so it's not like you bring the deal and we squeeze you out with a wholesale fee or something. That's not what I'm doing. It's not what, we're meeting people that actually want to stay in the deal. They just don't know how to do it.

Jim: Like me, when I started, I had an interest, I had an interest in multifamily. I didn't know what to do or where to go with it. I didn't have any deals either and if I did have a deal I wouldn't have known what to do with it. So now that I do know and I have the money behind me to buy them, I'm out here trying to help people like me when I got started because I was scared. You know I did four years ago I would not have, I mean five years ago I would not have bought $1 million multifamily because I had no clue. I was just starting to study it back then. So there's no way I would've pulled the trigger on it because that's not wise to do. You know the business, I mean, it's all a risk, but you know, even the stuff we know is a calculated risk, but some you win some you lose some.

Jim: The idea is you win more than lose, you'll do okay. Nobody wants to lose. But the reality of businesses is that happens sometimes, you know, and so, I especially in multifamily that yes, the profits can be bigger, but the losses can be bigger too. So you got to you know, really got to watch it. And so that's what I, that's why I'm here. I'm trying to meet local operators. They just don't know what to do. You know, they want these titles they have in their market and they just don't know how to take them down and don't know how to finance them.

Joe: So this deal that you made $1 million on, that was your net profit.

Jim: Yeah, $1,000,060 was legit net. I mean, I got HUD to back it up, net $1,000,060

Joe: You got Uncle Sam to pay of course.

Jim: Yeah. Well we had partners, the whole thing wasn't mine because there were partners on the deal. The total profit from the deal was $1,000,060 divided down, but still that was, that's a legit real, and I'm not talking about it on the public airways looking for the FCC to come after me because I didn't do it. So we had a HUD's to back all that up. And yeah, it was just one of those deals. We didn't know how good it was. In fact, we thought originally we thought it was $1,000,007. That's what we thought when we got it for $1,000,250 we thought we can get this thing for like a million. Like we can make $500 what we thought a million.

Jim: And as we got into it, the first, the first buyer was not interested at $1,000,007 actually it was a bigger player in the, in the apartment world. And he just, he wants at $1,000,007 was not interested in it. And we were like, oh no, we kind of worried there. And then the next buyer came in and we had them at $2.5 so shockingly we were like scared to death because oh my God, $1,000,007 somebody, some big player didn't want it. We put it back out there to a couple, you know, a couple of people we knew and all of a sudden we get somebody, you know a lot more, that buyer backed out. We had somebody at $2.4 and we ended up at $2.3 is what we sold it for. And again, not putting much into it at all.

Joe: Now this, this property was, and you're in Illinois and this was in Oklahoma, is that right?

Jim: Yeah. Correct. No I'm a very intense individual and I've realized like just how I do everything is that kind of attack it. And if I do stuff here, I'm going to be involved. Like I'm going to be there more than I need to be. And what I realized about myself is do it, because I do deals all over the country now and it's made my life a lot easier and I get more time with my family because I can't be there. I have to be resourceful and figure out how to do these things. And so it's actually been great. I did it, you know, I did it by design after I realized I had to. Because I didn't want to be as involved in the businesses and the way that I'm wired and just things. I'm a doer, you know, I get stuff done and I still do, but now I just have to be more creative with how I get it done because I can't be there all the time. But like, I'm in Oklahoma every other week, every two weeks I'm there.

Joe: Okay, good. So I've got a couple of questions I want to ask you, like, how can people go and find these deals and bring them to guys like you, number the one. But the other thing I want to ask you is about the risks involved. Like some people may say, oh it sounds too good to be true, but there, you know, there is some risk involved with big commercial properties. People wonder too like did I, is it too late? If I missed the apartment wave, what would you say to those folks that think it's too late or think it's too risky?

Jim: There's always opportunity. There's always, because a lot of it, the best deals and multifamily that we've found, the best deals are with local one off operators that got some money 30 years ago they built an apartment complex. They weren't actual true operators. They were good people. They just didn't know how to run it and they weren't putting the money back into it. They were just taking everything out. The rents aren't high enough, just improperly maintained and managed forever. And those are all over the place. They are all, and you know after 30 years all this deferred maintenance that has not been done it needs to get done now. These things need roofs. And these people can't afford to do it because they've been taking, that's been their income. And there's just, there's no extra money there.

Jim: So they, they are selling them because they can't afford, the deferred maintenance is so bad now they need to sell them. And so those are the deals we're looking for, that you know there's 12 buildings and they, you know, six of them need roofs and it's going to cost $500,000 grand to redo all of the roofs on them. So a lot of the stuff that we liked, a lot of people that are bringing us deals, it's drive by's, it's stuff they just are aware of. You know, you can find out who owns them and there's, there's, you know, Costar, there's several different ways you can pull up who the owner is. And if you don't know how to do that, call me. I'm going to give you my information at the end of this. Call me, email me, I'll find out who owns it. I'll get you in touch with them.

Jim: You start talking to them. I'm not, we want local operators. So if you want, if you're calling me, don't worry if you don't have to deal under contract, I don't care. Like I need people like you to grow this business and so I'm not looking to squeeze anybody out if you don't know how to do it. That's why I'm here. I'm going to help you with that. If you don't know how to contact them, I'll help you with that too. But if you have a deal you think is just beat up and it's like a, it looks like it's 50% occupied, 70% occupied and it just, it needs a lot of work that that's what we're looking for. So drive by stuff. Is it just something, you know in your local area that there's an opportunity there because it's just under maintained? Those people, you know, a lot of are talking about selling, thinking about selling.

Jim: They have for awhile, if they have somebody contact them with a cash offer, they can close within, you know, 30 45 days and get them out of this problem because they have, you know, six roofs that need to be replaced. They're going to be very interested in talking to somebody like that. And so we make them, you know, we're paying as much as we can for them and every offer we've had on properties like this, when people come to us, they're very receptive. Not every time we buy it of course, but they at least are open to the conversation.

Joe: Yeah that's good.

Jim: Because they know it's underneath me. They know it needs a lot of money.

Joe: What about the risk involved with owning commercial properties? What are some of the risks involved and how do you avoid them?

Jim: Insurance one. I mean, you know, I'm a big, I mean I'm never under insured, that's for sure on everything that I own. I'm over insured just because I think that, you know, especially in commercial, there's so many stuff. I mean there's, you got to worry about, you know, people having fight or assault and battery is a separate kind of insurance on your property that you may or may not be able to get. Meaning, if there's nothing to do with you, if there's an assault and battery on your property and they want to sue you because the assault and battery happened on your property and you don't have coverage for that, guess what, you're SOL. So you've got to make sure you're, I mean that, that the risks are knowing the proper insurance to have and that's something I did research for about seven months on its own because the policies are so extensive that I, in an Oklahoma it's a whole other world because in Oklahoma I own a couple, so that's why I keep referring to Oklahoma.

Jim: But their insurance there because of the weather, like they have, you know, extreme wind, hail is extremely expensive because the way they explain it is your basic financing your roof and siding, it's going to get done in 10 to 12 years because of a major storm. That's just a fact. So the insurance here is astronomical, but the way that it was explained so that I could like sleep at night is that you're financing the cost because going to be replaced soon because otherwise I was like, what is going on? Like we, I didn't, ii's over double what I expected. I mean way over double what I expected. And but it's just the way it is. I mean, there's only two major carriers that'll, that'll insure out there that are good. You know, one's Lloyd's of London and that's who we have.

Jim: Because that's just who's willing to insure that that kind of product when they're, when they're stabilized, it's a different story. There's a couple of more carriers that you can take out, but it's still not cheap because of the, you know, and that's just unique to Oklahoma. But either way, like having the right insurance and just making sure you have all your ducks in a row. I mean, if you're buying a, you know, whatever these are $1 million, $2, $3. I mean that by the way, I know that we said $1 million profit that I had. I sold it for $2.3 it wasn't like it was a $10 million sale that was bought for $1,000,250 and sold for $2.3 so it wasn't a crazy big, that was just, it was a home run, you know, there's no doubt.

Jim: I don't expect to make every deal, every flip like that. That's why we didn't keep that one by the way. We knew there was such an opportunity to flip it and bought a chunk right now. That's why we didn't keep that one. Everything else I'm keeping, I don't want to flip them. If flipping makes it just like, just like the reason I got out of residential, it just wasn't the right time anymore. So most of the time flipping them is not going to be right because I want to keep everything and hold it for long term cash flow. That particular asset, obviously we made $1 million bucks flipping it and it made sense to do okay. But the risks are, you know, just, I mean, they're bigger deals, there's more money there. There is more risk plain and simple, you know, mitigating that risk is having as being educated.

Joe: Yeah. And partnering with somebody who's been there, done that I think will help a lot.

Jim: No, exactly. That's what I did at the beginning and that's why I'm here. You know, I mean I realize that there's, there's a need for that in the market.

Joe: Are multi-families recession proof. So if the market goes back into a recession, how do you protect yourself in those cases?

Jim: Well, I mean, in many cases when, you know, the market dependent, most times when there's a recession, the rental market stays very stable, you know, and so, I mean, a B class asset become a C class asset during that. But that's okay. You know, you're still writing a C class asset, you may lose a little bit, as far as what you can charge. But you know, if you have an A class it becomes a B, but either way, people still need to rent. In fact, more people need to rent during a recession because a lot of people are losing houses. So no, that's also why I went into it, I mean I was, I was buying them one off because I wanted somebody rental property as possible. I transferred to apartments because I realized how stable it is even if the economy tanks, that's not something that goes under. In fact, if anything your rents can go up depending on your market. So no, I love it. I don't want us call it recession proof, but it's very close to recession proof because more renters come out when there is a recession. So that's why I went full on into it.

Joe: Yeah. Good. All right. So can you talk about real quickly here, how can somebody bring you a deal? Like how can they go out and look for deals? How can they, is it just driving for dollars? Can they do direct mail? Can they do Facebook ads or how can they find deals?

Jim: All that, I mean it's dry driving is how people are actually finding most of the stuff they bring us because they're familiar with the market that they're in and they're like, you know, I talked to this owner, I couldn't really get a deal done. Well, get me in contact with the owner if there's a deal to get done, we'll get it done and then we'll partner you, bring you in the deal and you'll be a partner on the deal. But yet, I mean, direct mail is not as effective because it's just kind of a different market now that it's not effective, but it's not something we do. We do actually, we pick out, we searched for specific assets and we will actually send them local gift baskets that it's just introduce ourselves. Hey, we're local operators here. We want to meet the other local operators.

Jim: We don't make them an offer saying we want to buy it. All we'd let them know is we buy distressed commercial assets and, and we're, you know, we think we need to network and we'd love to talk to you. You know, just because we're other operators, that's all we say. So it's not, there's no sale, there's no, we want to buy it because we don't, you know, we don't want to put them in a position where they're on the defense. We're just trying to meet other operators in markets that we're in. And so that's been very effective to just, it's a very, very nonchalant approach. It's kind of under the radar. We're just like, hey, let's be friends kind of thing, you know, and let's talk, you know, this network, we're both, we both own apartments and go from there.

Jim: And then you build the, rapport with them in the conversation, you know, when you talk to them, you try to, you know, meet them. It's something that you think is a good fit and that's extremely, extremely effective. Just befriending them, because we're both multifamily people like that. So, you know, if you're not, don't own yet, that'd be a little more difficult. But still like that, those approaches we're not just straight up like, you know postcard where you saying, you know, we buy houses, cash that does not work for this, you know, this, it's usually a little bit more of a sophisticated seller here and you know, even if they're not the, we buy houses, cash stuff is not going to work for multifamily. So you have to send something with a little more creativity. And so that's why we're not even asking about a sale. We're just trying to meet them and say hi.

Jim: That's it. When we let them know we buy as much multifamily as possible. If you know of anybody that's selling a multifamily, like we don't ask for, there's directly, you know, like we know there is a very soft sales approach to coming in where it's not awkward because we're not asking to buy their thing. We just want to talk. That's all. And that's very, very effective.

Joe: Yeah. Yeah. I like that.

Jim: The gift baskets are really goo to though. Like with local product stuff, that's good.

Joe: Yeah. Okay. So are you buying, are you mainly focusing right now on underperforming apartment buildings?

Jim: Yes. About to buy an office complex in my own market, shockingly, because the taxes are outrageous in Cook county commercial taxes on a building that's worth $2.5 million or $250,000 a year. I'm not kidding, but the deal makes sense. The deal, I'm not going to go through that deal, but that deal does make sense because there's a value add opportunity there and it's in a very, it's an A class asset, but yeah, to, I'm going to buy it for $2.5 and the taxes are $250,000 a year. It's outrageous, but the numbers still work, believe it or not.

Joe: All right. All right. So if somebody finds a deal or they're just talking to somebody, they find somebody who knows somebody who's got an apartment building that needs a lot of work. That's the kind of apartment building you're interested in.

Jim: Yeah, absolutely. The more work, the better. You know, the more value add the better everybody. You know, if something is 70% and there is an opportunity to just stabilize rent, the rents are too low because, you know, that's stuff we buy too, I want the more value add the better. But if there's a re stabilization play, just because it's just, it not being, they're not charging enough because they've owned it for 30 years. Excuse me. There a little out of touch, you know, that there's an opportunity there too. So that's on the opposite end of what we're, you know, what our target is, but we'll buy that stuff too. Ideally, the more value add about it, the more work it needs is what we're really looking for.

Joe: Does it matter if it's in the city or out in the country?

Jim: nope. Now as long as long as the numbers make sense. I mean there's got to be a market for rental. You know, we're going to do a rental analysis wherever it is to make sure that there is a market for the rentals from what, you know, what this product is. But as long as there's a market for it absolutely we're in.

Joe: Talk about the numbers a little bit. What are the numbers that you're looking for in terms of cap rate and occupancy or whatever that makes...

Jim: Well the occupancy is I mean, I'm buying one that's vacant, right? And so I bought, I bought other ones that, you know, 40% occupancy, which were just, you know, like basically drug dealers living there at that point because they were in shambles. And so we had it, we got to, we go in and we get all the riff raff out, which brings it down like 20% occupancy. And then we've got to get back up slowly, which is very difficult because usually they're, you know, they're still crappy, but you've got to bring in money because you have a debt service to pay. So it's kind of a, there's a bit of a balance. And a lot of times on the loans we have to take out extra money at the beginning to pay the debt service because we don't have enough, you know. And so you, how you structured the loans is as part of all of this. And so we have one right now. It's losing $20,000 a month because we can't restabilize it because we're rehabbing all of the units that are occupiable you know, so we have to get those done and then we're slowly starting to fill them and then that will go away very quickly.

Jim: But yeah, what was the question again? As far as the...

Joe: The numbers, like what cap rates and things like that.

Jim: Cap rate know that's also market dependent. I mean we work off of %8, you know, an 8% cap rate because that's pretty common. You know, in most markets if I can the value can be at an eight cap from our end loan standpoint. That's all I care about because we're keeping these. So all I care about is what the lender is going to going to look at and value of the asset. And they value it strictly at that point on if the asset is stabilized, they value it strictly on camp rate. And so whatever, whatever, in that market %8 is a good number to use. It's fair. So some will be %10 some are %6 some are %3 if you've got to Seattle, I'm like I don't invest in Seattle.

Jim: If you have something in Seattle, not for me because 3% is not going to do it. That's more for the overseas investors that are parking money for whatever reason, but you know 8%, %9, %10 that's more where we are, but it's pretty common. And so we run most of our evaluations at an eight cap because that's what the lenders that will give us the end loan, they're going to evaluate it based on based on the cashflow at 90% occupancy or %95 if you can keep it there for three months, whatever you can keep for three months, %90 or %95 they will lend to you at 80% of what that is at an eight cap. It's, and so it's, it can be very, very lucrative. We cash out the difference we take it as non-taxable.

Jim: It's not income, just equity and that's just bonus money. And then we pay, you know, with the cash flow from the deal we pay a loan and we take the rest. I'm going forever. It's a pretty good thing. I mean, I studied for a long time and in what's funny is when, now that I'm in it, it's very similar to what I've done for years and years and years. The numbers are just bigger, there's more zeros. It is more risk, there's no doubt, but it's less work believe it or not. I mean, I'm shocked by it, at first I was I'm not anymore now I'm pleasantly surprised. But the, it's no more work than doing, you know, in fact, like a single family flip here in my market. I put so much more time into one of those than I didn't even do it to an apartment flip right now.

Jim: I mean, it's crazy, but it's true because I'm doing outside of my market so I can't be as involved and I have to be more creative. And so they're actually easier deals. I mean, they're riskier, but they're easier, they're less of my time. It's wild but it's true. So that's what studying and learning a craft very well before you jump into it. That's what it can do for you. You know, and you should not jump into multifamily. I mean, not even a little, if you do not know the ins and the outs, the financing, the cap rates, you know, the insurance, I mean, there's so many moving parts that go with this. The right stuff to put in. Are you buying, if you're buying a hundred lights, are you buying it from Menards?

Jim: Because you should be buying from a wholesaler, I mean you can get it for a third of the cost for the exact same lights, you know, and like where you're, where you're ordering all your stuff. I mean, we just ordered $50,000 in lifeproof flooring that will cover the entire complex. That would have been $90,000 if we went to Lowe's. But we got it from, you know, Home Depot. We got it from Home Depot's wholesale division you know for $50,000. So you just got to know where to buy these products. So you're not paying full retail or, or close to that cause you can get it when you're buying in that bulk of you know, buying anything in bulk, you can get it for 75% less than retail in many cases. I mean, it's significant.

Joe: Nice. All right, so Jim talk to the beginning investor out there who may be a little intimidated with multifamily and how can they get started? How can they go find a deal and bring it to you and learn the ropes from somebody who's already doing it? That sounds like a brilliant idea to me. Right? Why you have to go reinvent the wheel partner with somebody who is already doing that deals and learn how to do it from them

Jim: And then go out on your own. I'm not like, you know, just because somebody brings me a deal like we do, we partner on one, maybe two, and you learn it and then you go on into your own. You're not going to offend me like I get, that's the way that's what I've done. You know, I've partnered with people I learned and then after I didn't need to anymore that's what I'm doing now. I'm doing it on my own, you know? And so I don't expect people to stay with me forever. I mean, you're more than welcome. The more deals and better for everybody, but how to find the deals and bring them to me. I mean like you just email me by the way you, you can call me, I'll give you my number.

Jim: I'll give you my email here and call me email me the deal if you have any questions on it. Email me everything you know about the deal and we'll analyze it. I will tell you this, that your goal, your entire goal with multifamily or commercial, when you're evaluating, you should be trying to kill the deal every single deal. your goal is to kill it. If you can't kill it, it's a deal. But your goal is you're looking at the numbers, trying to kill it because most of the deals you will kill most deals are not deals. So if you're evaluating 100 you might be able to buy two of those. So just know that this is not something you're going to see six deals and buy two of, you might have to look at 50 60 deals because you're going to say no to a lot.

Jim: I'm not saying it's going to be 2% but it's not high. It's not 10% either. So you're just don't think that every, the problem that when people have been bringing me deals and they're all excited about it and they have one deal and it's the first year they've ever brought and they think it's a deal and they want to do it so badly and I'm looking at it, I'm like, it's not even close to a deal that we can do, at least not at the price that they're want not right now. So we can put an LOI together, which is a letter of intent and give it to the seller and say, here what the terms we are willing to do, which you know you want $5 million, we can pay $3 million$. Now the odds are that's not going to come together.

Jim: But that doesn't mean the answer is a hard no. We might be able to meet a $3.8 we might be able to be, you know, somewhere with the numbers that make sense. So just you bring me the deals that you have that you don't know how to do it or if you don't know if their deals or not, we'll get them evaluated. My team will evaluate them, we'll take a look and we'll get back. Just, hey, this is a deal, something we can go forward with. Let's get an LOI together, let's get this seller on, you know, on paper and we'll start doing our due diligence.

Jim: Because we don't do the hardcore due diligence until we have an LOI accepted because there's no reason to do it otherwise. And you know, the due diligence period is generally about 30 days for these and we close 30 to 45 days after, depending on the asset. But the money that I have behind me, we can close in 30 days every single time. So if it's a slam dunk and we're like, all right, we're done with this thing, we just fund it, we look at it 15 days, we'll fund it 15 days later, the money's there ready to be deployed whenever we say yes.

Joe: Nice.

Jim: We have guys behind us, they just want, they want to put money in multifamily, lots and lots of money in multifamily. So we're trying to find them in much of it as we can.

Joe: We have people commenting right now and YouTube and Facebook, Jim, saying they're saying things like let's go cubs.

Jim: Yes, yes. Thank you. Ah, they had a little run at the beginning. It was ugly, but it's started to look a little better.

Joe: Somebody else's saying here, commercial real estate is the truth. And somebody else is asking what part of the suburbs? By the way, if you have a question you want to ask Jim and you're watching this live right now, type it in the comments and I will ask Jim your questions. I should have mentioned that at the beginning, but somebody else is asking here. David is as what part of the suburbs are you from? Schaumburg area.

Jim: Yep. My office is in Schaumburg. There's a big mall here called Woodfield Mall. That was the biggest mall in the country until they open Mall of America. But that's where my office is right by Woodfield.

Joe: And somebody else was asking about the difference between, think we already answered this. How has the marketing different from single families versus large multifamily? Just to summarize it again, I think it's more you got to get personal, get on the phone, talk to them. Bellybutton to bellybutton

Jim: It's more niche than general. Like you know, most of the residential stuff is very general. Like I'll use the, we buy houses cash postcards, right? Like, so a version of that. Pretty generally, you send out thousands and thousands of them, which you know, all of us have done and it's very effective and it works. But with this that doesn't work for this consumer, they're a little more sophisticated. Even if they're not sending them a we buy houses, cash for your apartment complex just doesn't work because they're thinking like, oh, this guy is just going to rip me off. You know, they're not going to give me enough money. I have a whole apartment complex, you know?

Jim: And so that's why the approach has to be a little more personal. There's got to be a different touch. Like the initial touch has to be different, which is why we came up with just introducing ourselves as other, you know, apartment operators in the country because it doesn't have to be in the same area and we're, just networking and trying to meet other apartment, you know, owners that and see if we can share ideas and help each other out like that, that is extremely effective.

Joe: Okay. All right. So how can people get ahold of you?

Jim: They just emailed me. I took, you know, I was, you know, Joe. I was marketing myself, I had a product for a while. I was out there in the eye and I didn't love it to perfectly honest. That's why you guys don't see them. If you know who I am from that MLS Domination stuff. So I took my website down. I'm just, I'm doing deals. That's all I'm doing over here. I'm grinding it out, doing deals in the background now and so you can email me. My email is my name. It's Jim@JimHuntzicker.com so that's J I M @ J I M H U N T Z I C K E R.com. Or you can call me at (847) 772-5302. This is real deals. Don't, if you guys don't call me to talk, don't email me to say, hey, thanks. I'm looking for deals. I'm busy over here. We get deals emailed to us constantly. I will help you evaluate deals, send me deals, I will help you evaluate them that's what we do. So I'll get it to my team, we'll have it evaluated in a day to let you know if it's an option for us to at least go to the next step.

Joe: What was your phone number again?

Jim: (847) 772-5302

Joe: I will put these in the YouTube and Facebook comments, but Jim @ Jim H U N T Z I C K E R.com. Jim, JimHunsaker.com you got it? (877) 772-5302. I just put that in the YouTube comments and I'm going to do that right now in the Facebook comments, we've got another question that came in from a viewer that sounds weird. A viewer on YouTube, sound professional. Now this is from Joel. He says, I've been working with a syndicator who will fund my deals, but everyone is asking for proof of funds. I do not have a million dollar proof of funds. How do I get around that? And he's saying this guy can fund the deals. But like if somebody brings you a deal and they're talking to the owner and wanted a proof of funds, how do you, how do you help with that?

Jim: Just call me. I'll get you a proof of funds so you can put the deal together. You're syndicators should be able to do that. The problem with that, we don't do syndication stuff. It's just we will, I'll bring in one investor per deal to do the down payment or you know, sometimes even the guys we had the funds, we have financing it will partner with us it just depends on the deal. But syndication stuff. That's how that guy lost $200,000 grand on that deal that I told you about. That was a syndication deal by the way. So that dude put up $200,000 grand from the syndicates by the way, who all lost $200,000grand. And so I don't like syndication deals. It's not something that I plan to get involved in. I know it's a way to get, you know, to pool money together.

Jim: But there's so much, so many other options out there right now that are very easy, a lot easier than that syndication deals there's just a lot of moving parts are complicated. And personally I don't love them. That's just not, you know, like, because you have so many different people involved. You have people putting in, you know, a couple hundred thousand here and there to get to your million and, and they're all, I don't know, I just, it's not a deal I don't love them. I mean my, all my stuff is funds. It's, you know, it's Venture Capital Funds, Equity Funds, you know, guys with lots and lots of money that are looking at evaluating these assets and they, a lot of times they want a piece of them.

Jim: So I know not what we do is we'll be in one, not, not multiple. If we need, you know, a 30% down stroke we only have one investor come in as a sponsor, we call it. And so the sponsor comes in and all he is is that money. But if he's putting in 30% he's getting 30% of that deal. By the way, 30% of that deal of the equity is his. So we pull out $1 million, $300,000 of that is his, you know, and the cash flow moving forward forever, whatever the profit is, 30% of that is his forever because he's the one that put the down payment.

Jim: So that's how we're getting these financed. So the person who is giving you the money should be able to give you a proof of funds for you to submit offers with. If they can call me and then we'll work together because it's not working. You need a proof of funds in order to submit LOI's. The LOI has to come in with a proof of funds or a preapproval of sorts.

Joe: Nice. All right. By the way, guys, if you call Jim or email him make sure you heard you tell him you heard about him on this podcast, I want to hear from you. I want to see, I want to see how you're doing with this. This is so awesome.

Jim: Yeah, everything comes back Joe I'll let you know what's going on with it. So yeah, please tell me you heard about it on this podcast.

Joe: Nice. This is another question here. How small of a dealer you're looking for. Is there like a lower limit that you won't, you don't want to go below?

Jim: Really 90 units is the minimum because what we were doing in all of these complexes, we have onsite management because at 90 units you can afford to pay for that. You don't need to hire a management company, so you have a full time, part time property manager, you know, leasing agents and then you can also afford to have a full time maintenance guy with that many units. So that's our minimum is not as much as how much money it costs it's the unit count. So because at night at 90 units, whatever market that's in, we can sustain having a full time, part time leasing agent and a maintenance guy. So the price is not as important as how many units. 90 is the minimum.

Joe: Okay. Somebody else is asking here, I know how to evaluate a deal, will you keep me in the deal if I bring you a good one? So talk about how you keep people in the deal and do that.

Jim: Yeah, absolutely. That's why I'm here. I'm here to meet people and keep them in deals. I'm not here to squeeze anybody out. Every deal is different. It depends on how much involvement you want. It depends on the deal. It depends on what the structure already is. If you've set up, if you've talked to the owner, I mean every single deal is different, but you're an equal partner in the deal. Like you know, so it's just sometimes, so when we bring in, let's just say you bring me a deal, here I'll give you a structure.

Jim: You bring me a deal and it's a home run we're in like we're doing it right. And so on. I got to bring in a financial partner to put down 30% or 33% let's call it, to make it easy for this explanation. Well in that situation you would be a %33 I would be at %33 and our financial partner would be %33. financial partners is completely silent, they do nothing else but bring money to the table for us, that's it. We don't hear from them. They don't have any input. There is nothing else but the money. And they do get a 30% equity share with all the profit. And so that's how that deal would break down. Sometimes there's more creative ways to do it. Sometimes they're different. Sometimes there's more partners. Because if you have, you know, so just every deal is different.

Jim: But that's a basic structure. We keep you, you're a full share partner, whatever we're doing, I want you in the deal that that's, I'm not here talking about a million dollar profit because I'm going to say, oh well you can get 2% of that deal thanks for bringing it to me, you know. Like I'm looking for real partners that really want to be involved in the deal. They want to be, you know, be operators on some level and we can grow it with you. If you're looking at grow in your market, that's fantastic. The more the better. So that, I mean I can't do it all and that's what I've realized. And so in order for me to grow, I got to have partners that are local in their markets. And so that's what I'm here to do is meet local operators and keep them in deals.

Joe: Yeah, I like the fact that you're not syndicating it out because you're absolutely right. You get too many chefs in the kitchen that can, that makes it difficult, doesn't it?

Jim: When I was researching, I mean I was getting pushed to that over and over again. Like people, like syndication, syndication, syndication, and I just, every time I looked at it, I'm like, I don't like the structure. I'm just not comfortable with it I've never liked it. I've never done a syndication deal. My only experience with one so far on the buy end is the guy that lost $200,000 grand, so that sucked for those people. So I don't have good experiences with syndication. I know that, I know that people do very well with it, so I'm not knocking it. It's just not a model that I plan to work with.

Joe: Okay, good. Well thank you Jim so much, I don't see any more questions here. Jim Huntzicker and his email is Jim@JimHuntzicker.com. That's J I M H U N T Z I C K E R and your phone number is (847) 772-5302. And we'll make sure we put that in the show notes and it's in the comments here in the YouTube and the Facebook videos. And if you'd talk to Jim and you bring them a good deal, please tell him you heard about on the podcast. I'd love to see how this is going for you guys. I'd love to see you do a deal come from this podcast. That would be so amazing that would be super cool. Jim is a good guy. I met Jim at a mastermind. We were talking about networking before, and Jim is really good at that and we've been friends ever since.

Joe: Even though he's a Cubs fan and I'm a Cardinals fan, we're still really good friends. Jim's the real deal. He does a lot of deals and I trust him. I highly recommend thank you. And I hope you do well Jim, with this. Thanks for being on the podcast.

Jim: Thanks for having me Joe. Appreciate man. It's always good to talk to you.

Joe: All right guys, again, go to the show notes at RealEstateInvestingMastery.com, RealEstateInvestingMastery.com. Look up Jim in the search bar and you'll find this podcast and give his information in there. Get the show notes, get a transcription of this podcast as well. All right. Thanks again everybody. Thank you Jim. Appreciate it.

Jim: Thanks Joe, take care.

Joe: We'll see you guys. Bye. Bye.