

AVR: Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment, jewels of wisdom.

Dan: Welcome to the REI Diamond Show. Mike, how are you doing today?

Mike: I'm doing well.

Dan: Nice. Usually, I Geo Stamp because we have offices in Chicago, Atlanta, Philly, and listeners all around the country. I live in Chicago. I'm recording from Chicago today. Whereabouts are you from living and doing business, Mike?

Mike: Boy, it's primarily Minnesota. I was born and raised here and most of our businesses here, although we do have some manufacturing in Wisconsin, expanding into Texas as well.

Dan: Okay, nice. Congratulations. Are you looking to get out of the winter in the Midwest with some of that expansion?

Mike: Oh my gosh. This year we had snowpocalypse. It was so much snow. it would be nice to be a little bit warmer, but it's not the main driving factor.

Dan: Fair enough. I'm sure it is for a lot of the population that is filling the pipeline for your deal flow?

Mike: That's true.

Dan: Mike, I did the research, the listeners did not, before today's episode, do you want to kind of give the brief Reader's Digest version of your business model and maybe how it evolved to that point in some of your story about how you got there?

Mike: Yeah, I would be happy to do so. At a high level, we design, build and rent apartments, but we're really focused on solving the cost of housing. And we're doing that by transforming the way construction is done. We're already achieving about a 20 to 30% reduction in construction costs, and we believe we can achieve a 50% reduction. But imagine what that means. It means someday your rent could be half or your mortgage payment could be half. And that's the kind of impact that we want to make. We want to solve America's housing affordability crisis. Now didn't always start out that way, we were very small. My parents started the business. They built just small eight unit apartment buildings at the time. In fact, I can remember family outings where we drove off to the local hardware store about a half an hour away.

My brother and I, my mom and dad, we each fill up two carts full of supplies, then filled it at my dad's trailer as we're driving down the highway to go work on our building a little bit more. So summers, we're often working on these small buildings with my family, winter season we'd be in school. So it was very much ingrained in my life and then went after college. But I wanted nothing to do with the family business. It was very small, but I wanted nothing to do with it. And the reason is, deep down, I didn't want people to think it was given to me. So I really wrestled with my own ego on that and eventually realized that really what I wanted to do was try to make

some kind of meaningful, positive impact on the world.

And I started to see that I could take this small business and grow it in something larger, but we can have a wider impact in the world. And so I jumped in with my dad and my dad and I doubled the size of the company in the first few years. And then overnight he passed away. And so at this stage it was horrible. It was a horrible experience. And this stage ended up taking over the company entirely. And since then, we've just started to make changes. And now looking back, that was sort of the magic because we didn't know what we were doing and there's a lot of pain in that. But we also didn't know the way things were supposed to be done and we can start changing the way things were done as a result. And we started to have some decent impact. And today we're at about a 200 million valuation and producing about 500 units a year. And we've been doubling in size almost every year.

Dan: I'm sorry to hear about your dad, and I can't imagine because I still have both of my parents.

Mike: Yeah.

Dan: I'm not in business with my dad to be so intertwined every day, but I couldn't imagine being in your shoes and then waking up the next morning, the week after, the month after, and then having decide the entire vision and how everything is going to look from there and pick up the pieces and kind of move on. Were things different? How did you grow from that experience? Because we're sitting here and you're sharing your story and I know something like that would've crushed a lot of other people and a lot of other businesses, but you are on this magnificent path, let's call it. And somewhere along that path, this tragedy had to happen. Like how did you recover and grow from that mic?

Mike: Yeah. To give you some sense of how tragic that time was, I really didn't know what I was doing. And we were trying to build a building at that point in time or get approvals. It was a rocky start, got started with the building process. It was only like a 36 unit building at the time.

Dan: Only?

Mike: Oh, yeah. But that's only a few dozen people working on that. Anyway, the city staff ended up shutting us down twice. In part because they look at me and say, hey, this is just a pipsqueak kid. He doesn't know what he is doing. And the reality is I was just a pipsqueak kid, and I didn't really know what I was doing.

Dan: And how old were you at that time?

Mike: 25.

Dan: Oh wow. Yeah.

Mike: So they told me the second time you have to go hire a real manager to manage a site. And it was horrible because my crew was shut down. They were to be laid off unless I could find a

manager. I found someone in like three days. But that is not the way to hire great people. And that ended up being a problem in and of itself. But toward the end of this project, we had a water test that had to pass and there was a small leak somewhere in thousands of feet of pipe buried 15 feet in the ground. We had a pinhole leak somewhere. And I remember being out in my nice clothes, just in the mud shoveling dirt, trying to find this tiny little leak. It was horrible. We eventually found the leak and just a few days before we're supposed to open, the city staff, the inspectors came out and said, there's no way you guys can open on time. We're working through the night, every single day, just pouring our hearts into this. And I remember the very last day about a half dozen building inspectors came out for about a half a day and looking at every little detail. And at the very end, the head building official in the parking garage pulled me aside and said, Mike, I know this was rough and we pushed you really hard, but honestly at this point, this is the nicest project that we've ever opened in this city.

Dan: Wow.

Mike: Like, ah, finally here I am wrestling with, am I good enough? Can I actually do this constantly in my mind? Am I just a phony? And finally getting some validation that we can actually do this was really powerful. And I think one of the important lessons at that point is that whenever any of us start something new, we're terrible at it. That's the nature of the world. When we go out and try to walk, initially we're terrible at walking, but when we're older we tend to fear that point. But the reality is work to get past that fear, be okay with being terrible and fail, fail, fail, fail, and then eventually when you work through all of that, you will succeed, and you'll start to change the way the world around you. And so that gives you some sense of that stage.

Dan: Wow. So if we could stay at this stage for a moment, I have several directions then I go. 36 units, you're saying it's only, so we're going to talk about probably larger projects a little bit later that you've now gotten to. And for me, I'm like, oh, only 36 units. We're doing, 10 unit, 14 unit these are not necessarily new construction, ton of single family stuff. And we're doing high volume, we're doing really cool things and we have a great team in place, and it's been a blessing to be a leader and, part of this team just to kind of carry forward and serve the team as a leader. But I want to talk through, if we could, so I think it was you and your father were, at some point, going from these like eight units that maybe dad and mom, that was their vision to we're going to make this thing much bigger and it's going to be this other thing. And now all of a sudden, we go to this like, was it from eight to 36 units, maybe you could clarify that transition period of how the vision started to grow. And maybe where you got the idea maybe even like, hey, you drove by the piece of land or how you found the project and the site spoke. Could you like talk through that transition as you started to increase the number of units per project that you and dad were working on?

Mike: Yeah, so as a family we would do eight units. Eventually we grew to 10 and then 18. In total we had 91 units when I started. So it was a number of years that we kind of built up a little portfolio there. And then when my dad and I worked together we started producing 30 units a year. So it's kind of we had done 130 unit building in the past, although that almost killed my family. It was a tremendous amount of work and it was difficult. But my dad and I did 30 units a year for three years, and then that's when he passed away. So we got another 90 units in then we were finishing up another 30 units when we went off and did this 36 unit project called Ember

Wood. Well, that was just the first phase.

It was 112 units in total when we were all said and done, but we did it over three years. So yeah, we found kind of a cool site in Blaine. I remember looking at a ton of different sites and really not knowing, I had no knowledge of what I was looking for. And I remember one person I contacted, I like did a ton of research on them and got their name. And it turned out there was like some criminal record in another state and I got it screwed up and I just asked the real estate agent if the seller was that same criminal and it was stupid. Like I just ruined the relationship, I didn't know.

Dan: Nice.

Mike: And then you can tell how inexperienced it was because the site that we found, the guy offered it to me for a 950,000. I ended up paying 1.12 fucking million. I ended up paying more than he was asking for this site. Yeah I didn't know what I was doing.

Dan: Tell me about that. I mean, what happened there, because it's not uncommon for that to occur in real estate and here you are on the other end and I assume is a profitable deal.

Mike: I didn't know it was very profitable, all said and told. But he had offered me 150 he was struggling to sell it. He was kind of in tough straits at that time. It probably was worth more like 1.2 or 1.3 million. But I was in the research phase and I heard it, said thank you, and then I didn't get back to him for a couple of weeks. When I did I think he was really good at judging like how much need there was. And so he could kind of sense in me that I was now excited about this site. Again, I didn't know what I was doing, so I didn't really have a level face. I'm like, dude, love your site. This is where I want to be. Let's do this deal. And he came back and said, well, I'm sorry that was the deal I was offering a couple of weeks ago.

Now I want like a 1.5 million. It's like, I still kind of like it at 1.5. Coming back to my dad and my dad is like, oh son, what have you done? And so we met the guy for lunch and I kind of agreed with them ahead of time. We were going to buy it for like 1.15 million. And the guy at lunch was like, nope, we're not doing this. It's going to be like 1.6 million, 1.7. And I was like, dad, we should do this, dad, we should still do this. And my dad's like, nope. We're walking out. We walked out of the restaurant and as we walked out of the restaurant and we were just about leaving, the seller came back to us and said, all right, I'll sell it to you for that price. It was just a really hard negotiating type going as far as you could until we walked away before he'd sell it to us. But that was a really important lesson I've learned that some people negotiate that way and you just have to be really comfortable with walking away. And if you're not, people will take advantage of you.

Dan: Are there any other negotiation, or business or maybe even life jewel of wisdom if you will, that you remember dad imparting on you throughout your life that maybe listeners were in a real estate thing, maybe it would be something for them to hear and be, even myself, something that would impact our lives?

Mike: Well, I can tell you the most important lesson I've ever learned, but I'll give you a few

others more related to my dad. One of the big ones that I learned from him was that scrappiness, especially as a smaller builder, you can do a lot in saving costs in construction or saving costs in a deal somehow, simply because you're small you can put in your own blood, sweat and tears to make things happen. You can kind of get in and get your hands dirty. Whereas a larger organization, we just can't do that anymore. Though techniques we use are very different than the ones my dad used, but my dad was very much about being scrappy doing what it takes to cut costs. So I learned that lesson very deeply from him. A really simple little one I learned early on was get multiple bids on stuff.

I would go and say, ah, I got this bid, this guy seems really nice, I really like this guy. And dad's like, great. How many other bids did you get? He was like, none. It's like, at a minimum for every job you do get at least five bids is what he would tell me. And he would do that.

Dan: Wow. Five.

Mike: Oh, yeah. And I have seen these many times myself, the spectrum in bids oftentimes can be an order of magnitude different in price, an order of magnitude. So that if the lowest guy is \$100, the highest guy might be a 1000. I had one situation, actually it's a Ember wood project we were talking about where I had a brick layer who's going to do the brick for the building pull out well, with about a month before I needed the brick and the block installed in the building, I had no one and I needed to get this done, otherwise we'd be held up, especially the block for the basement.

And so, I ended up calling people and getting pricing and everyone was like three times higher. I couldn't find anyone near the price that I needed it, and I just didn't have the money to pay as much as people were asking. And so, I remember this quite vividly. I had to reach out to 70 different contractors.

Dan: Wow.

Mike: And I got to the point where I would try to get the least initial phone call, try to get 20 of those initial phone calls an hour. Like just hit it as fast as I can. I think I literally contacted everyone who could possibly do it in our area. And it made a difference because if I hadn't done that, I would've lost. The cheap bid was maybe a \$100,000 expensive. It was maybe 300,000. So \$200,000 in savings for, a few weeks of hell calling a ton of people pleading with them to give me bids. So there's a lot of value there.

Dan: I mean, if I'm doing the math, Mike from my notes, a \$950,000 ask price on that piece of land and a 1.15 million purchase. Isn't that the same 200 you spent in that last conversation?

Mike: Yeah. I lost it and then I gained it. That's sort of the world of real estate.

Dan: That's cool. I'm just playing, so this is a good point that I want to pull apart on the 23rd to 30% reduction in cost, because we're talking about 70 contractors, multiple phone calls, you're getting it done for what, 66% cheaper in that example you just described. Maybe it's a whole lot more of that. Maybe there's some other stuff. But like how in the world are you achieving 20 to

30% reduction in building costs right now in 2022, 2023 on the heels of historic record inflation?

Mike: Yeah, such an interesting question. So a lot of the techniques I just talked about work well as a small group, but it doesn't work well as a large group. A lot of the subcontractors that are that inexpensive are not going to be the ones that can work with you at scale. So what do we do today? The first thing we started to realize is we can bring all the work in-house. Normally you'll have different subcontractors you're working with. They're all different companies. You might have a different general contractor, different developer, different owner, and it's very normal, but it's ineffective and inefficient. And so if a construction company were to produce cars, you'd have a different company installing the windshield, a different company installing on the doors and a different company installing the wheel.

And for those of you who are in construction you know that, the wheel company is going to call you up at some point and say, Hey, I'm sorry I got delayed on another project and I can't get out there for two weeks and you're shut down. Or at least that part of your project is shut down. And then if that wheel company were to come out to that car manufacturer and see that they could only work on one car at a time, they would be irate. They would be absolutely upset because they'd want the entire site cleared away so they could do all their work at once. Manufacturing looks at us and thinks that we're crazy, but the reality is this is how construction is done today. And so by bringing things under one roof, we could already start to see some just minor improvements in how that work is done and we can maintain the good flow.

But what we really can do now is we can start applying some more advanced techniques. And it still starts fairly simple. Manufacturing invented the assembly line, simple technique, it transformed their industry. Well, how can we use the assembly line in construction? You can't take it a house and have it go down a line that just doesn't make sense. But what you can do is you can move the person through the building. And so what we do is we take our buildings and currently we're building at about 350 units per building. We break this down into small batches, one basically one unit at a time, and all of our different teams shift through the building and actually switch units every five hours.

Dan: Wow.

Mike: So the framers go to their next unit and the plumbers follow them. Framers go up on the five hours later, plumbers go up, electricians go up. So you can actually go to our sites and every five hours you see another completed apartment unit basically coming off the line. And so that gives you some flavor, but there's just lots of little things like that that you can start doing.

Dan: So you guys literally have a plumbing license, electricians license general contractor's license and brought all this in-house?

Mike: Yes. We even have manufacturing right now, engineering architecture, supply chain. We have international team members. .

Dan: How big is the total team Mike?

Mike: About 250 people today.

Dan: Okay. Wow. And did you guys do this all on a self-fund or did you guys have to go for like, Silicon Valley VC rounds of funding to get here?

Mike: No, it's all self-funded, which is probably exciting news for your audience. We did this, we went from small to big in 15 years. Like what's really interesting is if you're being really mindful of costs. Let's say a project is costing or it values at \$1 million, a typical bank will finance about \$750,000 worth. Our costs typically are 20 to 30% less. So let's imagine for a moment that it's \$700,000 of cost. That means our costs are lower than what the bank will finance. Which then is pretty powerful. We are generating cash with each project that we do rather than having to put cash into it. Typically cash is not our constraint. Our constraint is the rate at which we can find amazing people to change the industry.

Dan: So we have this format and I looked up, there's a whole bunch of the dots are up around the Minneapolis area, but then you also shared about Texas at the beginning of our call here at this episode. So how do you boots on the ground assembly line in Texas and find these great people in Texas as you start that next project? And maybe it would be helpful to just touch on highlights of that project for the sake of our example as you kind of described that.

Mike: Yeah. So our Texas project it's a little smaller. I think there's aiming for like 200 to 300 units for that first project. I think the first thing, we just had to do this for ourselves in general. We have a recruiting team now of 14 people, 14 recruiters of a size of 250. That's a very high ratio. And the reason we did that primarily is because we want the very best people. And this kind of ties into my most important lesson, which I can talk about later, but the best people change the world, change the game for you. And we literally have world class we'll fly people in from other states to come work with us every week and fly them home on the weekend. Like that kind of caliber, the best in the world people. But when you have that recruiting arm in place and built up now recruiting in other states or across the world is a lot easier.

So that's an important piece of the puzzle to get right. This is the first time we've expanded to another state. So I don't necessarily have all the provident answers, but our approach is going to be something similar to what we did in Minnesota. So we'll probably hire as fast as we can and as many of the different roles as we can. But initially we're going to be using subcontractors to do pieces of the work that we haven't built out that full team. But our hope is we're doing a smaller project initially we'll follow it up with a little bit larger project, but we're hoping within one to two years we get enough of the team built up there that we can eliminate all the subcontractors and get that functional. We also have manufacturing facilities and so we'll ramp up a precast concrete manufacturer down there, which we can do pretty quickly now. We got that kind of squared away. Another one is wall panel, like SIP panel kind of manufacturing will expand. We're looking at putting that actually into Mexico and then shipping into Texas.

Dan: In Mexico you said?

Mike: Yeah, that's right.

Dan: Okay. All right. So it's probably an availability of labor thing for that one at a cost, right?

Mike: Yes. And there's actually supply chain efficiencies that come out of that because of the way tariffs and stuff are done in the different countries.

Dan: Interesting. What about the cost of these subs? Like you're talking about flying in a great talent. I mean, is this like a master plumber who's coming in from Tennessee on a plane and staying in Texas for five days or is this more of an executive kind of a role? So you're getting great people, are you paying great rates for those people as well?

Mike: Oh, absolutely. We pay incredibly high rates. And the reason that is, again, we want the best. But most people look at it and say, okay Mike, what are you doing? You're paying top of market, getting amazing people frankly, but isn't that really expensive? Isn't almost against what your dad's principles were and what you're trying to do and save costs? And the answer is no. But why? What's the difference there? The thing that most leaders miss is that the best people outperform the average people by two to five to 10 times as much. And I've seen it over and over and over again. So, when you look instead of the cost per person, but instead look at the cost per production or what's being produced out of people, it's actually the most inexpensive labor you can get. But then there's some incredible benefits, right? Could the best people come up with ideas and concepts and push things forward in a way that others just do not do? A lot of the human capital HR kind of issues disappear. But even deeper than that, coming into work is a blast because you are working with some of the world leading people at what they do. They push you to be better. I'm pushing them to be better, and it's so much fun. I just love working with the team as a result.

Dan: Nice. What are the 14 recruiters doing? That's a lot of people head hunting, What exactly are they doing? Maybe you could share a couple of the nuggets on the interview process, the selection process or some of the mindset that you and these 14 folks talk about on a regular basis. Where a listener who is hiring even a single contractor might be able to like, kind of take a little, couple pieces at the smaller scale and still benefit from the way that you describe it.

Mike: Yeah. So we struggled with hiring people just literally like everyone else in this industry is struggling with. So eventually we just came to a point said, we just need to solve this in some way. And so we hired on a whole team to do that. I think one thing that's important for people to realize at a small scale is yes, you can post a job posting on Indeed, post on ZipRecruiter. You can post it on in whatever place you want. You're not going to get the best of the best. And even if you go down a notch and just the above average people, they already have jobs. They already have opportunities. They're not looking to go apply your job. And so the company is that understand that point have a different strategy.

The different strategy is outreaching to these kind of candidates. And so I do recommend recruiters even if you don't have that internally because you'll just find significantly better people. But bringing even just one person who's working part-time that's actively calling to have resumes out there or just connecting with others and trying to bring those people in is really valuable because it's a much higher caliber. The next stage, the more advanced stage that you can get to is now you start creating a map of the entire market. You know all the major competitors

in town, you all the small ones too. You start identifying all the people in that organization and who in that organization are truly the best ones. And then you work to foster relationship with those people over time. And then when you have a job opening comes up, you can be like, ah, dude, I already know the three greatest people in this industry, let's give them a call. I've got relationships with them. Great, two of those are interested. Let's have a conversation and get them in.

Dan: So what did it look like because maybe that is applicable for people. What does that look like to try as a real estate developer building apartment buildings in Minneapolis? What was your plan to get around other people who had somewhat similar businesses where that talent might be located? Do you remember one or two things you did to put yourself in that position or maybe someone on your team to put themselves in position to foster relationship?

Mike: How to build those relationships?

Dan: Yeah.

Mike: The first thing is you need to know who they are. And so there are tools online. I can give one right now a Zoom info. It's kind of expensive, but it's clever. What they do is they basically have a map of a lot of the people in the United States and who they work for and what their job titles are and their contact information. So that's been a useful tool for us. And then we can use that then to just outreach those people and start the conversations and engaging with them.

Dan: Simple as that?

Mike: Yeah. It's that simple.

Dan: You're calling a building construction manager out of the blue. Are you like talking about a position at your company right off? Or is there some other reason that you're calling to say hello? Hey, you just want to talk and say hi? I mean, how do you break the ice?

Mike: Yeah. The easiest is when you have a job position, because you have something very tangible to talk about. The team likes that. But for the more nuanced positions, kind of cool stuff there. We love to connect and see if we can be a resource to each other kind of thing. One technique that I found really useful in this space is the give, give get technique. Which is basically, in work to do all you can to support them. And so one example of this is to say, Hey, I saw you see what you're doing really cool stuff. I have a a network. I might have some connections that might be a great fit to help you progress what you're doing. I'd love just to connect and find out like, what you're doing so that I can get the right people in contact with you so can have the best connections that way.

So You're really focusing on just giving, giving, giving as much as you can. And especially this stage, there's nothing we're really asking for them, we're just trying to build that relationship. It's a great place to start if you want more advanced techniques. One is this, start a podcast even if it's not very big. Even if you only have a few dozen or a hundred people listening and then you reach out to someone and say, dude, you're doing something really cool. I got this podcast in

construction. I would love to interview you. A lot of people say yes because they're just honored by the offer to be interviewed and it's a great way to build relationships.

Dan: Yeah, you're right about that. I didn't intentionally start the podcast with the intention of like developing relationships, but a lot of people have come through the door, join the team, become lifelong business partners as a result of hosting the podcast. So great tip and strategy there. So, Mike, I think you had alluded to the most important lesson, and we were kind of dancing around that a little bit. So, what is that? Can we go there now?

Mike: Sure. That is to hire the very best and as I mentioned, the best outperforms the average by, two to five to 10 times as much. I didn't always understand that. When we first started doing our work, we would, I'm a bit embarrassed to say this, but we didn't even have a hiring process. We had a temp agency; we'd just bring people out and see how they did. If they were kind of okay and we'd keep them, if not we'd send them away. That is not how you find the best people. And it created kind of a toxic culture. People were more focused on what they got out of things rather than to champion a mission. And so, someone much smarter than me stepped in and said, Mike, you're an idiot. What are you doing here? Let's rethink this.

And we did. And we went through and evaluated literally everyone on our team at that point. We let most people go and we rehired everyone from scratch, and that changed the game. Then we really worked hard at building the right kind of culture and we put a ton of energy into this. We only have three core strategies at our company and the three that I think about every day. And the top one of that three is working on building the right culture for our team. So, the most important point there is bring on the right people. That's half of the battle, and then there's a lot of other smaller points that go into building a good culture. But then once you have that, it becomes this like flywheel effect because you have a great culture now that it starts attracting amazing people that start contacting us and say, I want to work here. Then that builds a better culture because you get better people and it's a self-propelling prophecy. It becomes really powerful and that becomes the engine that changes the game in your business.

Dan: Nice. Yeah, we noticed a very similar flywheel working for us as we started years ago to pay attention to that culture. We want to be about the transformation that's current on the face of the earth and we want to promote home ownership with our business and we want to have a culture that's about personal growth, setting goals, hitting goals, achieving things, and developing ourselves not just in a business and professional sense, but like all around life. We want to have that mindset and that thought process. And it's been really cool to see the, I don't know, 50, 60 person team kind of even in these three different markets where we're operating somewhat separated from each other. We still have that culture of growth and this drive to be the best at what we're doing and to get even better at it still. Right. I think that people have to make good money in order to show up every day. No, I want to go away. So that goes without saying, but that also kind of is flywheel feeding back into bringing the best people on and then the people best people are getting better results. And I couldn't agree more with you there, so I'm curious.

Mike: Believe it. That's awesome.

Dan: Yeah, for sure. I'm curious Mike, is Minnesota, Minneapolis, is that a union town? And have you ever run into challenges or considered even bringing on union workers throughout this process? Because I imagine, I don't know much about the union. My grandfather was in the trucker's union, I think he was a shop steward for, I can't even remember now. He passed and I was like kind of young, but the union, from what I know about it, has a very robust training program and they do very consistent work, but they do cost, pretty good money. Is that an option, an obstacle or something that a scaled developer would consider?

Mike: Yeah, it's a great point. So there is a lot of union in our city and town and we actually, pay as well as union, or even higher in some cases than the union. We have had conversations with union. None of our team was currently unioned at all. And one of the interesting dialogues we've had with them they've come in and we've talked about things. They've actually been incredibly good. I've really liked our interactions with them. But one of the challenges we ran into, especially as we move more into a manufacturing environment, is that at least in a manufacturing plant, at least the unions, what they're telling us is that you have to pick one union to oversee that plant. Okay, that's fine. But then in the world of construction, your electrical union is a different union in the plumbers union, which is different than the general laborers union and the carpenters union. So if I had to pick one of them, let's say I picked electricians, does that mean plumbers from the plumbers union will come work for me? No. There's almost like a rivalry between them. And I asked him like, dude, how do you deal with that? And his response to me was that tall fences make good neighbors. It's like antithetical to what we're trying to create.

Dan: That doesn't allow the unit over unit over unit kind of a thing. Is that like where you would run into specifically some of the issues? They don't want to be on site at the same time?

Mike: No. They're willing to be on site at the same time, but you hear stories of one trade ripping materials out of the wall that the other trade did because the other trade was in their way and they should know better. It's horrible some of the stories I've heard, and we have a lot of people who come work for us intentionally leaving the union. I think there's a lot of great things the union has done, but I don't want to be negative. There are at least certain pockets, let me say this, of the union that have not the greatest culture. And so it can be kind of a negative environment, a rough and tumble environment. It can be like you're the newbies so you get all the grunt work for five years before, that's what I had to do. And that's what you're going to have to do kind of environment. We're like polar opposites. We want you to be journeyman level in the first year and we'll do all we can to support you to grow to that level. And so I've heard lots of horror stories and some people actually come work here because they have better opportunity here than they do within the union.

Dan: Okay, makes sense. I have no experience with it and our jobs are way too small to ever attract or justify that. So it's kind of outside our realm there. Mike, one thing we didn't touch on, but I know is a big part of what you guys are doing and I checked out like some of the floor plans and kind of how things are laid out, the outsides of the buildings, it's top-notch design. It they are good looking apartment buildings and the apartments look very well laid out with the space. Can you touch on some of the highlights that you guys have maybe with design breakthroughs and how that affects and makes for a better experience for the tenant population in your buildings?

Mike: Yeah, this is a really important area that's we're putting a lot more energy into now. So it's great that you sat on our website, you should see what's coming down the pike. It's insane. We have a top level executive now. There's only four or five of us at the top level. One of our top level executives now is entirely devoted to design and to give you some flavor of the caliber of the people we have working for us, this particular employee. Steve Jobs, announces the iPhone in 2007. Steve Jobs walks off stage and following that presentation on the same stage, our employee was on that stage presenting. It's that kind of caliber person. He is incredible. I mean, they're honestly like works of art. I wish I had images. I could show everyone right now and be like, wow.

Dan: But did he actually work with Steve Jobs or under Steve Jobs?

Mike: Yeah so, he would interact with Steve Jobs. Steve Jobs gave the entire software development team to him for a week to solve a project or access to everyone for a week. But he was more closely connected with the other like Phil Shiller and stuff like that.

Dan: At Apple, though?

Mike: At Apple, yeah.

Dan: Oh yeah. That's great. That's a cool place to develop the design mindset. Wow.

Mike: Yeah, it's really neat what's coming down the pike, but what's interesting, it's not even just the physical design, although that's part of it. The amenities, a lot of people talk about great amenities and we're no different. So like rooftop patio and grill, pools, where transit stops, restaurant, coffee shop, spa, sauna, game rooms, movie rooms, all those kinds of things. Penthouse suites with Florida sailing windows that are 22 foot high with views of downtown Minneapolis and St. Paul. So just beautiful buildings. But I think what's missing, and most people talk about this stuff is really what matters, and that is the connection. When you look at the world a few years ago, you have jobs like Google that created these amazing campuses where people could interact and connect on a human level with each other.

Then the world went remote because of COVID, and now I think it's coming back to a hybrid model, but I don't think we're ever going back to fully physically always being in person. At least for a lot of companies. That means that you have maybe two to three days a week that you're working from home, but you're missing that connection in your home that you did back in your work environment. So can we create that kind of community and connection within our facilities and something we're thinking a lot about, and we have co-working spaces in our buildings. Another really key component to make that successful is the experience that, the employers have with the staff and that customer experience. A lot of people think that to make customer experience, right, you have to fix customer service. That's not really where it starts. It starts back at the employers. We pour a lot of time and attention in what our employee experiences. Getting them to a spot that they love what they're doing and they love their experience. And then that bleeds out into the rest of the environment. And I have failed at that, focused on customer service first and just failed when you get the staff right, everything else kind of flows through. So getting that experience from a human level is a really important aspect to us.

Dan: Wow. Good stuff right there, Mike. A couple, kind of wrap up questions, I guess.

Mike: Sure.

Dan: Are there maybe one or two books could be real estate, anything else, could be business, whatever it is books, podcasts, any sources of information, maybe one or two that you feel like have had the most impact for you in your career?

Mike: No Rules Rules by Reed Hastings. It's probably my favorite. It talks about this concept of hiring the best and there's just a lot of great principles in it. There's some books that a lot of people know of like Good to Great, which is a really big one for me, but maybe a little less known one that I've been reading recently that's been really impactful is a book called Multipliers. And the concept is that certain leaders and managers that you've had in life inspire you in a way to give more than you thought you could, like more of your creative energy. You're just in this positive mindset that's just challenging and changing the world. And you have other leaders that are diminishers. They're ones that only get your bare efforts because your experience with them isn't great. But I think the interesting insight of this book is that there's this middle ground called accidental diminishers.

Those are people that are trying to be multipliers, trying to be positive and trying to change and create a credible experiences for your employees. But there's times that things don't quite work out or maybe you don't even know that you're doing, you think you're doing something great, but it turns out it's actually having a diminishing effect on people. And the insight there is to recognize what those are and learn from that so that you can spend more of your time in your multiplier camp. And when you do that, you get, even if it's just 10% more from everyone, that is a game changing benefit for you and your business.

Dan: Do who that author is?

Mike: Oh, not [inaudible]

Dan: Oh, it looks like Liz Wiseman. Does that sound right?

Mike: Yeah, that sounds right.

Dan: Okay, cool.

Mike: It's like a yellow book, I think

Dan: That's the one. I usually ask what's the most important jewel of wisdom. I mean, I guess we can run with that here. We did talk about a lot of our huge lessons and things of that nature. But if you could go back to yourself, call it like your sophomore or junior year of college and you know everything you know now, what would be the crown jewel of wisdom you would share with yourself back then, Mike?

Mike: Well, I think we talked on some of the big ones that I would've mentioned, but I'll give a little bit different answer. And that is, as you go through life and start anything new, it's really hard, right? You've feel like a failure, and in some ways you are a failure, not very good at what you're doing. People tell you that is you're trying something new, but have the tenacity and energy and passion to keep with it. If you have a certain level of smarts about you and a willingness to keep pushing forward, you can break through that and come through on the other side and be incredible as a result of that. So many people, when they hit that hard barrier, stop, but if you can be one of the few that don't and keep with it, you are going to receive the benefit at the end of that journey. Maybe another big one is we stand on the shoulders of giants, right? I am not where I'm at today because of my own wisdom and skill. In fact, it's quite the opposite. Instead, the thing that I think I've done well is recognize how little I know and to bring a ton of people, like coaches, mentors, I mean, we literally have probably a dozen different coaches and experts that we work with on different things to help me be better. So if you see stuff that comes from me, it's like, oh, that's pretty nice. The reality is it was some coach, it was some mentor that challenged me to make it much better. So have a humility to learn those lessons from others.

Dan: What is the kindest thing anyone has ever done for you, Mike?

Mike: This might seem little, but it's impactful for me at least. Both my daughters are pretty young, three and five. But just when they come and bring me like a little gift, hey dad, thank you, or I love you dad. Those sorts of things. That relationship's really important and it's powerful to see when that's in a great spot and to get that feeling back from your kids is so powerful for me at least.

Dan: Yeah, great answer. I know the feeling, my move to Chicago to be near my daughter, and she was probably 13 or 14 at the time when I could finally do that from Philly. The listeners already know the story, I'm sure. I still live in Chicago, so it's been, I guess eight years or so. She's now back in Philadelphia where I came from going to school, going to college. Hopefully she'll move back when she's all growing up. But man, to have all those memories all along the way. Three, five, the time goes by so quick, Mike, I'm sure everyone listening who's has kids is saying same kind of thing. You probably experience it too, and it's like we blink our eyes and here we are.

Mike: So true.

Dan: Mike, I know we really in touch on the investment side that people who have money might want to participate in. Other than that, if you want to kind of touch on that contact information, direct some people on next steps they might take, if they want to find out more about you or how they might do business with your company.

Mike: Yeah, so if you want to learn more about us, you can visit norhart.com. One of the big things we're launching now, it's really the first time ever is we're actually starting to give people access a chance to invest in the things that we're doing. So, we have Norhard Invest and on that platform, you can earn a high rate of return. In some sense we're replacing the banks, we're giving you the interest you would've earned at a bank, and we're giving you the bank's profits. So they're flexible accounts where you can put money in, take it back out, or you can lock it up for

different periods of time, and if you lock it up, you earn a higher rate of return. So that's been a lot of fun talking to investors about that. There's been a lot of interest in it. And that launches soon. The other fun thing we're doing is a new podcast called Becoming a Unicorn. It's about the journey of small businesses growing to billion-dollar enterprises and learning what is that journey really like, not just the good, but also the bad and the ugly. And so, we'll explore that together through that podcast.

Dan: All right, cool. Well, listeners know where to go. Mike, I had a great time. I can't thank you enough for putting aside an hour. I imagine you're very busy, as we all are, couple pages of notes here, a ton of takeaways from me. I thank you for coming on the show.

Mike: Yeah, thank you so much for having me. This is a lot of fun.

AVR: Thank you for listening to this episode of the REI Diamonds Show with Dan Breslin. To receive email notifications of new weekly episodes, sign up @ www.reidiamonds.com.

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