Man 1: Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment, jewels of wisdom.

Dan Breslin: Chris Long, welcome to the REI Diamond Show. How are you doing today?

Chris Long: Great, Dan. Excited to be here.

Dan Breslin: Nice. So usually I start the episode rather than an intro, which we'll get to in a second, but with a little location stamp of maybe where you're at, where you grew up, why you landed, where you landed, if you are not where you grew up, just to kind of give us a little bit of color of who you are, Chris.

Chris Long: Great question. I appreciate that. So my feet are on the ground in Tampa, Florida, which is a beautiful place to be as a Canadian because part of my life goal was to get away from the colds and come to the warmth. So I achieved that. But I was born and raised in our cold capital of Canada, Ottawa, which many Americans don't know because it's small compared to America, and frankly a lot of them just don't care. So most people know Toronto, Montreal, but Ottawa just seems to be an unforgiving little pocket of no man's land. But yeah, so I'm in the US and came here to expand my business internationally, which I'm excited to talk about and excited to be on the podcast and just chat more.

Dan Breslin: Very cool. I just flew home from winter in St. Pete area, Seminole. So I have a house there that I hit in the wintertime, which we did for the first time this year. So I was local to you there until two weeks ago.

Chris Long: It is a beautiful area. We hit the St. Pete Beach quite often. It's a beautiful, Clearwater is beautiful in that whole area, and honestly, I'm on vacation in Florida all the time. I got to remind myself, get to work.

Dan Breslin: It felt like that. I got a lot of my work done. I'm actually recording. I live in Chicago, so we go back to Chicago, but I'm in Philadelphia right now. I'm in downtown Philly because we snuck in for my mom's surprise birthday yesterday. But while we were in Florida, it has that vacation feel even while we're traveling here, it has that vacation feel. But here we are doing a podcast right now with you in Florida and me "vacation in Philly", I guess you could say. So the work doesn't stop.

Chris Long: It does not stop. It never ends. Yeah. Well, for me, I'm just wired as an entrepreneur, so it never really stopped, but I got to remind myself to, hey, there's a beach not far. Go enjoy yourself.

Dan Breslin: Yeah, that's cool. That's good. We got to get that done too. So Chris is from Long Yards. You guys can see the people who are not tuning in on audio and who are looking on YouTube. You can see the Long Yards logos on a shirt in the background there. If you want to give us some framework about what that is, how you started that and how that's developed to where it's at today.

Chris Long: Yeah. So I'm a licensed carpenter by trade. I was in the construction industry for 15 years and I discovered a problem in the market that didn't exist and I needed a small affordable space for my equipment, tools and trailers, and you go to a self storage facility, but I needed a yard, but there was a gap in the marketplace. I don't need a one to three acre parcel that I pay half million, a million dollars with it or I lease it for triple net lease for three or five years. No, I've seen a small medium-sized yard month to month that was secure and closed. Sometimes I believe I'm a simple person, simple problems have simple solutions. I'm like, if this doesn't exist, I'm going to build it and sure enough, no investor would get behind me. They thought I was crazy. So I had to sell both my houses and I only had a small rental portfolio of two duplexes. So to go in on my vision, I had to literally put my mouth where I believed it and sell everything I had and it was a success. So I mean, I spread myself then getting it going. I couldn't even afford to put the gates on the front, but I had to pre-sell the first units in full to afford to complete the buildout. But since then it's been off to the races. We leased up completely in Ottawa, Canada. We're building out central Florida. We have parcels and I built a franchise system, so I'm a franchisor. We have franchisees parcels under our contract in Florida, in Texas. We're looking at Carolina and we have both five active lois and we're just looking to expand with great people with a great business.

Dan Breslin: Yeah, it's pretty cool and it's timely. We're going to dig into the 8.9 acres that I currently own that's owned industrial that I'm deciding what I want to do with it, Memphis, Tennessee a little later in the show. But before we get into that, let's back up to that first deal. What year was that, Chris?

Chris Long: So I bought it with my brother in 2017. We sat on it for a little bit, being brothers, we just had a different little view and it took about two years to kind of arm wrestle and figure it out. But I cut the rivet in October 1st, 2019, and my first location, Long Yards in Ottawa, Canada. Then I moved out to the states about two years ago to expand internationally.

Dan Breslin: That was the Ottawa one. How much was the gate that you were losing sleep, trying to afford?

Chris Long: The gates, it was wild. I spread myself so thin. The gates were about three grand each, and I needed probably around $30,000 worth of gates and at that point, that 30 grand, just to put the front gate on my facility, I had to get them used off of marketplace and put them on the back of my truck to save four grand and I couldn't even afford internet and power, so I had fake cameras. My first clients... I had fake cameras at the front of my facility, aright? But I put under video surveillance just to get it, and that was for about four weeks until I had power and internet out there. But yeah, pre-selling the first yards and giving a discount helped me push it across the finish line.

Dan Breslin: Wow. That's cool. So your brother is involved still or did you guys kind of partner on that first one and then decide you guys were going to go in different directions? Where's that stand?

Chris Long: Yeah, exactly. Obviously, it's amicable. My brothers and I can beat each other up and sit down at the table the next day. So good old brother loves. So yeah, we just had different visions of the property. He had a lot going on with his other construction. He had just different priorities at the time and he said, "Chris, it's not fair for you. I can't dedicate the time I'd like to with this." We agreed on a buyout amount and went our separate way on that. I told him when he signed the paperwork, I said, "This is going to be one of your biggest regrets." I'm a pretty modest person, but because I so strongly believe in my vision that I told him before he signed, I said, "You're going to regret this." I went a 100% in because I am building it to what I believe to be a massive opportunity. So it's all off. But I don't know if at night he goes, I shouldn't have walked away from that.

Dan Breslin: Yeah. Who knows long term where that ends up. But on the flip side of that, for anyone listening, there's people probably listening to the show, Chris, who are dreaming of the first deal. Maybe they got the first deal and they're dreaming of where to get the $30,000 in cash for their X, Y, Z, next step on the deal. But I think there's that warning or this moment right now that we could highlight the importance of choosing the right partner if you need one. I know for me early on it was, it was the ability to make a decision and I would lean on a partner's ability to make a decision over my own. I didn't know the market. I couldn't pull comms, I didn't have the MLS, so I had to rely on someone else to make the decision, are we going to buy this thing? Are we going to do that? And for making that decision, yeah, we can do that together. I brought the off-market property to the table in those scenarios most often. So that was the value I was bringing because I was broke, bankrupt without a driver's license at the time when I started. But I think a lot of people in the early days of their entrepreneurial career will probably just link up with someone who will listen to them about their vision and be like, all right, let's do this. I mean, you guys had another level of commitment. You guys signed on the dotted line some way, shape or form, and took deed to the property in 2017. So you were kind of entangled. It's like be careful on the front end and choosing the right partner and making sure that each partner is bringing something to the table.

But then if you do find yourself in a partnership where one or the other partners not matching the energy. For me in our company, one of our core values is to match the energy of your partners. So it doesn't matter if you're an acquisition manager or me being the founder of the company, if at any point in time I don't feel like I'm bringing my A game and matching the energies of my partners that they're bringing to the table, I better look in the mirror and get honest and get my energy back up for the match area. The same would go for the people on the other side if they don't want to match the energy to partnership, have the hard conversation, talk about what that looks like, clear the air and find a way to go your separate ways. It's not like we're predestined to... partnership is like a marriage. It's like you're not necessarily joined for life just because you were the partner at one time, but you're better off having that conversation and then moving on your separate ways. My dad was in some bad partnerships when I was a little kid separating out the business, and he kind of went through those same challenges I just described and it didn't shake out well, and it haunted him for years. It haunted my mom after they divorced for how those partnerships kind of shook out and it's like, wow, be very careful, but don't let them be the anchor that kind of sinks you. Did you guys have a moment of hard conversation at all before you guys kind of split and did the paperwork? It's easy for us, Chris, now look in rear view because you got to through that chapter, but like 2018, 2019, what was it like? Were you losing sleep? How did you guys have that conversation?

Chris Long: No, my brother and I, we have such a good relationship that I always tell people if I had to go to war with somebody and I can only pick one person, it'd be my brother and my brothers. I have two older brothers. So we just foundationally, we just grew up together, bump heads together and it's all love. So I don't think I could ever have a truly hard conversation with him because no matter what, I feel like some of the people you could be the most open with, you're brothers, you just feel like you're lions and you're just taking on the world. But it was a little tough to figure out some of the details just because we increased in value, so we had to get an appraisal and it is funny because going back to the beginning of your story a little bit, I went bankrupt too, and at that time I was a little bit vulnerable, so I had to do three things at once and I couldn't afford to do one of them. I had to buy my brother out, I had to develop the property and I had to pay my consumer proposal. In order for me to go for this vision, somehow I had to figure out how to do all three not knowing how to do one. So the first thing I'd do is sit down with my brother. I said, "Look, I want to buy you out. I want to go all in on this. I don't know how, but can you work with me?" He said, "Fine, let's do a payment arrangement at the appraised value minus some fees that we think are reasonable. If we were to sell it, what would that look like?" We just sat down and had a handshake deal and then I just started paying him out. So that was it. It wasn't a hard conversation because I think stress is the expectation that you're putting onto it versus the reality and I expected that to be easy with my brother because it was, and even to this day, if my brother's like Chris, I need this. It wouldn't be a hard conversation and be like, how do we do this together? That's just brother love.

Dan Breslin: Yeah, a 100%. What was the size of that lot? Let's pull in the thread of that deal. Some of the details there that first one, how many acres?

Chris Long: Let's do it. It was just under 10 acres and I bought it for 470,000 and without long, it got appraised at 615, which is where my brother and I sat down and put the pen in the paper. But after I put around $700,000 into it doing our storage yards, it was worth 3.6 and now it's worth easily in the mid fours.

Dan Breslin: Okay, so 3.6 million 700K build out, what does the 700K build, because I think this will set the stage too for if we get into some of the franchising and what those partners are kind of stepping into $700,000 into that lot. What are those expenses?

Chris Long: Fencing, stone security cameras, privacy screening, a main gate. I mean it's like self storage except it's mini lay down yards. So your build out is less expensive and it's faster, and that's it in a nutshell, but it is very site specific. We're seeing build out costs in Florida being a lot more expensive because stone from your quarry is a lot different, but to break it down on our first location and keeping it specific to that, those are the highlighted bullet points.

Dan Breslin: Okay. I did the research, but the listener may not have done the research and I looked at some of the available yards on the Long Yards' website that are available. I think it was in Winter Haven, Florida, if I'm not mistaken. There's one on your site now that's actually actively renting. So we had on that one it was a $2 and 40 cents per square foot per year or roughly $104,544 per acre per year if you got the full acre as a yield. So we're taking 10 acres and we're chopping that up into smaller yards. Is that correct, Chris? Trying to paint a picture for the listener who didn't check out sort of the model.

Chris Long: Yeah, for sure. Visually for a listener, think of a Long Yard because my first property quite literally is a Long Yard. It's 200 feet by 2000 feet and you have a road in the middle and yards on both sides. So visually you're driving down, you have a yard on one side that could be 40 by 50 feet, 30 by 50 feet, and these are smaller, medium sized yards and on the yards on the right you have 50 feet by a hundred feet or a hundred by a hundred feet. So when you say an acre, we don't actually have acre yards, but we are adaptable and part of our core values is to adapt to the marketplace. So the fencing between the yards can move around, so our client, as their business grows, they can have more space or vice versa. If they're shrinking, they can kind of put that up and we can rent out the yard beside them. So yeah, it is right now in central Florida, we are looking at 20 cents per net rentable square foot, but an acre, you have to factor in your setbacks, your roads, your water retention, so it's not like an iOS truck parking. It's like you have five acres per acre. It's like, no, we need to cut it up and we have more revenue for smaller spaces, but we also lose a little bit of space getting to those small spaces.

Dan Breslin: The percentage yield, are we talking like 70% of the acres yielded into net rentable square footage? Is it higher or lower?

Chris Long: That's a great question. There's four categories. It's based on your tier of land, so I have a tier system of land. The tier four is like a forest, worst case scenario, and that has a full site plan development where you have landscape buffers, water retention, and then you just shrink it to around 45 to 55% net rentable square footage after your roads. Then we have a tier one, tier two, which is a gravel ready to go lot. There you can see upwards from anywhere from on the high end, 80% depending on the layout, probably to the lower end to be around 62% net rentable square footage.

Dan Breslin: Then I assume maybe there's a purchase price per acre that would be allocated to the tier four versus the tier two, et cetera?

Chris Long: Exactly. So I have a feasibility tool that can quickly identify a plot of land, tier one, tier four, and then with the price per acre versus here's the biggest thing is how much revenue can that drive because it's all relevant? I could pay more for real estate in a better location if I can get more revenue. So I plug it into my tool and if I have what we like to classify as a gross rent multiplier under five, then it's a green light for our model and if it's a gross threat multiplier over five, then we know the banks are not going to be, even though it's a great investment, we're looking at amazing deals. So we have a tool specific to our locations that after we go through our feasibility of the locations, which is demographics, then we go into the zoning and then it's a buy box, and then you got to hit all these milestones and then it goes to the feasibility tool. So before we looked at a property, it's already reached about four different filters.

Dan Breslin: Nice. A gross rent multiplier five. Now I never really paid much attention to that when... You're familiar with BiggerPockets?

Chris Long: Yeah, I listen to BiggerPockets. There's so many different terms people use, so for sure.

Dan Breslin: Yeah. So what is it usually? Is it a 12 gross rent multiplier? It starts to get normal single family rental piece, 10 to 12, maybe 14, the gross rent multiplier, is that...

Chris Long: See, I don't even pay much attention to residential because since I got burned my tenants, I promised that part of my brain to never look at it and I really have been, I think I consume knowledge only where it works for long years. But a grocer multiplier is basically the total income versus your total cost land acquisition construction costs, and if it's five, if it's a million dollars and you make it $200,000 a year, if your total cost is a million and you're bringing it 200 grand a year, then it'd be gross rate multiplier five other people use the one golden rule where if your gross income is 1%, then it's like a 10 cap. This is a great deal, but that's depending on asset class and everything else as well. So there's so many different rules and formulas, but what I look at is what's the bank asking? They're looking for a debt service coverage ratio, 1.15 to 1.2, and we're typically 1.7 to 2.2 sometimes in the threes for our projects, and that's including using SBA with a 90% loan to value with fees. So anyone looking on the outside listening and they're kind of in that underwriting, they're like, oh, wow, the numbers are really attractive that's for sure.

Dan Breslin: Yeah, they definitely are. Was there a cap rate attachment to kind of convert this into commercial real estate speak for the, it was what, 3.6 million, I think that first deal you said is worth? Was there a cap rate there or where is that 3.6 determined?

Chris Long: At the time I got my appraisal, I had a cap rate of 7.5, which is based on market comps in the area. We do all of our underwriting at an eight and a half cap to be conservative. However, in certain areas we're looking at in Houston and worth, you're seeing things trade at 6.2 to 6.8 cap, but all underwriter for 8.5 just to be conservative. But honestly I'm not even focused. We're looking at enterprise value and that's one of the reasons I built out a franchise system. So I'm looking at 40 to 50 to 80 locations. Then I look at the a EBITA and then the equity multiplier, which is usually a 15X on an enterprise which exceeds a compressed cap rate at a REIT or a private equity sale with the real estate. So a little bit to pack and unpack there, but I'm looking at the short-term debt service coverage ratio. Does this pencil, okay, great. Let's put as many of these together and just rock and roll.

Dan Breslin: Yeah, a 100%. The exit there, which you alluded to is to be able to sell the business. Does all of the franchisee inventory potentially get a chance to participate in that exit at some point? Is there a Blackstone exit at a four and a half cap and everyone can choose to go in or choose to let go of the name or maybe there's the carve out and they get to continue the name. What does that end plan look like for you, Chris?

Chris Long: That's a great question. Honestly, Chris Long and Long Yards I want, we have three phases, so there's, just to answer that with a little more in depth, we have a real estate acquisition, so Long Yards franchise is like an industrial real estate acquisition tool that can leverage SBA, so that's a power machine in its own with the tools and systems we built. Long Yards, phase two is we have long box products. So anyone that's visited our website, we have these boxes from Europe that fold and unfold and offices that fold and unfold, and we've called them long boxes. Phase three is we bring the Long Yards to you. So when you think of a yard, you're going to think of a Long Yard. Either you go to our location or if you're doing a commercial fit up or an industrial fit up or residential, we'll bring the fencing, we'll bring the long box, we'll bring cameras and we'll bring the entire secure aspect of what we're providing to a location. Then the enterprise value just creates more lend ability, to me I don't want to sell this. I'd rather pass it on to my kids and I picture myself being around for the long term because it's going to be such, it's so a crazy that I could refinance. I have so much debt options where I could refinance the real estate and pay myself tax free that I think it would have to be a number that just blew me off my chair because I am going to be making so much cashflow, I'm not going to know what to do with it. So I don't really see myself selling this, even if I had a stupid offer slapped in front of me, but if I bring on partners, they might want to see an exit where something comes on and we'd have to talk about that point. But I see this for the long vision and that's why I built the franchise and I have franchisees in for the long term as well.

Dan Breslin: Yeah, it's good to hear, right? On one hand, I'm a real estate investor and I am probably like a lot of people listening to the podcast. We are wholly addicted to the settlement where we get our cash, we invest in commercial real estate deals, private partners, and sure the $4,000 a month that comes in off a very significant investment is okay, but we're looking forward to the $800,000 coming back when they sell the property for the 350, 400,000 that we put in upfront. It's so often, at least in my experience, just flipping a house, it's $200,000 with construction to that exit. So I think for me, the real estate investors, psychology if you will, is more of this fix and flip and get out, and I would look at a lot of businesses that way. However, I would also say that from running a business and wanting to build my own business for the long haul, if you're going to get into business with someone who's looking for the exit, I'd be cautious because they have a mercenary type of attitude toward business, which is what US real estate flippers are probably guilty of.

But if you're going to be in business for the long haul, it's about the customer and the experience they're having with your brand, the interaction with their brand, treating your partners so that they're here for the long term. We're not just trying to gouge expenses and then get to a sale and make our cash enroll like the normal private equity model might bring to the table. So it's comforting. If I were going to sign on as a franchisee to hear you talk about wanting to be there for the long term, so the SBA is probably a big competitive advantage. I talked to a lot of real estate and about who come on the show and we're doing self storage and we're doing multifamily and we're doing housing. We can't get SBA at all for real estate deals, but here you are on my show, the REI Diamond Show, and you're talking about using SBA to take down and build. Is this also build out financing or do you have to fund it all with cash and then do a refi to get the cash back? Where does SBA fall into the process? If I were going to buy a yard and step into the franchise, is it actually covering the real estate?

Chris Long: It's insane. So for listeners, if you're just tuning in right now, picture land banking and cash flowing for 10% down. That's what Long Yards is. If I could summarize my business in one spectrum of avatars, I got people that just buy land and they're like, yeah, it's great. I'm making equity, but I'm not making cashflow. Mine's the best of both worlds. So I could buy the land, let's say for a million dollars, I could put a million into it. It's worth 4.5 all day long. It's cash flowing, putting $25,000 a month after debt in your pocket. These are accurate, fair numbers, and you're coming up with 10%, which is $250,000. These are the numbers we are looking at and this is the system that we've built to acquire these properties and take them down and the franchisee gets to own a 100% of the real estate so he can exit to himself on a refinance and keep cash flowing after year three.

Dan Breslin: Have you guys done any and the SBA loans are a 10 year term, right? You're paid off in 10 years.

Chris Long: No. So an SBA term, there's two ways that Long Yards expands. We haven't even talked about. We're a cashflow entity, we can do a lease on a real estate and then you're using a 10 year SBA. But on the real estate acquisition using, I think it's a real SB7, basically it's 25 year amortization. So on the purchase plus build out, plus they give you your operating costs to cover your deficit at the beginning during your lease up. They could even give you a salary. They cover your fees, there is a franchise fees built in there, everything. So it's 10% of the whole package and then you're up and running until you're cash flowing. Then yeah, they have penalties to cash out and refinance, but they do interest only for the first 24 months as well. It's truly built to help support small business and if you think about what Long Yards does, we are a small business incubator by nature by providing these little yards. So it's only natural for SBA to be like, hey, I want to get in line with these guys and that's what we've done. There's an SBA directory list and we are on it. If you look at the SBA directory list, you'll see Long Yards, which is underneath I think Longhorn Steakhouse, and they actually discontinued that list, so you can't get on it anymore. But because we've gone on it before they discontinued it, we're recognized by lenders throughout the states for being on that list, which expedites our process.

Dan Breslin: Nice. Yeah, I did cursory research when I saw our booking coming from the agents who put our show together today. The first thing I did, I saw that you were offering a franchise. Okay, let me dig in at least make sure he has his filing. Oh, he does have his filing. Cool. That's great. Here you are with the SBA stuff that I have no ability or knowledge to dig into, but you've gotten a lot of the base covered already. So let's keep on the path of me becoming a franchisee. How much time am I bringing to the table? Am I out hunting for listings? Am I also leasing each yard individually? Am I buying a city or a state and then getting four or five yards and have the opportunity to hire one central manager? Tell me how I can scale my franchise business without 40 hours a week on my own time. I have more cash than time personally and probably people listening. Some of them who might be interested as franchisee would probably say the same thing.

Chris Long: So just for perspective, I'm running my Long Yards in Canada and I'm in Florida and I've been there three times in the last two and a half years. So that's step one. This thing is I'm selling a business, not a job, now for franchising, it's not like a restaurant where you need to be there and hold the manager's hand, order the food. No, no, no. We are heavy lifting to get going to find the real estate to get it built out. But after that you can put the weights down and you're just walking, right? That's what we do and we help you for the heavy lifting from A to Z. Okay, so that's kind of understanding the model at a high. Now what we have actually built was a go long or go home guarantee. So I do the spinoff on the Long Yards a lot.

We got Long Yards and we got long box, and I do the go long or go home guarantee. So basically if you want to protect your territory, let's say you're in Atlanta or the surrounding area of Atlanta and you say, Chris, I want Atlanta. For $5,000 we do 120 day guarantee that we're going to help you find the location in your territory and you protect it so no one else can come there and claim it. But if we don't find nothing in 120 days, then you get your money back, no questions asked. So we created this bridge called the Go Long, Go Home guarantee. What we're aiming to do is have one franchisee ideally have at least three locations and be actively grossing over a $100,000 a month with one manager in their territory. That is completely reasonable. I'm over $40,000 a month with my first location and my manager works on it part time. So you can have one full-time manager who's overseeing three locations, very tangible, minimal supply lines, easy staff software that gives you recurring billing. It's everything a business owner would like to have. You're not worrying about so many different things and you don't worry about the unknown. It's a storage yard. So that's kind of like packing and unpacking the model for you in a nutshell.

Dan Breslin: Nice. So do franchisees, you'd mentioned Texas. Texas is a fucking fantastic industrial market right now, and I think it's got a lot of likes to continuous growth trajectory with our, I don't know if it's the about face if you will, at some level on China. I think a lot of people didn't like what happened during the shutdowns and you saw what happened when government risk comes into play and they shut down your overseas factories so that you suddenly have shortages, not just from shipping being delayed, but there's simply not even allowed to go to work and there's not much you could do about it. In America some of us during COVID could choose to go to work anyway. They made carve outs a little bit more freedom and that worked well, and I think we're going to see more and more coming through Mexico or up from Mexico, at least if it's my out-on-a-limb opinion. So is there one franchisee in Texas? Are there still geographies available in Texas? Tell me about Texas and how that's set up right now.

Chris Long: Oh, Texas is an amazing market. We have an offer right now in Dallas-Fort Worth, and we're looking at two of them in Houston actively. So we understand that Texas is an amazing area. It's funny, when I left Canada, my wife and I were like, I'm like, I want Texas and she's like, I want Florida. We've got three daughters. So she won, we're in Florida. But I understand the demand for Texas and definitely a hot market. So there are still a lot of territory available. Texas is just massive to begin with. So we keep that conversation very open and once we secure a location, you have a grid around it. It's industrial land, so per acre, per mile, we have a territorial protection and Texas just being the size it is, there's a massive amount of opportunity. And I would say we are actively closing locations and we are signing Go Long, Go Home Guarantees in territory. So if people are interested in their territory in Texas, I would suggest reaching out before it's no longer available.

Dan Breslin: Does it make sense to actually be local to the territory for the person who's going to build that out?

Chris Long: I would say it'd be a strong preference, but it depends on your business expertise, skillset and the long airs confidence that you can, if it is far from you, because SBA does require you to be somewhat reasonable, a four hour drive typically, so it is aligned with the lending capacity and for you to be able to skip over there if there's an emergency. But if you have a business skillset where you have multiple locations and you're already overseeing and there's a great level of confidence that you can oversee it from a distance, then we're going to be happy to entertain that conversation. I'm managing mine from miles states away, so I want to see that it's completely tangible for others to do the same.

Dan Breslin: What's the limit for me as a franchisee, right? SBA is only going to allow one or two or three of these locations at some point that financing's not going to fly for scale?

Chris Long: Yep. You have a $5 million limit with SBA total. So you can do let's say two, 2.5 million dollars average locations, and then you reach your cap and then either you go to commercial lending at that point or you do a refinance on year three, after the end of year three and take out your SBA then rinse and repeat to keep leveraging that 90% loan to value.

Dan Breslin: Does Long Yard have relationships set up so far with commercial lenders for that takeout loan?

Chris Long: Not at this point because we haven't gone to that, but we are actively always, I mean we're pretty hyper-focused with SBA to start with because we haven't reached, the franchisee is on the third location so at this point, no. But we are heavily focused with SBA.

Dan Breslin: Tell me about some of the challenges that you've run into with SBA. I've heard some nightmares and have some friends who are SBA lenders and they take forever and blah, blah, blah. Have you lost any industrial deals, you were trying to get the settlement or had some other challenges that you might share? If we're looking at the dirty side of...

Chris Long: Yeah, there is a dirty side. I'm part of a self storage mastermind and you always hear some of the horror stories and for sure, if I stretched it on the fastest and the slowest, it would be close real estate cash. That's 15, 30 days where SBA you need a 90 day, 120 day with even 150 day due diligence, now on commercial and land already, they expect a longer closing due diligence timeline. So it's not as competitive as flipping a house where you need to move quick and aggressive. So in the space, it's already more of a natural slow moving due diligence process to begin with. So just being with the wind in our sails where we are, it kind of aligns with the timing. I would say the biggest hiccup with SBA is that when I hear this time and time again, the only time that it actually hiccups is when people are not providing due diligence paperwork that SBA required at the beginning, their tax forms, their assets, everything that they require as a package as long as the consumer or the client is moving that forward and has that package, then SBA is going to be pretty quick to move. We have everything required from a business perspective because of our franchise brand manual and everything we've built out, we provide the business plan, the Gantt charts, we have line items, how many feet of conduit, how many fence panels, how many gates, our complete business package, the lease up rate is handed to SBA. It's just on our franchisee to get everything over to them. So I would say with good execution and clear expectations at the beginning, SBA should be smooth. That's where the hiccups happen.

Dan Breslin: Okay. Have you done any cash out refinances on any of ADRs?

Chris Long: On my first location, I did. I did a cash out to pay back my investors, so I own in a 100%. In terms of the states, we haven't gotten to that lifecycle yet.

Dan Breslin: Okay. Yeah, and it's a tough environment right now for lending to begin with, which is why I asked that loaded question. I imagine 2024 where we sit with the interest rates at seven to 8%, it would probably be tougher to get cash out refinances on I think, I'm out on a limb again, Chris, so you know better than me. It's a little bit of a unique asset class in that it's land and it's a little bit of a business versus a bank likes an apartment building because it sort of makes sense. Bricks, there's this huge capital investment there and I imagine it would probably get a little easier to do a cash out I hope in a year, two, three, four years when the lending environment changes and becomes a little bit more favorable. Probably not unlike any other commercial real estate asset out there right now.

Chris Long: Yeah. So I'd answer that with a few questions. First of all, you have a seasoning period because the lenders are going to want to see tax returns. So by immediately having three years of seasoned statements, you can see the consistency of the income they're going to like that. The second thing is this is pretty close to a boat and RV and the argument could be made, hey, if you're doing refinances to boat and RV, we're similar to a boat and RV, all the ingredients are the same, treat it the same, and it's a very compelling argument to stand at the table of the lenders and make that because it is fair. So the cap rate and the LTV should match pretty consistently with what we're seeing in those markets. So by having the seasoned financials and by SBA lending in the first place being credited, you'd think the commercial lenders would be more than happy to play ball because the debt service coverage ratio is so attractive that it's a really safe bet for them even to come in at a 65% loan to value on year three. I won't see it being too competitive, however, I make assumptions and you only know when you get there and based on my life experience, if anything, it takes longer and costs more than you expect it. So get into it knowing that. But at the end of the day, I think we have a lot of the check marks to be a very strong lender.

Dan Breslin: So let's talk about the customer a little bit. What are the demographics of the ideal yard?

Chris Long: We got blue collars, that's why we're blue. The blue collar builders, so carpenters, mechanics, general contractors, welders, property maintenance, arborists, car dealers, the list goes on. These are our avatars. These are the guys that are moving our economy. These are the small businesses, the blue collars, these are the guys that we support and these are the guys we're building for.

Dan Breslin: Is the area itself, if you're going to go in and look at Houston, Texas, how are you evaluating the demographics of the location itself? Is there a population and income, a crime score? What are the important things there?

Chris Long: All of the above. So we have a feasibility tool that goes through a checklist of every line item and then we have a scorecard that we're looking at each property to say, these are the metrics that we'd like to match. Then you kind of go into a little bit, well, what's the closest to me? What's the best price per acre? So you have the feasibility of the real estate, then you have the feasibility of the business on the real estate. But to give you an idea on a high level, if you were ever look at Long Yards on the map in Ottawa and you zoom out, you go, wow, that's quite the distance from Ottawa. We have people driving 40 minutes to get to our location. So that's number one. But basically there's massive supply and demand for a product. There's a shortage of, so we like to be close to an artery, close to highway, but in terms of the city, you can either be in a projected growth or you could be in a seasoned part because as our model adapts and we're so broad with a yard, we have different type of clientele and avatars where you might have different ongoing service-based businesses as you're in a more mature, seasoned part of a city versus the growth, you have more contractors coming and going for that atmosphere in the surrounding area. But I mean, our clientele is vast and wide and we're casting a wide net because we're catching a lot of clients. We have our ideal avatar, but we have a lot of clients.

Dan Breslin: What's the marketing plan to find them if you're just throwing a sign up out front or is there SEO pay-per-click? What fills up the yard and how long does it take to fill up the yard after you build it?

Chris Long: Great question. So I would be lying to you if I had the exact data to fill up because I've got one completely leased up location, others under construction, others being built out. But I can tell you I'm good at tracking the data and we take that very seriously and it's based on, there's a few metrics. You have the population around it, but you have our avatar of clients around the land as well. So as an example, in our central Florida, within five miles we have 3,500 of our small businesses that we've targeted and identified. Then we can start telling based on this acreage on these campaigns, this is our lease up rate. Right now we are projecting 5% lease up per month on our locations. So around month 17, we're including a 15% lease up when you start with our pre-marketing campaigns. So that's kind of like a nutshell of our lease up run rate. But as we evolve with our marketing campaigns, we can get more specific on the data to say, based on these six campaigns, we put this much money and have this many results and as we grow, we can get more defined and then I can look at a location and be very accurate. We spend this much with this many people and this amount of time we'll be at this percent lease up. So it's a little bit of combination and there's a lot of marketing. We have at least six different campaigns and we have what's called our soft. We have first of all our shadow marketing campaign. So before we hit an area, we're going to do some ads and test the area so we have confidence before we lay our feet on the ground.

Then we have our soft marketing during construction, and then 10 weeks prior to grand opening, that's when we launch our full scaled, built out more season marketing campaigns to really hit everyone as hard as we can. Here's the other thing, nobody knows the storage yard exists, so people don't even know that you could get this. So it's not like people are searching for it. You really need to educate your clientele and that's what we've been spending a lot of time doing. Then people typically want to go out there and see it before they rent it. So you can only do so much online presence, especially with these blue collar guys. You need to figure out a way to get in front of them and to educate them and that's what we're good at doing.

Dan Breslin: Yeah, it's a little bit of a build it and they will come scenario because they want to see that yard before they're committing to putting their bobcats in their trailers in those yards.

Chris Long: A lot of it is security and people just, they don't even know what exists. They want to go out there and shake your hands. They're going to be driving there often. They want to know what it's like hitting the red lights and turn the corners to get there. Absolutely, that's a big part of it. So build it and they'll come.

Dan Breslin: Interesting. Are we talking like direct mail, Facebook, what type of marketing campaigns for the six?

Chris Long: A little bit of everything. So B to B, flyers, direct mailers, signage, direct affiliate marketing programs. There's definitely a lot that goes into that. It's a little bit of our sauce that we rely on, but we hit it from multiple angles, that's for sure.

Dan Breslin: What kind of a time commitment from the franchisees to operate those six? It sounds like it would be torturous to run around and deliver flyers and handshake with business owners as a franchisee, but is that what's required to get it done?

Chris Long: No. So the franchisee is more requirements. So we actually help find the real estate for the franchisee because we want to make sure the real estate's going to work. So first of all, they come and they go, I don't really understand your business, I don't understand the real estate, I understand the business. We say, that's fine, we're going to help you understand the real estate. That's why we did the Go Long, Go Home Guarantee. So first of all, we're going to help them pinpoint the right location. The second thing is understanding the real estate tiers. There's four different tiers of land and each tier of land has plus and minus time. Do you want the tier four forest? This is going to take this much time. You want the tier one, which you're going to spend more, that's going to take this much time, and we educate them on that.

Then the lease up, once it's built out, they can either hire a foreman, which we can give you the cookbook to do, or you can hire a civil engineer and do an hourly allowance. Then the lease up, no, we charge the franchisee a lease up fee and we take care of that. So that's us doing the heavy lifting because we know, but we do expect them to take the phone call and to lease up the yard and to help kind of get the heavy lifting. Then they need to put signage up at the front of the yard on the front fencing to make sure that they're at least kneeling. They understand when people are visiting, yards coming soon with the pre-lease up phase, but we handle basically the marketing side and then they just need to answer the phone, basically shake the hands of clients ideally, or have a manager that's trained, which we can help you train as well to shake the hands when people are there. So to pack and unpack that from the life cycle of finding the real estate to the lease up, it is heavy lifting at the beginning. It's either done with you or done for you depending on your time and budget. You either spend time or you spend money, pick one. Then when it's up and running, you got your manager and then we just expect it to be a smooth operating machine, which we're going to help you do.

Dan Breslin: Nice. So you guys are handling this six different campaign marketing cycle and the phone's just ringing?

Chris Long: Pretty much.

Dan Breslin: Okay, cool. Interesting. What is a stabilized occupancy rate and how much of the turnover is occurring on a monthly basis?

Chris Long: These are good questions. You're definitely seasoned. We underwrite for 90%. That's what I'm at right now. The churn, these are small businesses, so we look at as self storage, which is the closest comparable that we try to underwrite and compare it to for churn. The small businesses usually in self storage actually are there longer and they're more of an ideal client. So if you think about self storage versus storage yards versus us having 10 acres rather than having 475 clients, we have 65 clients that stay there for a longer period of time. So we have lower churn, lower turnover, and higher occupancy, and we're more of a needed than a want business. So just kind of zooming out. Yeah, our clients stay there. I've had clients there four years, just credit card payment every month.

Dan Breslin: How about that? Have you guys done any rental increases on any of those clients? Is there teaser rate or are you kind of right now just like, here's the rent, we're fine with that. Maybe someday we'll have rent increases. What's that look like?

Chris Long: No, we've increased rent rates for sure. So you do it ideally at least once a year, notify the clients and just with inflation, property taxes go up, cost of goods go up. So yeah, our software costs go up, hydro goes up. So yeah, we increase the rates to match inflation and obviously put a little bit of gross on that. It depends, we have two different types of clients. We have larger corporate clients. I have one client who's building a garage on my property, which is pretty cool. It's signed a 10 year lease, and in that 10 year lease we have stepping stones. But the month to month, that's when you have a little bit more control and you can increase it a little more with more freedom on those type of clients.

Dan Breslin: Well, you guys are advertising month to month, how did that conversation for this client to take a 10 year lease on that space? Or is there variable offerings to the client?

Chris Long: Majority is month to month, but sometimes we have a bigger corporate client that wants a big yard and he says, hey, I want this for three to five years. I don't want to think about it. I say, fine sign a three or five year lease. I would say we're 80% month to month on our smaller yards. But because I had offices at my first location in Canada and I had a premium spot that faced the property line that faced Bank Street, I had a larger corporate client say, hey, I want to secure this spot for 10 years. It's in a great location and I'm willing to sign a 10 year lease and build a garage and bring in phase three power. I said, "Let's go for it." So it's a little bit opportunity based, but for the most part we cater to the small businesses and they just need month to month.

Dan Breslin: Any ideal lot size is 10 acres or could this be done on 35 acres? What sort of is your scale limit on a single property?

Chris Long: Yeah, so we are almost dealing with two separate businesses. We got the Long Yards business on the real estate and then you have the real estate separately. You could take a 35 acre parcel and subdivide it and then just use seven or eight for the Long Yards model and then just kind of sever the other two and then actually pay for that third and that's a model, sometimes we entertain. But to answer your question, because we introduced the Long boxes and Long offices, you have the ability to drive a lot more revenue from a lot smaller of a footprint. So we used to say four acres, but we can actually go to three acres and still drive a lot of revenue because of the additional revenue from the Long box sales and rentals, that makes sense to justify the feasibility of the site. But I would say my comfort range for traditional long air site would probably be four to 10 acres in a population of 10 to 15,000 people per mile, mile and a half of a radius.

Dan Breslin: Okay, so 15K people, and that's not what Ottawa had around it, is it?

Chris Long: No, Ottawa is like if you look at my site, it's like I kind of feel like I'm in the middle of nowhere because Ottawa is a million people and then I'm 45 minute drive with no traffic to the core, but I am on a main highway going to some suburban areas around us. So right now I just want a greater amount of confidence for my lease ups and for charging higher rates. So I'm targeting more dense areas, but we're not shy to look at an area just on the outside that still matches all the data points of my first location.

Dan Breslin: Interesting. Well, I'm sure I could go on for another hour bringing you with question, after question, after question, and maybe the listeners will never hear this. We keep our combo going and I have to keep this whole thing a secret. But no, I'll release the episode, Chris, I think the listeners probably will enjoy this one, but I have a couple questions here as we turn the corner to do the wrap up. Before I get to that, is there any other question specifically about the business model at Long Yards that you feel like you want to address? Anything we might've left out here?

Chris Long: No, I'm just looking for great partners, whether or not you want to be in coming as an investor or a franchisee, secure your territory. We've just got an open agenda. We're looking for great people to come in and explore opportunities with. So just keeping the doors open and very inviting. So no, besides that, we're happy to answer any other questions one-on-one with anybody.

Dan Breslin: One other question, is there any depreciation tax benefits on the build out?

Chris Long: Great question. Yes, there is. Actually, on the site work you can do cost segregation.

Dan Breslin: How about that? What does that usually shake out to do? You know, I know they're cutting us and cutting us and cutting us here.

Chris Long: I didn't go deep on that. I know we did consultations for the cost segregation and it does pencil. Not bad actually, but to get granular with those answers, I'd have to pull up the report. Sorry, about that.

Dan Breslin: Yeah, no, that's fair. Cool. So any sources of information, normally I say what books might you have recommended or read that maybe had something to do with, but in this instance is there any podcast or other source of information? It could be a book, it could be a video. Is there something one or two recommendations you say, man, this was impactful for me along the way and I think the listeners might enjoy this?

Chris Long: Yeah, one of the best books I read getting started in my journey that helped me make looking at real estate a little more simplistic was money people deal and that's a great Canadian entrepreneur, Stefan Arno unfortunately passed away younger but Respect the Grind, just one of his brands and yeah, one of the books he wrote was Money People Deal and it just unpacks it. You need three components, you need the people, you need the deal, and then the money will come. Or if great people have the money, they're looking for a great deal and you need two of the three. So don't stress all the time about trying to figure all the money problems, find a great deal, have great people, and the money will come.

Dan Breslin: Yeah. I think for me, I would tuck that on one of the guiding principles in my career because I was penny less. I'm sure I had a couple pennies, enough money for the cigarettes. I used to smoke but I had no money and a lot of times the people on the deal might be like property manager and there's an excellent property manager and someone could find their way onto a partnership for 200 unit apartment syndications because they're a fantastic property manager. You might have in that same bucket, the people are the construction component. You might've been that for somebody coming to the table as a carpenter and you've got the tools, you've got the equipment, you understand the cost structure, you can do site work and so you could be the people on deal. That wasn't me. I could find my way around rewiring a house, but wasn't this well-equipped, highly skilled person who could run renovation projects and I had no money. So out of those three things that stool, the three-legged stool of a deal, if you will, was finding the deal. I said, "Okay, that's the thing I can do. Dan Brother's going to be known for doing more deals than anybody else in the industry. Dan's going to bring the best deals he's going to find, going to figure out how to do that." That was what I set out and built my career on and since then the right people, fantastic people have tiered and joined the team and been a part of our mission. Then the money kind of came later and now later in the career, I'm at a point where sometimes I could be the money that comes to a deal and I'm looking to invest in the right person who has found the deal and has some of those other operating strengths. So it's amazing how you get to participate and be different points there throughout your career. But anyone who's listening who doesn't have the money and doesn't know the people yet, if you could figure out how to go out and find a real deal, it will attract the right money and the right people.

Chris Long: There you go.

Dan Breslin: So what would be the crown jewel of wisdom for you, Chris? You're just starting your career maybe a little younger. You could pick the point in time whether that's 10, 15 years ago, you were just getting out of high school and starting your life, or maybe you're just starting Long Yards, but the crown jewel wisdom knowing everything you know now. If you could go back and share that nugget with yourself, what would that be?

Chris Long: Oh, man, it's simple but powerful and say no more than you say yes. So I was taken on construction jobs and I would do a basement kitchen and then I started getting the commercial, Home Depot contracts and in hindsight, and now I've learned this powerful lesson and the more you say no, and the more focused you become, the more of an execution specialist you do become. So the crown jewel wisdom is there's so many people doing so many different things, you got to do one thing really well. It's like Bruce Lee, don't fear the man that practices 10,000 kicks, fear the man that does 10,000 kicks once. So be an expert in your field, you're going to get great people around you, you're going to execute, say no and stick to your vision.

Dan Breslin: Love it. Where can people get more information about you or Long Yards? Do you have somewhere you'd like to blink a listener?

Chris Long: Yeah, I mean I put my phone number right out there. You can find us @longyards.com and check us out. But my email is clong@longyards.com. Then you could also just call or text me at (941) 278-1995.

Dan Breslin: Nice. My final question, Chris, what is the kindest thing anyone has ever done for you?

Chris Long: That's a good question. I would say it would just be my uncle at a young age just giving me his time and just giving me time and just spending time with me and believing in me when at a time I needed it the most. I wasn't expecting that question, but there's no lie around that and that's my answer. It's just when you need someone to believe in you the most and it's at a most vulnerable point in your life and you have that one person doing that, that's the most kindest thing someone can give you, is time and belief.

Dan Breslin: Would you mind sharing what that tough time was?

Chris Long: Well, I was a young dad at 20 and I had my daughter really young and just trying to figure out your journey as a young dad and kind of going out on my own in the world. I was an apprentice carpenter too, and I mean I went from making $30 an hour in the union, but I didn't like how they treated you and there was a cap. So I went to 12 bucks to be an apprentice carpenter because I believed in my skillset, but that was hard and having a young daughter at that time was really difficult. But I had a big vision to get into real estate and to build. I'm a builder by blood and I love the process of building, but I had to... it was hard. I grew up in less fortunate a time in my life where my grandparents actually raised, but I had an uncle to look up to that just believed in me. He said, "You got to have a positive attitude and you got to keep going." I needed to hear that the most at a time when it was the hardest. He was just there for me and I helped build the church with him and he was just always singing no matter what was happening, it doesn't matter if he... my first house when the furnace broke and I had no heat, I called him at two in the morning. He showed up and we were singing, putting the furnace together. It doesn't matter what obstacle came in front of us, there was a positive attitude and there was good energy. Unfortunately my uncle passed away early, but his lessons of just being positive and no matter what's happening in life, man, there's going to be a tomorrow. Just keep going. Those lessons were the most powerful for me and it's when you need it the most is when you remember who was there the most and that's when true colors really show up and that's who I figured out early on in life, who's with you when you need it the most and those people really shine.

Dan Breslin: Very cool. I am grateful that you shared that additional context there, and I'm sorry for the loss of your uncle. It sounds like he was a really, really cool guy and really positive and enlightening. So thank you for that extra bit there, Chris.

Chris Long: No, I'm happy to be transparent. I'm a Canadian that's too honest, so you could ask me anything, you just get the truth, nothing but the truth. But I appreciate you for asking.

Dan Breslin: Nice.

Chris Long: Appreciate that.

Dan Breslin: Yeah, for sure. Cool, we've come to the end. I got a couple pages to notes. I think the listener knows that I was enthusiastic and excited about this topic and I still am. So I really appreciate you having the people reach out and coming on the show, Chris.

Chris Long: Thanks for having me, Dan, and excited to catch up again and looking forward to see where this takes us.

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