Podcast Intro: Welcome to The REI Diamonds Show with Dan Breslin. Your source for real estate investment, Jewels of wisdom.

Dan Breslin: Clint Harris, welcome to the REI diamond show. How are you today?

Clint Harris: I'm doing great. Thanks for having me. I appreciate it.

Dan: Cool. I'd like to start with a location stamp; where in the world you're at, maybe grew up there, and then maybe package that with the origination story and the evolution of your career to where you're at today.

Clint: Yes, absolutely. I'm in Wilmington, North Carolina, a little coastal town in the southeast corner of North Carolina. I live on an island called Carolina Beach, right off the side of Wilmington, a tiny little island community. I'm from South Carolina. I'm 41 years old, married with 2 little boys. I grew up in South Carolina and then went to college and ended up in a medical sales career. I spent 16 years implanting pacemakers and defibrillators, which is kind of a young man's game. It's a lot of being on call late nights or weekends—heart problems are not Monday through Friday, 9 to 5.

So, just knowing that that's kind of a tough life cycle, it's got a high ceiling in terms of what you can make, but it's not really a job. It's a lifestyle. And so, in the effort to build an off-ramp from that, eventually, I knew that I didn't think for my generation, I think the ability for us to save our way to retirement has pretty much been taken away. So, I chose real estate as an avenue to invest to create an off-ramp from that lifestyle started investing in single-family homes with limited success because I wasn't networking with the right people. This is when I was in my early 20s.

In 2017, I took a promotion and my wife and I moved to Wilmington, this is a beach town. So, it put me in a situation where we started discovering short-term rentals, specifically Airbnbs. We moved to Carolina Beach. We started buying small multifamily properties. We've got a duplex and 3 quadplexes that we converted to Airbnb properties. They've been great. And we've got 14 short-term rentals that turned into a property management company with some partners that manage another 85 listings.

My goal was always: cashflow replace your income, which we achieved, but the problem was that I hit a level of financial independence, but it did not come with time or location independence. I was doing it on the side while I was still working in cardiology. So, I realized that we did it all wrong and I was looking for something that had time, financial, and location independence together. So, that started my aggressive pursuit towards passive investment strategies or the most passive real estate assets I could find.

In 2020, my partners and I met up at a local real estate meetup. They had a background in self-storage, and then in 2021, we invested together as a joint venture. We bought an old Kmart building for $1.5 million in Reidsville, North Carolina, and converted it to—it's an 87,000 square foot building—a drive-thru climate-controlled self-storage facility, which had a massive value-added swing and appreciation.

From there, my partners founded Nomad Capital, a cell storage syndication, specifically focused on big-box retail conversions. We did a handful more projects over the next year. I left medical sales in 2022. And we've been all in ever since then converting big-box retail buildings to self-storage facilities.

Dan: Nice. So, we were talking a little bit before the show, the big-box retail to storage conversion strategy, I guess maybe we could walk through a case study, perhaps it's Reidsville, perhaps you have another one and really try to dial down on the numbers. You had this 87,000-square-foot building, what was the net rentable square feet, maybe how many units you got, what were some of the challenges you encountered with zoning, etc. And then maybe we could pull apart construction costs; it cost this and stabilized occupancy is this and just really detail one deal for us to kind of paint the picture of how this works.

Clint: Yes. I'll actually give you some dichotomy here and give you 2 deals because they're wildly different from 1 market to the other, right? The driving factor is the average price per square foot of net rentable storage in an individual market. So, we bought that 87,000 square foot Kmart in Reidsville, North Carolina for 1.5 million. This is obviously a big empty square. So, it had a pretty good big conversion rate. Depending on the shape of the building, you're going to land between 70 to 75% of that gross area being net rentable square feet. The rest of it's going to be hallways and walkways and offices and stuff like that. So, the choppier the building, maybe it's 70% if it's just a big square, maybe it's a little over 75%, but that's roughly where it's going to land.

So, that building was converted to 550 climate-controlled cell storage units. And that's based upon what's the demand for the market. Do people want smaller units or larger units? That's determined by a third party as well as the in-house feasibility study, but again, it really depends on the market. Obviously, the smaller the unit is, the higher the price per square foot. So, you can squeeze in a bunch of small ones. That's better, but we bought that [inaudible].

Dan: Yes, but does the market need a bunch of small ones?

Clint: That's the that's the question, right?

Dan: Yes.

Clint: And we have to figure that out ahead of time. You can always listen to the market and adjust size, but it's much better to get it right the first time. Right? So, we bought the building for 1.5. We put 2.5 into it. So, we're into it. It's actually just under 4 million. The stabilized appraised value of that building is around 9.1. Now in retrospect, that was the first one that we did as a joint venture proving the concept of Nomad. In retrospect, I didn't even know that we would do that project. It did great, don't get me wrong, but on the scale of 1 to 10 that we've developed, we're consistently finding deals significantly better than that.

A year after that—that was in 2021, a year later—we bought an old Piggly Wiggly grocery store in Macon, Georgia for $850,000. We put 3.1 into it, so we're into it for 4 million, and the stabilized value on that building, given the price per square foot rent in the market, is 13.4

million. So, huge value swing obviously on that one, smaller units, a really competitive price per square foot in the area, and good residential density in that area.

So, at first, we were looking at the building and in retrospect, a lot of times, it's more about looking at the demand the cost of construction, and the average price per square foot in the market. But let me put it to you this way, across all the conversions that we've done in the last year—which is 2K marks, 3 warehouses, and a grocery store, and then we have 2 textile mills right now under construction at the moment across that portfolio—on the day that we're standing out front with the chamber of commerce, and we're cutting the yellow ribbon and opening up the doors, for the cost of the acquisition of the building, the construction, parking lot, and everything, we're sitting at $64 a square foot. So, averagely...

Dan: For Macon?

Clint: I'm sorry.

Dan: Was that the Macon deal?

Clint: That's all of them combined.

Dan: Okay, that's averaged out.

Clint: So, Macon, Reidsville, Danville, Burlington, Lexington, North Carolina, Gastonia, you average all those properties together. The day that we're opening up and it's converted to a Class A climate-controlled self-storage if you and I wanted to go build a facility from the ground up, it's going to probably cost us around $120 a square foot plus the cost of the land. We averaged $64 a square foot for the acquisition of the building. And then, the construction, and so, because of that, we're sitting around half the price of construction.

What that means is, first of all, because of the low initial cost base, our break-even is usually around 40% occupancy on the facility. Typically, it's 60 to 65 on the average self-storage facility that you're going to build. Our break-even point is about 40%. If you think about this, listen, you flipped more houses than deals I'll ever do in my life, right? But you know that you don't make your money on the house when you sell it, or when you renovate it; you made your money when you bought it really cheap because it smelled like dogs and cats, right? We're looking for the dog and cat properties.

My partners are builders, with 30 years of commercial construction experience. So, we want the distressed properties that have been empty for 10 years with holes in the roof and everything else. We get those properties for super cheap, usually less than 25 or $30 a square foot. We do the conversion and we land at just under $65 a square foot, which means, at stabilization, we're typically sitting around 35% loan to value, which puts us in a position where we don't have to liquidate the asset in order for our investors to get a payday.

If we buy an apartment complex, put stainless steel and granite and we increase the value, the net operating income goes up and we increase the value and the value goes up by 30 or 35%.

Typically, you have to liquidate the asset and sell it for everybody to get a payday. And then, that's great, but you're done, right? And the day you stop working is the day you stop getting paid.

Our model is to go after huge value add, where we can land at stabilization around the 35% loan-to-value mark, which means we can refi to maybe 55 or 60%. We don't want to stress the asset, but we can refinance all the investors, and get their money back plus another cash event on top. That cash event on top, we're trying to double everybody's money in 5 years or less. And when we do it by way of refinance, it's non-taxable because we didn't sell anything. So, it's not a capital gain. From there, we can keep the assets and allow them to continue cash flow moving forward. We've recapitalized. We can move on to the next one.

Dan: Nice. Do you guys have upfront depreciation for the investors?

Clint: Yes. We do cost segregation on all of our properties. And then, obviously, we harvest the accelerated depreciation storage works really well for that, because if there's someone in the building already—sometimes a lot of these will be larger buildings and there might be a partial tenant and part of it or something like that—in that situation, we can actually go ahead and depreciate what's already in that section of the building, do the demo and then fit it all out. Anything that we put in all the doors, the screws, the panels, everything else, that's all depreciable. And so, storage usually has, we're getting around 35 to 40, sometimes 45% depreciation. So, we [inaudible] that [inaudible].

Dan: And is that on the total asset cost or is that like, you put $100,000 in and you get 35 or 40%?

Clint: Typically, it's on the total asset cost. Because we can appreciate everything in there. And then, anything that we're putting in is 5-year depreciable.

Dan: Which is pretty quick.

Clint: Yes. Fast.

Dan: Okay. All right. So do you have...

Clint: So, our goal is, you've got preferred return coming out of the property and cash flow coming out of the property, which are taxable events, right? The larger events are coming by way of a refinance, but of that taxable event, the preferred return in the cash flow, we want you to get a K1 that at least offsets that. So, like, in that 5-year time period, you're going to get a preferred return during construction and then lease-up. Then cash flow quarterly is equal to your percentage of equity. And then, at the 5 years, you get a refinance return of capital plus another big chunk, but that taxable portion, you should have accelerated depreciation to offset that. From then we keep the property, our investors stay in, keep the same percentage of equity in it, and cash flows in the long-term.

Dan: At what point are the investors, if ever, going to... The assets going to be liquidated? Is it like you guys like a long-term hold forever and this is how we're going to run it, or is there going to be a 5 to 10-year window and then there's going to be a wind-down period?

Clint: So, we currently are operating a fund. Within that fund, we have to put an end date on the fund for us to calculate a return, right? So, it's a 10-year fund, but it's a 3.2 to 3.6 equity multiplier on the fund, 19 to 22% IRR. However, at the end of 10 years, that doesn't mean we're obligated to liquidate. The reason our group is called Nomad Capital is because a nomad is somebody that goes where they want, when they want, and does what they want, right? Like we talked about before, everybody's looking for financial independence. In my opinion, that by itself is a little bit shallow. And what we really should be looking for is financial, time, and location independence. Those things together give you an independence of purpose that you can do what you want to spend your life creating value with the people that you love and go into beautiful places. That's a real estate nomad.

So, if we build all these up and then we sell them, that's great. Everybody gets a payday, but we're trading time for money. Again, the only way to break that cycle where you're not trading time for money is to keep assets and allow them to cash flow. So, we give relatively strong short-term returns with that 5-year, at, or before a 5-year refi. Within the fund, it's a 10-year fund. So, you're going to get another cash event at 10 years. Obviously, cash flow your 6 through 10.

There are a couple of different ways we can pay people out at 10 years. Obviously, there's a scenario where we could sell everything. That's not our preference. It's more likely that out of this portfolio, it's going to be 5 properties in this fund, maybe we sell 1, or maybe 2 of the properties and keep the ones that we really like. And then, everybody gets a payday and hits their return, but as long as that fund continues to own properties, the investors always stay in the deal and it continues to carry forward.

Our goal is, we we've hit 150 million in assets under management stabilization right now. And then, we've got a 5-year goal of 500 million and a 10-year goal of a billion. And that's assets that have come through that we've gone full cycle. Maybe there's going to be some of them that we sell, but the idea of a real estate nomad is, we're trying to build a tribe of investors that are getting great returns, but then we keep things long term and we keep on rolling. My partners are a father and son-team. The father is 53 and the son is in his late 20s. He's got a younger brother who's in his early teens. The son has a couple of young kids. This is a generational wealth vehicle. We want to keep this going for a long time.

Dan: Interesting. Let's go with the investor's example of 100,000 and walk through what those preferred returns would look like in the fund that we have now.

Clint: Got it. So, for the current fund, we have 3 different classes of shares. So, class B shares are 50,000 minimum and come with a 6% preferred return. And then it's around a 3.2 X equity multiplier over that 10-year period. So, if you put $100,000 in, you're going to get a preferred return. If you got to think about it, it's a fund, right?

But let's think about an individual building [inaudible]. Say it's an old Kmart building that we're building out. You buy the building and it's immediately typically going to appraise for 1 or 2 million more than we paid for it, but it's a dump and it's empty, right? It's going to take us a year to build it out. We still owe our investors a preferred return during that year, but there's no cash flow, right? So, it's back owed. We've got to build the building out, after that it's worth way more, but it's empty. Then it's going to take us about a year to fill it up, to get to the point that we're cash flow positive, about 40% occupancy.

We build up an interest reserve and then we start cash flow distribution. So, you get a back owed preferred return from the 1st 2 years and then cash flow year 3, year 4, year 5; and then at or before year 5, if interest rates are good, there's no reason for us to wait. There's going to be a refinance. You get your $100,000 back plus another chunk. So, you get $100, 000 plus another 65 to 70 on top. Well, with the preferred return in the cash flow, that should be the other 35 to 30. And then you're going to get accelerated depreciation to offset that 30 to 35.

So, that's non-taxable. We do the best we can to double our investors' money in 5 years or less because we think if we do that, there's a really good chance those investors are probably going to reinvest with us into another fund, but if they keep their same percentage of equity in that first fund and they're getting cash flow year 6, 7, 8, 9, 10, and then at or before year 10, we refinance everything as a portfolio or refinance one of the properties we haven't touched yet, or sell 1 or 2 of the properties, everybody's going to hit their 10-year return and put $100,000 in, you're getting around 320 back. But at that point, you keep your same percentage of equity and it just continues. At that point, it would convert to an unlimited return as long as we hold the property.

Dan: Yes, it's interesting. You said 3 classes of shares, the B class was 50,000. What would be the other?

Clint: Yes. $50,000-minimum with a 6% preferred return. We've got a class A share. It's a $250,000 minimum. That's an 8% pref and around a 3.4 X equity multiplier. And then we have a new share that we just put together recently at request. It's a $1 million share. And every share goes up in $1,000 increments above those minimums. So, at $1 million, it's also an 8% pref, and we are willing to put a 5% equity bonus on top of that. So, if somebody puts in 1 million, we put in 50,000, we match it with 50,000 of our own money. So, if you put in $1 million, it looks like it's going in as $1.05 million, and that extra 50,000 will multiply through the deal to about 170,000 by itself as well. So, that comes out to around a 3.6 X equity multiplier.

Dan: Okay. That's interesting. I think you might be the first syndicator I've ever had or talked to on the show that's holding this forever. I might be lying. There might be 1 or 2 other small apartment guys, but that's unique for you guys. So, congratulations.

Clint: Well, thank you. The only reason anyone can do that is you have to have a really big value ad swing. It has to be huge. You can't buy something in an asset class and fix it up nice enough in the same asset class to ever create enough value to do that. The formula by which the asset is valued is typically a net operating income formula. And if you buy an apartment complex, you can't make it nice enough that you can refinance out to pay everybody out, double their investment, and keep them in; you typically have to liquidate.

The only way you can do it is some kind of massive value ad swing, which typically comes from an asset class conversion. We don't buy this at an NOI; we're not buying these properties on a cap rate. An 87,000 square foot Kmart in Reidsville, or 97,000 square foot Kmart in Danville, Virginia, or a 77,000 square foot Sun-Drop Bottling facility in Gastonia, North Carolina, they've been empty for years. They're basically worth what someone is willing to pay for them.

So, we buy them as an empty, vacant building that nobody wants, and then we convert them to a different asset class. And when you convert them to a different asset class, it changes the formula by which the property is valued. So, our traditional deal will buy a building for a couple of million dollars. We'll put a couple million dollars into it, and then the stabilized value is typically in the 13 to 17 million range. Because of that and landing around 35% LTV, that's the magic sauce that allows you to give everybody a payday by way of refinance without leveraging it all the way to the hill. We're not refinancing to 75 or 80% LTV. We want to refinance enough to give everybody a payday, the vast majority of that being non-taxable because it's not a capital event. Then you can afford to keep it, right? And keep it moving forward.

And we have multiple exit strategies. We can always sell properties at a certificate of occupancy. If a stupid offer comes in, we can sell a property at stabilization. If the right offer comes in, we can sell the whole portfolio, which we've been approached about before. But the reality is, if we did that, we would immediately start over and do the same thing that we're currently doing. At the end of the day, if you build something up, you make it nice and you sell it, you're trading time for money. And the day you stop working is the day you stop getting paid, whereas if you build out the right assets, you can recapitalize. If you forced enough appreciation, keep them and go be a real estate Nomad.

Dan: So, it looks like all except one of the properties listed on your website is in North Carolina, I [inaudible] staying corrected. You have a second one in Virginia, and one in Arizona there.

Clint: Yes.

Dan: Is North Carolina the favorite market for you guys? And why?

Clint: So, we've got the 1st property my partner, Eric, built in Arizona. That's where he's from. He's since doubled the size of that facility. We have a Kmart in Danville, Virginia, about a mile and a half from the new casino that's going up there; a $590 million casino. And then we have a facility at the bottom of that map. There's 1 down in Macon, Georgia as well.

Dan: That's right. You did mention that one there.

Clint: Yes. And then, besides that, most of our projects are in Eastern North Carolina. There's been a massive population growth. It kind of started before COVID, but especially with COVID, East and North Carolina has been blowing up. For the secondary and tertiary markets, we're not in a Raleigh, we're not in a Charlotte, but we'll be in a Gastonia right outside of a Charlotte or a Burlington or Lexington or Kernersville or a Reidsville outside of some of these markets in this big East and North Carolina footprint, where people are getting pushed out of these urban markets into these smaller secondary and tertiary markets, which traditionally have been underserved for housing, but now they're specifically underserved for storage.

Everybody knows where the old Kmart building is in the middle of that downtown or whatever, right? So, it's funny if you look at the population growth data across East and North Carolina and the Southeast in general, big-box retail is dead. Amazon and Walmart have really wiped out that space, but there's a reason why that community used to drive to that location for all their home goods. There's really good residential density around there, good visibility, and good traffic count. It's the same reason that even though big-box retail is dead, those same people in that community will drive back to the same location and pay us to put the same stuff right back inside the same building, right? So, the IRA, it's just the inverse flow, but we like East and North Carolina because deal flow is not a problem for us. There are a ton of old warehouses, textile mills, and things like that. And also, it allows us to manage with a hub and spoke model. So, typically, we have someone on-site with our facilities until we hit about 60% occupancy. Then we can pull that person off and move them to a new location and continue to lease up just with QR codes and touchscreen kiosks and the website. So, it saves us about $60,000 a year in fixed overhead costs. And we can have a person in one location managing 4, 5, or 6 locations that are kind of from the spokes out from that location.

So, because of that, we really like the North Carolina market. I'll be honest with you. We have LOIs right now that we sent out this morning in 3 different states, but we love Virginia, North and South Carolina, Tennessee, and Georgia. We're out of Florida because of the cost of insurance, but we're looking all across the Southeast. Macon was the 1st project we took on that was really far away from us, a 7 to 8-hour drive. And that forced us to really put a lot of systems in place and build strong communication within the team. So, now we feel confident that we can go anywhere, but most of the really great deals are right here in our backyard.

Dan: Yes. And North Carolina is a fantastic market. I have some friends who develop real estate. They buy 5, 10, or 120 acres, and they chop them up in the lots. And what's going on in residential housing is fantastic. I would imagine, it's just obvious 1 plus 1 equals 2; that commercial real estate and storage will follow the population growth. So, yeah, sweet, sweet spot and location there. Macon, Georgia is an interesting market. From our Atlanta office, we've watched from the outside. Macon, the houses are very cheap there, but they've multiplied in value kind of like everywhere else. And what we're noticing anecdotally, I don't have actual evidence for it, but it seems like a lot of people are getting priced out of the Atlanta, Georgia regional metro, and are heading out into the tertiary markets of Georgia. Macon's Pretty big tertiary market. So, it'd be interesting to see if you guys have the bandwidth or opportunity to continue, like scale that hub and spoke model there as well. George is just a phenomenal place, has been for us to do business.

Clint: Yes, you nailed it. Actually, people are getting pushed out into that market. There's also a big revitalization program going on there. It's a qualified opportunity zone. So, there's potential if you hold something for 10 years or longer, like we do. There's potential for all the money coming out from a sale. If it went in as a capital gain comes out tax-free. So, that's caused a lot of money to flow into that market. There's a really big revitalization program going in there, a 10,000-square-foot music amphitheater going in.

And you also said something really important that, as people get pushed out of these markets, they're getting pushed into the secondary and tertiary markets. That's not just people buying; it's also people renting. And what we're seeing is, if you buy a house, typically you have a garage, an attic, sometimes a basement, depending on where you are. A lot of the younger generation, unfortunately, can't purchase homes the way that the previous generation did; they're renting. And when you're renting, you're renting based upon the square footage that you get. The millennials currently make up 34% of our population. They're the largest population segment in the country now. They passed the baby boomers. And so, they're 34% of the population, but they're using 38% of storage, but the way that they're using it is very different.

Dan: Wow.

Clint: When you think storage, I at least used to think, well, baby boomers, Christmas decorations, China cabinets, big bulky furniture, and in and out maybe once or twice a year. Well, the millennials are renting. And instead of renting a 2-bedroom condo for $1,800 a month, they'll rent a 1-bedroom condo for $1,300 bucks a month, and then get a storage unit for 150 a month and use it as an extension of the closet or extension of the garage. And so, because of that, the consumer is using it differently.

And so, our job is to listen to that market, which means it has to be several things. It has to be safe, secure, well-lit, easy to access, and it has to be climate-controlled. Because even though they don't have as much stuff as the baby boomers, they still have lifestyle items. They have kayaks, mountain bikes, snowboards, fishing rods, and stuff like that. So, they need to be able to get in at 6 a.m. on a Saturday morning and grab their waders and their rods, or their kayak and their paddle, or their snowboard and their bibs, and get out of town and get to the mountains. So, they need to have access. It needs to be safe, secure, and—because they're using it to store seasonal clothing, it has to be—climate controlled as well.

So, the consumer's changing, the market's changing. Really, the reality is, consumers are willing to drive about 7 miles, it's the farthest they want to go. It's more of a 7-mile radius to get where they want to be. Hopefully, inside of that, so that residential density is really important. And that's where the benefit of a big-box retail building that's centrally located, that at one point was probably a fixture in that community, there's a reason that those people used to go there. Now they can drive back, have access early on a Saturday morning, scan a QR code or a touchscreen kiosk, get in, get what they want, and out. These consumers are in the building sometimes 1 or 2 times a week, at least 2 to 3 times a month whereas traditionally it was 1 or 2 times a year, or sometimes once every few years.

Dan: Wow. How about that? Is that something you guys noticed just as you started to build these locations or did that start to occur... I guess you have about 4 or 5 years' worth of that, a total. So, was it like that when you guys opened the first one in Reidsville or did that start to change through and past COVID? When did that happen?

Clint: That changed what we did with Reidsville. So, my partner built his first in 2006, but it was out in Arizona and it was kind of the traditional storage that you think about. Their 1st conversion was in 2016, another one in '17, then expansion in 2019. Those conversion projects in downtown Wilmington, where we are kind of started it, and then it was just paying attention to the trends. And because we have in-house management, you kind of see the behind-the-scenes of what's happening in that space. And because of that, that's what changed our model on Reidsville. And we did the touchscreen kiosks. We did the QR codes. We actually cut a giant hole in the front and back of the building and made it a drive-thru. So, you can drive straight through the middle of the Kmart. We had to put the ventilation fans in and everything. So, you can pull in and go right to your unit driving through the Kmart.

In retrospect, that actually, I think depends on the population of the market. Reidsville is a fairly small North Carolina town. Nobody's ever seen a drive-thru Kmart before. And so, there's a level of education that comes with that. So, we haven't done it again because the reality is, what it costs to put that in versus what it would be worth of just using that space as more storage units, we thought everyone would be renting right there where the driveway was because it's so convenient. The reality is what rented out 1st was the farthest units away that were the cheapest because people were cost-conscious, and then it filled in towards the middle. So, in retrospect, we're like, okay, well, we didn't need to do that, but it was cool.

Dan: Yes, it'd be interesting though to see that over the course of a 5 or 10-year period. Do you have longer occupancies in the drive area? Can you over time push that into the driveway area? So, maybe the story's not even done on whether that investment is worth paying off. What about the occupancy and price per square foot on rent in the portfolio? Can you touch on a few of the examples there?

Clint: Sure. So, nationwide on stabilized assets, self-storage occupancy is 93%. That's across the board for climate and non-climate controlled. Our occupancy in our facilities across the board, obviously, the ones that are finished construction and leased up to stabilization is a little over 97% occupancy. And I think that there are a couple of reasons for that. Number 1 is, I think we do a really good job of picking the location because our acquisitions team is really good.

And number 2, there's time to market. It's really important like, in Danville, Virginia, we bought the old Kmart building. It's 97,000 square feet. While we were under contract, U-Haul bought 7 acres across the street to build a facility. And so, we hesitated for about 2 minutes and then we're like, you know what? We're going for it. And 12 months later, we were open and renting out and they're still in entitlement. Haven't broken ground yet. That facility has been open for a year. They still haven't broken ground yet.

So, in terms of time to market, it gives us some advantage there. I think it scares away some of the competition because it's going to take them a couple of years to get through the land entitlement and development process to the point where they're renting out, where we're typically renting units in 12 months. So, because of that, when you pick a good location, you get the building for really cheap. You do the construction in-house at a cost plus 12%. What that means is now that we've ever had to compete this way, but nobody can touch us on price: your break-even is not going to be our break-even. We're under $65 a square foot. You're going to be at 110 or $120 a square foot for development plus the cost of the land. So...

Dan: Yes. Public storage will be at least that amount across the street. Are they still doing it, or did they pull the plug?

Clint: They still own it, but it's been years. The grass is taller than I am. Nobody's been out there. There are no flags. I have no idea.

Dan: Yes, he might have won the battle for now.

Clint: At one point, we had a discussion with them about some interest in purchasing our location, which we're not really interested in. And our occupancy, we were just opening up. So, I don't know, I have no idea what they're going to do, but by the time that they even think about sticking a shovel in the ground, we're going to be full and increasing rates.

Dan: How long did it take to get to 97% on those examples that you're talking about?

Clint: That's a great question. So, obviously, smaller facilities open up pretty quickly. Our goal is, from an acquisition, we're immediately getting permits, doing a demo, and then building up construction. As the construction is coming down the pipeline, we're running a marketing campaign with the goal of when we open the doors, we want to waitlist. Now that Danville, Virginia project is well over 700 units.

So, that's going to take a while to fill up versus a smaller facility that's only 30,000 square feet net rentable, is going to fill up in a lot faster timeframe. So, the bigger the property is, it's going to take longer. It might take 18 to 24 months to hit stabilization. Stabilization across the industry is typically 85%. Smaller facility, it might be 12, 14, or 16 months, something like that. A bigger one could be up to 24 months, but from there, it continues to fill up and then we're just playing the pricing game.

Obviously, you always have some people moving in and out. So, what will happen is, we'll increase rents. We don't increase them for everybody in the building at the same time, but the rents will go up. And then a few people are going to move out, which is fine because the new people are going to move in at the new rates. We're looking at the price elasticity in the market and adjusting accordingly.

What we've seen across the industry is we want to create fair market value. People aren't going to move out of a unit. And we know this from other people's data. This is not something that we've done, but people don't move from a storage unit unless, the price increases more than 15%, anything up to then, their thought process is what am I going to do? Yes, some of them are going to move out and they're going to liquidate things that they probably should have gotten rid of a long time ago, but the next person moving in is moving in at the increased price. Their thinking is, what am I going to do? I care about the stuff. Am I going to go rent a truck, put it in the truck, and drive it to the other side of town, or a few miles away to another storage unit? And they're going to do the same thing in 3 to 6 months. They would rather just keep it there, right? So, if it's something that they really want to hold on to.

So, incremental price increases; that's one of the reasons I like the asset as an investor. I was investing in this as a joint venture before I joined as a general partner with Nomad; inflation resistance. We had 9% inflation for a brief period of time recently. If you're locked into a commercial 10-year triple net lease, even if you got 3% increases, that's a long time before you can renegotiate.

The only asset class across commercial real estate, that is more inflation-resistant than self-storage is hospitality. Airbnbs and hotels, because a hotel can change their rate on a night-to-night basis. Self-storage is month-to-month. Anything else is typically going to be a year or multiple years. So, in terms of inflation resistance, recession resistance, and we learned recently pandemic resistance, like, there was a moratorium on evictions for nonpayment in multifamily homes and all residential homes during COVID, there was no moratorium on evictions for self-storage. And we didn't see a bunch of evictions for self-storage.

People put it on auto-pay. It's not discretionary spending for them. It's not a vacation. It's one of their monthly bills. Whatever's in there is important to them. It's auto-paid. It's 150, 190, or $220 a month, whatever. And it just happens. We didn't see a moratorium on evictions for that. And we didn't see evictions during that. So, inflation, resistance, and obviously recession and pandemic resistance.

Dan: Nice. Before I wrap up with a couple of finish-up questions here, anything else we forgot to mention?

Clint: I think that's enough for now. Let's be honest. Let's just say it, there's nothing sexy about self-storage. You're renting someone a box of air; that's it. What they decide to do with their box of air is up to them. I think what's magic is the big-box retail conversions, which only happen by having in-house acquisitions, in-house construction, and in-house capital raising, you have to have that full vertical integration to make it worth the risk. Outside of that, there's nothing that great about storage. I think the conversion of old big-box retail to self-storage is magic, if you structure it in a way that allows people to get paid more than once, and stop trading time for money. That's the strategy. That's why I was attracted to it. That's why I jumped in. That's why I quit medical sales and that's what we're doing.

Dan: Nice. Any book recommendations on real estate, maybe even podcasts you would point people to that you find inspirational?

Clint: Yes, so the number one book that we've been reading within Nomad, anybody that gets hired and comes on with us is Traction. I think it's really good. It's not necessarily a real estate book, but it's about building teams, communication, your rocks, the idea, like if you've got a bucket and you've got important things in your life, some of them are big rocks. Some of them are small pebbles and some of them are sand. If you pour the sand in 1st, you're not going to have room for everything else. You've got to put the big things in first, the medium things in next and pour the sand in last and kind of prioritize. It also is really good about establishing lines of communication, and responsibility, and making sure that people are responsible for what they're supposed to be handling.

So, Traction is a really big one built. That's had the biggest effect on me through my entrepreneurial journey of a single family. And then multifamily, and especially building out a property management company is Who Not How by Dan Sullivan, because we've all run into this problem of, how do I do this? How do I do this? How do I do this? The answer is usually, who do I know that's better at this than I am? And it's usually within your network and your ability to... Sometimes you need to learn how to do it. Sometimes you need to learn how to partner with somebody that's better at doing it than you are and recognize your strengths and weaknesses.

Dan: Nice. Crown jewel of wisdom. If you could go back and share with yourself at the beginning of your medical career, knowing everything now what will be the crown jewel of wisdom you would share with yourself back then?

Clint: Oh, that's a good one. Okay. So, I would say that this is from my partner, Eric, who says this all the time, that risk is a muscle. And the more you work that muscle, the stronger it gets. And the more risk you're willing to take on. So, I would say this is kind of my own personal philosophy that I built by spinning it off of that. If whatever you're doing, like in medical sales, it's a pretty high ceiling. You can make 300,000 to $350,000, depending on where you are in the country and what your demand is. But, it's a pretty high ceiling in terms of what you can make, but it's stressful. You're on call. You're working nights, you're working weekends. It's a lot.

And so, I often ask myself, I was worried about those golden handcuffs and the idea of like never going out and testing my metal because I was making enough to be comfortable, but always wondering what it would look like to branch out and try to do something different and create value for myself and get to a point where I wasn't trading time for money. And so, ultimately, what made me make a decision to just go for it is if you can look at what your current job is or your occupation or whatever you're doing for income, you should be able to reasonably calculate the ceiling on that especially if you're on salary, but if you're commission based, you can be honest about your abilities. You should be able to calculate that ceiling.

Now, it may be a really high ceiling, but it's still a ceiling. And that means, especially if it's tied to trading time for money, then ultimately there are only so many hours that you can trade for money. So, whatever that ceiling is, you should be able to calculate that. And if that ceiling is not enough for what you want in your life and your family or your children or your relationships, then the only real risk is not doing something differently, right?

100 years from now, we're all gone and 100 years after that, it's likely that people have spoken our name for the last time unless they run across a podcast in an archeological dig or a book somewhere, right? Whatever it may be, if we know that, 100 years from now, we're all gone and 100 years after that, it's likely that people have said our name for the last time, then look at the ceiling of what you currently have for your life, and if that ceiling is not enough for what you want, then the only real risk is not doing something different.

Dan: All right. Would you like to share some contact info, point people to a site, if they maybe are interested in having a conversation, investing, checking you guys out a little more, or anything like that?

Clint: Yes, that would be great. I appreciate it. I handle capital raising and investor relations with Nomad Capital. I'm one of the general partners. I'm happy to talk to people directly. You can email me at clint@nomadcapital.us. Our website is nomadcapital.us, and I'm co-host of the Truly Passive Income podcast as well, but I'm happy to connect with people directly. Shoot me an email, jump on the phone, and talk. Every time I talk with someone, no matter the questions or anything else or experience level, I always learn something too. That's why I'm on this podcast talking to you. That's why I host people as well because it gives me the opportunity to be a student of the game like I know you are. So, always happy to connect and chat.

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

Clint: The kindest thing anybody's ever done for me is that early—this is a great question and it made me think about something I haven't thought about in a long time— in my career, I was struggling in medical sales. It's a very intense line of work and I had a period of time, just, I was taking it on the chin, as everybody does the first year or year, I think maybe first 18 months of doing that. It's a lot of pressure. It's literally lives on the line and I was struggling and I was having a bad week and I walked into a meeting in my office with regional sales directors and VPs there, and I was getting chewed out for a few things. There were a few accolades, but there are a lot of things that I could do better.

And in that meeting, one of the nurses at the hospital that I didn't think liked me very much, called into one of the regional sales directors and he put it on speakerphone and that guy in that meeting full of all those people and me standing in the middle, getting berated told them he's like, "Hey, I need to let something. Clint did this today and he did a great job. And I think you've got somebody on your hands that I know he's learning and he's young, but I think he's got potential and these are the things that I think you could help him with. That's going to make him better. But overall, I think you did a great job hiring him. Whoever's decision that was really smart."

I was standing there listening to that. It shut the whole room down. I got out of that meeting 20 minutes early. And it was somebody that he didn't have to do that. In fact, it was after he got off work at the hospital and he was just trying to say a kind word. What he didn't know was that it was going to fall on the ears of a lot of people that were making decisions about what the trajectory of the rest of my career was going to look like. He didn't know that I was going to hear it or that they were going to hear it, but the fact that he took that time, was a very small thing for him, but it ended up having a very big impact on where I ended up.

And so, that was the kindest thing I think that came to mind when you asked that question, not because it was the kindest thing that he did, but it was a very small thing that had a big impact on me. And I think there's a lesson there about it doesn't always matter how big of a gesture it is on your part. You never know how it's going to be received on the other end. So, I think there's value there.

Dan: Yes. So, take the extra minute for those of us in our busy, successful lives and pass along the compliment, do the nice thing, and give the 5-star review when that thought crosses your mind because it's really easy to keep busy and put it off until another time.

Clint: That's right. Yes. Life is about relationships at the end of it. And that's that was one that meant a lot to me.

Dan: All right. Well, that's a perfect note to end on Clint. Thank you for coming on the show.

Clint: Thank you so much for your time. I appreciate it.

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