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**Kris:** The only thing you can't replace is time, all the other stuff, you can make more money, you could buy toys, that kind of thing. But you just realized that the time I was spending grinding through sales jobs, like that wasn't what I wanted to do. I really wanted to put myself in a position where, you know, I can control my time and let my money work for me.

**Narrator:**You're listening to the Millionaires Unveiled Podcast, where you'll hear the stories and interviews of everyday millionaires. We'll unveil their decisions, their strategies, and their current portfolio allocation. Now to your hosts, Clark Sheffield and Jace Mattinson.

**Clark:** Already, hello, hello, another week, another episode, welcome back to the Millionaire's Unveiled Podcast where we tell the stories and strategies of everyday millionaires and unveil their current portfolio allocations. This is Clark here alongside my co-host Jace and this is episode number 92. On today's show, we have a guest interview, with Kris Benson. Chris works in the studio storage space and gets into the nitty gritty of Self Storage investing. Everything from how to get started to the size of units, to the prices of units, to the types of Self Storage units, you can bundle that investment with U-Haul rentals and boxes. So, a really interesting interview today, one that helps teach us about a different type of real estate investing. Last week on the show we had Todd, Todd and his wife have a current net worth of about 650,000. He works in sales and his wife is in project management. He talked about his financial journey, positives and negatives of living in a high cost of living area. He talked about daycare expenses for his children and his plan to be financially independent and retire early. So, a great conversation with him, focused on his story and fire.

Before we get into today's interview with Kris, just want to thank our sponsor Obsidian Capital for supporting the show. Creating passive income is one of the quickest ways to create and establish wealth. At Obsidian Capital, their core philosophy is to enable qualified investors to create long term wealth passively through strategic real estate investments. Their team of experienced real estate professionals identify stabilized and value add multifamily real estate assets that will provide strong financial returns, a healthy risk profile, tax incentives and additional benefits that come with invest in real estate. They pride themselves in a high level of integrity and have experience in acquiring and managing over $300 million in multifamily assets. Furthermore, their leadership has 45 years of combined experience. View their website today to learn more about their streamlined investment process at www.obsidiancapitalco.com. If you'd like to invest with us and our multifamily opportunities, feel free to reach out to us, our email is millionairesunveiled@gmail.com, we can jump on a quick call with you to discuss the opportunities and strategy. We partner with a couple groups that have current deal opportunity so feel free to reach out, many of you already have, I know if you're interested in a syndicated real estate opportunity. Also, we'd love to share your millionaire financial story, our goal is to get a broad list of guests and stories so if you're willing to be on the show as either a millionaire interviewee or one who's close to reaching millionaire status, feel free to reach out to us. But without any further delay and without any further introduction, let's jump right into today's interview on Self Storage investing with Kris Benson.

**Jace:**Kris, do you want to just give us a little bit about your background and kind of what you're up to now?

**Kris:** Yeah, for sure. First off, thanks, guys, thanks for having me on, I'm excited to be on today and have a discussion with you. Right now, I'll kind of start where I am and then I'll work myself backwards. I'm the Chief Investment Officer for Reliant Real Estate, we're a commercial Self Storage operator out of Roswell, Georgia. And my background into real estate is a bit diverse, I actually started my career out of college working for ADP, the cable company, I was a business to business sales guy, so I would call on small businesses, under 50 employees and sell them payroll services. Then I graduated in the sales world to medical devices, I worked for a company which became Covidien used to be called Teiko Healthcare and then from there, I went to another medical device company called Intuitive Surgical. Your listeners may know it from the Da Vinci robot, it's also been a phenomenally successful equity ISRG for those of you guys watching but it's probably too late. But that being said, about 10 years ago, I got into real estate and it's kind of morphed from a residential to commercial multifamily and then into Self Storage into what we're doing now.

**Jace:**Alright, alright, so let's unpack this just a little bit. So, you started in sales, and then you got into real estate, how did you kind of get into real estate? I know you mentioned to us that you started kind of small, you want to just describe that journey a little bit.

**Kris:** Yeah, for sure. I distinctly remember waking up, where I had hit a number, from an income perspective and it was kind of a number when you're growing up, you're like, wow, if I make that kind of money, things are going to be really good and that year, I had hit the number. And I thought to myself, I don't want to do this for another 40 years, this isn't what I want to do. And I think what really resonated, I'm 39 now, was that the only thing you can't replace this time, all the other stuff, you can make more money, you could buy toys, that kind of thing but you just realized that the time I was spending grinding through sales jobs, like that wasn't what I wanted to do. I really want to put myself in a position where, you know, I can control my time and let my money work for me. So, that's what got me motivated to do real estate. The reason I got to real estate was Rich Dad, Poor Dad. I'm sure a lot of your interviewees and maybe some of your listeners have spoken to that. It's sort of the Bible of every passive income zealot in the world. How I got started in real estate is, I bought a duplex in the county that we lived in and I had, my original business plan was, if I could buy a unit and net $200 a month, per unit. So, if I bought a duplex, I needed to net $400 after all expenses, then I could scale that up. And if I could get to 50 units, then I'd be at $10,000 a month, and then I'd be, you know, living well. So, that was my original plan.

And so, I started down that path of buying duplexes and not too far after I started, I realized it was awful. Nothing to do with, we created some management systems, but I wanted nothing to do and I don't mean to sound elitist, but with the people that were involved in. It was, I could see the challenge was going to be to scale this because there was just so many individual issues. So, when that happened, I decided that we were going to sell the duplexes that we had accumulated, and we did and then I had a little bit of capital. And what I wanted to do was get into commercial multifamily. I had listened to an interview or I read it, I wish I could credit who said it but there was a quote that said, "big deals and small deals are the same amount of work, you just make less money with small deals". So, I said, well, that makes sense that if I bought a bigger apartment complexes, it's the same amount of work, I'll just make more money. So, that was what I did next. And how that started was I decided I want to be a commercial multifamily developer. I call the guy that I had grown up with, and he ran a construction company, and I hadn't talked to him in 15 years. I went to church, my family went to church with his family, and I called him and said, "hey, Steve, it's Kris Benson", and I'll give the guy a little plug. His name's Steve Buck from book construction. And I said, "Steve, it's Kris Benson, I want to build some apartments, what do you got?" Long, long story short, we ended up building a 64-unit apartment community, not too far from the town I grew up in and that was sort of the start into my commercial real estate journey.

**Jace:**That's awesome. So, how did you end up buying some of those first duplexes, was it just savings from sales?

**Kris:** Yeah, I had been fortunate that I'd had a successful career on the sales side. So, I had some capital, where, you know, I could go in and be a traditional lender or would look at us and, you know, 20, 25%, down on most of the loans that we did just with some local and regional banks, I didn't really understand that there were portfolio loans and those kinds of things yet.

**Jace:**And then when you went to build that 64 unit, did you go raise private money or did you kind of ruin some of your own personal capital there?

**Kris:**No, that was the-- Hey, Jen, who's my wife, we're going to take our life savings and build some apartments, you okay with that? And fortunately, I have a wife who is as risk tolerant as I am. So, that's what we did. So, my job in the apartment building was the capital and so we did it in 16-unit phases. It was a 64-unit complex and it fortunately worked out really well and I, for your listeners too, the hardest part was the fear aspect. I didn't know enough to know what to be scared about, I was completely naive. Fortunately, I had a very good partner, as I'm sure many of you listeners know development can go really wrong really quickly. My partner was fantastic, super trustworthy guy, high integrity, and really, you know, in his business, he knows where the sharks are in the water so kept us safe throughout the entire project. You know, we came in over budget a couple times that we had to front but for the most part, kept us safe.

**Clark:** That's awesome. And just going back to these duplexes, like what was the price range on that and was the goal that you were going to self-manage all of them or start a management company once you got to, you know, all these units?

**Kris:**That's too much foresight. I didn't really have a plan. It was, hey, let's buy some real estate. As we got going, it was, I can't manage it because I still had a full-time job and a very demanding one at that. So, the original, you know, the first few, we self-managed, and then very quickly realized that that wasn't feasible. So, we sort of amassed a contact list of, you know, servicers, plumbers, electricians, people who could help us and then we really managed the rental process, the background checks, visiting the tenant, meeting the tenants, those kinds of things, which ultimately is, I think, probably the reason that drove us out of the business.

**Clark:**And how did you find these duplexes? Were they listed online, or did you call brokers, did you email?

**Kris:** Yeah, it started as a few listings and then most of them are in the county that I live in currently in upstate New York, and so I knew the area pretty well. And after we had got through a couple, you know, some of the brokers had brought some stuff to us. Also, we were targeting a specific market once we had a few days to create a little bit of efficiencies of scale. So, you know, there were new properties that would come on, you know, on streets that we already own a facility or a duplex, and so we try to stop those up.

**Clark:**Sure. So, then you sold them all, is that right or do you hold on to any of them?

**Kris:**I have one duplex left.

**Clark:** One duplex left? So, it's a pretty big jump, right, to go from these duplexes and then to a ground up development, how come you didn't go straight to buying a multifamily complex or a 10-plex or 16-unit?

**Kris:** Well, I mean, I think it's an opportunity piece, right, part of it was the discussion that I had with Steve from Buck, because there was an opportunity that existed. He had a piece of land that a municipality had contacted him about for doing some development and kind of the timing just worked out well. I sold some of the properties that had a little bit of capital sitting around. I knew I wanted to get into a commercial multifamily type of situation and so that was the opportunity that existed in this one. And let me be frank, it was very much a naivety play, if I had known the risks that we were taking, when I took them, I'm not necessarily sure I would have done it. But, you know, part of, I think the journey for all of us is, you know, being willing to jump and making that first step and you know, I'm not saying that I'm fearless by any means, I definitely still to this day have sleepless nights, but you have to do something or you'll never do anything.

**Clark:** Yeah, I think it's good advice. So, at this point, you have 11 duplexes, 22 units, right. Then you start developing this multifamily apartment complex with, what, just over 60 units, right?

**Kris:**Yeah, it ended up being 64.

**Clark:** And so, at this point, are you thinking you should have just gone straight into the development, did you regret the duplexes? Are you happy you kind of started that to get your feet wet a little bit?

**Kris:** Yeah, I mean, I don't think it was a regret, you know, every step kind of leads you to the next one. So, there was definitely experiences that I took out of that that I brought to commercial multifamily. And I think it was just a logical progression. I went a little bit quicker, just because I had a partner who gave me that opportunity, I think. If Steve wasn't there, I wouldn't have gone to try to do development on my own, I knew that at least from the construction aspect, that was way over my head. I couldn't manage that process effectively, so I think having a good partner is a critical step there.

**Clark:** Yeah and I think you make a good point that at some time in our lives, not even just on investments, right opportunities are presented itself and it might be a job, it might be through a friend and sometimes even if it's not the path that we thought we would take or that we want to take, the opportunity is there, right, and then we can become successful or at least get our feet in the door to something that has a future?

**Kris:** Yeah, no question. And I think there's another quote, I really like, this one I can quote who said it, I don't know if you're familiar with T. Boone Pickens, but I think he made his money in natural gas. But he's an author, he's a big philanthropic guy at Texas Tech and he has a quote that I really love. And it's, "deals create deals", right? So, like you said, there are opportunities that you think are going to take you in one direction and when you get involved in them, other stuff pops up. And you're taken in a completely different direction, just because you were willing to take that first step. And I've definitely found that in my career, many times, the biggest piece is just kind of jumping off and if you're willing to jump off and you get good people around you and you're open minded enough to learn, then there's going to be other opportunities that present themselves.

**Clark:**Yeah, totally. And I think, Jace and I both agree that that's played a big role just in our careers, right, where we started at a college and thought maybe we'd do something but then something else presented itself and then you kind of segue and you know, I think that happens in life. So, just on your portfolio, your investments, how do you invest, do you have anything outside of real estate, do you invest in the market or small businesses?

**Kris:** Say, if we're looking at portfolio allocation, heavily weighted to the things that I know and so I still have that 64-unit complex, I'm also a passive investor in a number of multifamily projects across the country where myself and the little black hoodie group, we had built, went out and raised some money to invest in those properties. You know, on the equity side, I do have some equity exposure, but I do have to tell you that I'm very cynical to the stock market. For your listeners who's reading in the Michael Lewis books like Big Short or Flash Boys, Liars Poker, it just sort, of cements my view that we are pawns in a much bigger financial institutions' game. You know, its incentives that have to drive behavior. When I look at how the equity markets work, for me, there are a rational number one, but two my broker or my financial advisor makes money whether I make money or not, so that, you know, if I get a fee-based structure, that's hard for me to quantify like, wait, wait, wait, we just lost 18% and you still get 1%. So, for me, my and personal investing philosophy is really built around things that I know and that I can control. So, I would say, you know, probably 80 plus percent of my portfolio is in illiquid placements in real estate. And then, you know, probably 20% is spread around is some specific equities and I very much subscribe to, you know, kind of the Warren Buffett of invest in what you know, so it's stuff that I understand and think has long term value.

**Clark:**Are most of those equity investments, probably from the days that you were putting money into retirement accounts in sales and whatnot?

**Kris:**No, I've actually taken my 401k and move it to a self-directed IRA, and I've invested all that money. So, yeah, once I had access to all those 401k dollars, we moved it to something that I can control, most of the private are the investments that we're doing on the real estate side, except qualified funds. So, you can take money out of an old 401k, roll it into self-directed IRA and then place it into, you know, an LLC or a limited partnership, something along those lines.

**Jace:** Does it make you nervous not have any liquid investments anywhere?

**Kris:**Well, I mean, it depends. I have path, you know, I have kind of a rainy day fund, I guess, or an opportunity fund, that would call it, where, you know, in this next market correction, there will be opportunities that present themselves so I kind of have the emergency funds piece covered. But on the real estate side, no, I don't know what I would need the liquidity for. I mean, at least in my lifestyle, like you know, there's not a time that I need more than what our monthly cash flow brings. So, it doesn't really make sense to me to say, hey, you know, I need to liquidate $100,000 worth of something so I can get, you know, I don't know for what other than investing in other things, I guess.

**Jace:** I know, totally. Is there a rule of thumb that maybe you subscribed you, in terms of keeping that cash on hand or is it just kind of accumulate over time and then you just kind of find an opportunity eventually, and then deploy it?

**Kris:**Are you saying like a rule of thumb, specific to how much?

**Jace:** Yeah, or just like relative to your net worth, you know, I've heard some people say, look, I want to keep 5 to 10% liquid at all times, no matter what, no matter where I fluctuate, just in case or I just wanted to, you know, for our listeners and stuff, is there something like that, in your mind, say, look, you know, I've been through so many market cycles already. I've got this much in real estate, I've got this much in cash flow coming from real estate, here's where I want to have my liquidity added a minimum?

**Kris:**No, I guess I don't think of it that way. And maybe I should, it's more of just a feel, you know, their cash doesn't make, you know, having cash sitting in the bank, other than kind of that emergency or opportunity piece doesn't make sense to me, like, I'm not a person that would say, you know, hey, I'm going to hang on to a significant amount of cash and wait for this correction. You know, I kind of get FOMO like fear of missing out on stuff. So, you know, most likely if I have cash, I'm going to deploy it in something and I guess my mindset is, as long as I'm deploying it in things that ultimately create cash flow, I'm okay with it.

**Jace:** Yeah, make sense? So, let's switch gears here just a little bit, we had a little discussion before the show about a primary residence and you kind of set some light on your philosophy there, what's kind of your mindset then over the years with primary residence and kind of where have you arrived at now?

**Kris:**I think it is, kind of a maturity thing, right? When you're growing up, you know, I hear my parents, I think my dad may even have said it to me, like, your house is your best investment, right? And, you know, it's just, sort of a societal norm that everyone should buy a home and interestingly, so, we're looking at selling the house that we're in right now. And you look at the numbers of what you've put into your home over the years, you know, not just, I'm not saying just expenses and taxes, you know, just the normal maintenance expenses that you'd expect, but also, you know, some of the capital improvements that you've made, and I live in a market granted that hasn't had, you know, exceptional appreciation. So, I'm not like in an Austin or in Atlanta, where if I bought my house 10 years ago, you know, there's been a huge swing. So, that's part of it, and I realized that but, you know, arguably, my house is probably the worst investment I've ever made. I've made money on pretty much everything that we've invested in and I'm going to definitely lose money on the primary residence. I mean, there's, a lot of, you know, kind of conspiracy theories around why home ownership in America is the proposed to be a good thing, but I can tell you, for at least in in my particular experience, I guess my attitude towards it is, it's not an investment. You just have to be eyes wide open of what you're getting into, if you're buying a house to make money, you're probably approaching it the wrong way.

**Clark:** No, that's hard and we've had a lot of people on here that say, hey, I don't want to buy a house because it isn't a guarantee that it's going to go up or I don't want to buy a house because I don't want to put a bunch of money into it and not be able to access it or not have it being liquid, right? And so, I think sometimes we always assume hey, the house is going to increase in value and it's a safe investment, right, but I don't know that that's always the case.

**Kris:**You guys have read Rich Dad Poor Dad, right?

**Clark:** Yeah.

**Kris:** Alright, so in Rich Dad, Poor Dad, one of the first thing he makes everybody do is talk about assets and liabilities, right? What an asset is, it produces cash flow, what a liability is, it cost you money. What does the house do? Which one?

**Clark:** Costing money.

**Kris:**So, it's a liability. There's no, like, if, ands, or buts, it just is. Now, I'm not arguing that there is some value to that liability, right? Like, you know, we're on the end of a private road, on a beautiful spot, we got a pond, you know, we're on six acres, like it's beautiful. That part is awesome. You know, you have neighborhoods and kids that your family grows up with. But as long as you just don't tell me, it's not an it's an investment. And so, I know what the next question is going to be as well, after you sell your house, what are you going to do? I'm probably going to have to a house. I'm just telling you that I'm doing it begrudgingly, if we did not have, so I have two boys, one graduating high school this year, or actually Thursday, and well, when we're recording it Thursday, and the other one is in seventh grade. If I didn't have the middle schooler, I wouldn't buy a house. I'm 100% sure of that, I think, you know, part of it, there's a social aspect of being in a neighborhood or you know, in a community and being solidified there for your kids but if he wasn't here, I wouldn't buy another house.

**Clark:** Yeah, and there's some element of that right? We can't discount that it brings happiness, kids meet friends, you know, families certainly. Not everything's just about good investment, right? I think we could all commit that. So, let's shift gears here to Self Storage, something that we haven't really talked about yet on our show, so you're a big investor in Self Storage, obviously, maybe just give us an overview for somebody who's not familiar what that means, what is Self Storage? I mean, people know, obviously, but why is it a good investment?

**Kris:**Well, it's a good question. I mean, I would say, for me, the reason I shifted from sort of a multifamily approach to Self Storage was, you know, about five years ago, for those of you guys who are listening, who've invested heavily in multifamily or have exposure to it. You know, cap rates have continued to compress in multifamily for the last, many years, in the last five years specifically. And that's been great for sellers, but it's been much more challenging to find value in that market. And so, that's what originally drove me to kind of look outside the multifamily space and, you know, for me, personally, there are three things that I look at, you know, call the pillars of any investment in an asset class. And, you know, one of them is return, right? How is it done historically, I'm a big believer that what you've done in the past is probably a pretty good indicator, what's going to happen in the future. And I'll walk you through kind of my data on the storage fees for each of these but let me go through each one.

So, it's returns, and then its downside protection. So, I also believe that everything that happens in the market has already happened, you just have to look back far enough to find it. So, in the next cycle, what's going to happen in the asset class that I'm in??And then the third piece is, what's the opportunity, like, what opportunity exists? What kind of runway is there in the asset class? So, when I looked at storage, here's what I found and I'm going to reference a data set that maybe you guys can put in the show notes and your listeners can go see this data because it's a really interesting data set. There's a website or an organization called the National Association of REITs, and their website is NAREIT.com. And you can go compare asset class by asset class on all of the publicly traded REITs, to give yourself an, apples to apples comparison. So, you know, Clark, if you wanted to look at office versus retail from 1995 to 2005, you can see what the publicly traded REITs did. And it's not perfect, but it gives you kind of that apples to apples look. And so, they have a long-term data set storage in the last 25 years, averaged an annual return of 16.85%. So, when I saw that I said, wow, that is an interesting number, especially when I compared it to what apartments did in that same timeframe, which was just under 13%, both phenomenal, right and unbelievable returns, but storage outperformed arguably the sexiest asset in commercial real estate.

You know, retail was just about 12%, the S&P 500, just as an aside in that 25 years, I think it was 94 through 2018, the S&P 500 did just over seven. So, you know, back to your question of why I don't invest heavily in the equities market, it's because, it makes other people money, not necessarily me. So, the returns, that was pillar number one, and then I look to see what happened in the last market cycle, so in 2007, 8, 9, what happened to storage and interestingly, storage lost less than 4% in that same National Association of REIT data. Apartments lost just under 7%, 6.7, retail got crushed 12%, office, you know, lost 8. The S&P 500, down 21%, so, you know, not only did it have really strong return profile, but it also had that nice downside protection. And the reason being in the industry and kind of my hypothesis then was, Americans don't get rid of stuff. So, when times are good, they buy things, and they put it in storage and then when times are bad, they downsize, but they don't get rid of their things. And many times, those things end up in storage. And I can't tell you how many times I've been in a unit, where the one month's rent of the unit is worth more than the things that are in that unit. But for some reason, people won't get rid of it. So, the downside protection is really nice. And then the last pillar, as I talked about is really the opportunity that exists and I'm going to reference some data that it's arguable. So, I'm going to give you a range but depending on what you look at, there are six publicly traded companies and storage, there's five REITs, and you would know them. The brands are like public storage, extra space, cube smart. If you're driving on a highway right now listening to this podcast, start looking out the window and I almost guarantee, if you're in any sort of population center at all, you're going to see one of those signs right off the highway.

So, there are five publicly traded REITs and then a sixth publicly traded companies U-Haul and everybody knows who U-Haul is. So, those six companies only on somewhere in the neighborhood between 20 and 25% of the storage market, the rest is all over the board. So, we, rely on are the 27th largest Self Storage operator in the country and we own 47 properties. So, if we're at 27, and the top 6, right, are the REITs or the publicly traded companies, in between there's only 20 companies bigger than us and there's a ton that are a lot smaller than us. There are still a ton of mom and pop operators and for us as a Self Storage business, that is a huge consolidation opportunity. You know, we're closing on a property just to give you a quick example. So, think about, you know, family run businesses, typically they're not run like businesses, you know, especially if it's for second generation, they've just kind of passed down, and they create a cash flow and people are happy with the way they run. And I'll give you a quick example, we're closing on a property in two days from when this is being recorded in Tampa, Florida, that the gentleman who built it, he built it in 1998 originally, and he's built some expansion since then, just outside of Tampa. It's in a fantastic location. He has never raised rents on tenants who have stayed with him, so, you know, Jace, if you rented a unit in the year 2000, you still pay the same rate that you paid in the year 2000. He's raised rents for new people coming in. So, if he has a 10 by 10 unit, he may have 10 rates, that he's charging his tenants. But for us, we look at that, and those are huge revenue opportunities, right, where you just go in and bring everybody to market rents. Now, you're going to lose some people, there's no question, but you know, just running business, the property like a business, you know, will make a huge impact. And so, for us, the real reason that I personally love storage is that consolidation opportunity that exists and, you know, in multifamily, which is, you know, what I know the most about other than storage, institutional money has permeated that space for many years. And so, those opportunities are very few and far between to find what I just described here.

**Clark:**So, that's good. Let's now get into it a little bit, so one of the properties, let's call it how many storage units on average, obviously it varies, but maybe, of the average of the property’s you guys hold?

**Kris:** Well, so the average size storage facility in the US is 52,000 square feet, it depends on what your unit mix is, right, the sizes, you know, in different than apartments, right, where you may have, you know, a one bedroom, two bedroom, three bedroom, we may have five or six, maybe more types of units, you know, a 5x5, a 10x10, a 10x15, a 10x20, you know, 20x--. So, each property is different, but our, you know, our properties are somewhere in that, I would say 500 to, you know, 1000-unit type of facilities.

**Clark:**And how much do those rent for?

**Kris:**Again, it depends on the market that you're in for sure and sort of the supply and demand of what's in that market. But, you know, it could be anywhere from, you know, the 10, you know, kind of the 10x10 unit is probably the most universally accepted, like that's a pretty universal size unit, you know, could be from 100 to 100 bucks a month to, depend on the market and climate control unit, you know, 200, 250 bucks a month.

**Clark:** Yeah and I think some of it does get more expensive or more, if you do the climate controlled and how nice it is, right and where it's located and etc., etc.

**Kris:**Yeah, for sure. I mean, second floor, do you have to go up an elevator to get it? Is it a unit that you can walk right into? I mean, there are all those, you know, not too dissimilar than apartment real estate where, you know, you pay more for a better view or first floor versus a penthouse, different rental rates, kind of the same idea.

**Clark:**Yeah, is there something that you guys like to stick to or are you just kind of open to all different types of Self Storage?

**Kris:**So, our sweet spot really is value add so, you know, I think everybody's saying it, and it's true, we're late into a cycle, right and so our strategy right now is being conservative on our debt terms, but then also doing forced depreciation in our properties. So, you know, it's like apartments where you can go in and put, you know, perhaps hardwood floors in your storage unit, it's just a garage on a cement pad. So, what typically our value add is, is expansion, where we're buying a cash flowing asset and potentially in a market where we feel like it's under supplied and so we're going to go in and add a component of expansion to it, you know, maybe it's a 15,000 square foot climate control building right on the highway. So, we're getting some, you know, frontage on the highway. Really, what we're trying to do is bring all of our assets to an institutional class asset so that we can be from our exit strategy target for institutional money or the REITs right where you know, those cubes smarts, the extra spaces of the world say, hey, we've like to be in this market, here's a property that fits our criteria and really that's what we're trying to accomplish in our investor cycle.

**Clark:**Gotcha and then there's also additional streams of income you can have, right, you guys do U-Hauls on site or boxes or any of that?

**Kris:** Yeah, for sure. Both of what you just mentioned, so the first one is called point of sale, right? So, you got boxes and tape and locks and packing materials, those kinds of things, those are in our retail, in an office type setting, we're selling those direct to the consumer. And then, you know, the ancillary income like the U-Haul truck rentals, I believe and don't quote me exactly, but I believe we're still one of the largest U-Haul retailers in the country because we do a lot of U-Haul truck rental off of our facility. And what's great is, you know, they're not our trucks, we don't maintain them, we don't lease them. It's U-Haul trucks, we just take a commission on bringing, when someone comes and rent a U-Haul truck from our facility, so it's a great business model, they've been a great partner. And then things like, you know, tenant insurance, our leases require tenants to have insurance on the belongings inside the units. So, if they don't have a homeowner's policy or renters policy, something that covers it, they can buy tenant insurance from us and, you know, we're partnering with insurance company who creates a revenue stream off of that as well. So, those are some of them and then, just some typical business fees, administrative fees, late fees, you know, those are the things that a lot of the mom and pop operators, and I don't say that in a derogatory manner, but a lot of the mom and pop operators just don't charge because they are for effort, right? It's challenging to collect late fees, and you know, administrative fees are things that sometimes they don't feel comfortable charging. So, yeah, there's definitely opportunities to stream or to enhance the revenue line when you take over a property from one of those types of operators.

**Jace:**I think you bring up some great points that, just in general, I think a lot of people overlook, Self Storage, but they also forget that you have all these ancillary revenue streams, you know and when I used to be in Self Storage world, it was crazy. We have thousands of dollars a month in revenue for all these other products, the insurance you mentioned and the different fees and everything else and there's a lot of, you know, it's very low maintenance comparatively to some other asset classes in the commercial space, especially when you might only need one manager on site, you know, at a typical hour you've got the keypad to get in and everything. So, it's an interesting business for people to look at. What's kind of your target return that you're looking at when you're getting into zero range that you are kind of trying to, hey, if we're going to underwrite a property that we want to try to get at least at this level?

**Kris:**Are you are you asking from underwriting standpoint, what type of return we're looking for like with our investors or from specific to some of the metrics of the property itself?

**Jace:**Either or? I mean, is it pretty like, hey, like, if this property is not going to get 10%, then we're not going to underwrite it, or is it hey, like we're really shooting for high teens or low 20s, what's kind of your outlook?

**Kris:** Well, I mean, I would say, our appetite is really guided by the investors that partner with us, right. So, traditionally, the majority of the equity that are going into these deals like in the last year, in the last 12 months, we did just over 90 million in Self Storage acquisitions. And we've raised, you know, we raised over 40 million in investor equity. So, really, it's what we think we can sell to our investor base and you know, the returns that they expect, so that we can essentially sell that property to them. That makes sense.

**Jace:**Yeah, yeah, totally.

**Kris:**So, I would say that there are three categories of deals that we do and I'll use, you know, there's a lot of return metrics that people look at but, you know, you use a cash on cash return. So, just a basic ROI and I'll walk you through each of the category, kind of how we look at it and nothing's hard and fast and these dynamics change as the market changes. But, you know, for a stabilized asset where there's no construction risk, we're literally, we're buying a cash flowing asset and there may be some things we can do to improve but potentially we're not, you know, we're not doing a large expansion, it's already full, you know, it's economically and physically stabilized and we're really just going into run it, we call those coupon clippers. We're looking for sort of that high single digit cash on cash return, so call it that 8 to 10% a year type of return. And for our value-add deals, where there is construction risk, right, where we're going in, we're going to spend money to expand and potentially in that expansion, we could go over budget. You know, a lot of bad things can happen in a construction period, those deals have a little bit more pop on the back end when we sell them. So, the cash flow year over year maybe in that, you know, call it 4 to 8 cash on cash return a year. But when we sell those, there's a usually a really nice push on the back end and we shoot for sort of that mid-teens, call it 14 to 16% a year type of return when you're all said and done for our value add deals.

And then our development deals and we're doing very few of these, we did one last year, we'll probably do one, maybe two this year. Those deals were shooting for high teens, low double digits, right, so, think that 18 to 20%. But keep in mind that development deals are very risky and that, you know, those are the ones where your money can become a lot less than you started very quickly, especially in the cycle that we're in right now with Self Storage. There's been a huge development cycle and storage and so that's why we're really cautious when we do any type of development because, you know, in the two to, you know, say it's two years before the buildings out of the ground, and you have the ability to create any cash flow, a lot of bad things can happen in that two years, right, a competitor can build across the street, that you didn't project, you know, a market can be impacted by an employer leaving, you know, things can happen that don't allow you to reach your performance assumptions. So, there is a nice pop on the back end with development deals, but you're definitely taking a different risk with those types of projects. Does that help? I mean--.

**Jace:** Yeah, no, I think that's great.

**Kris:**It depends on scenario, but honestly, that's kind of where our investors require the returns to be for them to participate so, that's how we underwrite deals to say, okay, can we meet these thresholds? And if we can't, then it's probably not a deal we're going to do.

**Jace:** Yeah. And are you paying your investors on a quarterly basis cash flow or is that going bi-annually or?

**Kris:**Yeah, we typically pay investors on a quarterly basis, so we have a quarterly distribution that goes out with a quarterly statement, kind of, updating investors on what's going on, you know, with the particular property.

**Jace:** Awesome. So, Chris, just to wrap up here, what are some of the mistakes you've made over your career, maybe even just in the last day, like you told us?

**Kris:**Oh, man, there's so many. Look, mistakes aren't, I've learned the most from mistakes and I know this is a cliché to say, and everybody says it, that you learned the most from your mistakes, but that doesn't take the pain out of them. They still suck. They're not fun. And, you know, if you are pushing, if you are taking that jump, kind of like what we talked about before, you're going to make mistakes. I'll give you a couple that we've absolutely done. So, one, in that development cycle that when we build that 64-unit complex, we went over budget by a pretty substantial amount in the second phase, and it was a good learning process for me. And the reasons we went over budget were very much controllable, but no one was watching. And so, things like we sheet rocks the garage and painted it on the inside of the garage and you know, we're building a really nice apartment community, but I don't care if the garages are sheet rocked and painted, and they just did that no one was paying attention and those things add up over the, you know, the cost of significant number of garage units. And so, good learning experience, a little bit expensive, fortunately, we made up for it in the third phase, but the ones that have hurt the most have been the ones that are controllable.

I'll give you another one that we did just last fall at Reliant, there was a property that we were recapitalizing. So, we had a group of equity investors that had sort of hit their investment horizon and they said, hey, would you guys be willing to sell the property, we want to get out? And we said, well, we still like this property, what if we just go get a new group of investors to recapitalize you out? And they said, yeah, fantastic. So, it was a property we'd owned for three plus years and so when we did our due diligence, to kind of go through an underwriting process on a property we owned, we took shortcuts, and it's not a specific blame. But on our comp study, we're out and analyze the market to understand the supply and demand, we missed two new development deals that were coming into the market. Now if we had the processes in place to catch them, anyone would have seen them. You know, we have employees on the ground every day and we just didn't consult them, and we should have known. But the big mistake was one of the investors who was coming into the project, went and visited the site and found those two development deals and came back to us with them and said, hey, these aren't in your comp study. And as you can imagine, we looked very, very foolish.

And so, that was, you know, controllable. It was part of a process that we should have understood but you know, it was just kind of a lazy thing where like, hey, did you do this? And they're like, yeah, we got it, here it is. And no one checked, no one double checked, you know, that one bit us in the butt, we lost. You know, we had a significant chunk of money out with a lender to kind of hold the property and we lost it because we couldn't in good faith go out to our investors and say, hey, here's what the market was because that's not what it was. It was changing, right, there were two new development deals happening. And you know, so that was money out of our pockets, that you just kind of set on fire and throw out the window. But, you know, good learning experience and that certainly won't happen anymore. I mean, we've changed our processes so that it can't, but it certainly looked, we did not look how we would want to look to our investor base.

**Jace:** Totally. Just to wrap up here. What kind of advice did you give your son who's going to be graduating here, is he going to go into real estate or is he going to college? What's his story and what kind of advice have you given him as he embarks on his post high school career?

**Kris:** Well, what advice I've given him and what he'll take, we'll see, we'll see what we end up with. But he is accepted into college, he's excited to go to Colorado State out in Fort Collins, Colorado, he's deferred a year, they'll hold your spot for you and he's doing a gap year program where he's doing a little bit of traveling for a semester and kind of seeing how the world works, type of thing, teaching some English as a second language. You know, they're doing some village building service type work and they're doing some fun stuff too. And then what I've asked them to do is, I fortunately have a lot of contacts in the, kind of the trades. There's a lot of money to be made in skilled trades, carpentry, plumbing, electricity, HVAC, anything. So, he's going to do some, I'm using air quotes, interning with a few of these trades to kind of get a feel for, is that a path he'd be interested in? And then my goal for him as he comes into next spring, you know, as he is commit to CSU is, you know, he'll make a decision on college based off experiences and say, hey, I may not know exactly what, you know, the end point is, but my next step is this and it's based off data, you know, as opposed to just saying, hey, when you're done with the high school, you go to college? Well, I'm fairly cynical to that idea too, you know, the student debt is an unbelievable burden to the United States and will impact future generations and until someone figures out how to make the cost of college go down, it's not a strong ROI. So, you know, for him, what I'm trying to get him to do, is see opportunities and then, you know, he may not know where they lead him but don't be afraid to jump in and, you know, fortunately we're in a position where he can do that for a year and go explore a little bit and learn what else is happening before you know he makes a commitment to, you know, whether it's a trade or college which all, I'm fine with. I just want him to do it with kind of the eyes wide open.

**Jace:**Totally. If he came to you and said, hey, Dad, I want to start in real estate, where would you point him?

**Kris:**I mean, it's a passion thing, right, it's, what do you like, specifically? What I realized really quickly is I hated operations. Like I wanted nothing to do with managing processes and tenants and stuff, that's not my shtick. Like, I enjoy chasing the deal, and I like the money aspect, like the investing side. So, for me, that's why I got out of kind of the duplex world and got into the, you know, multifamily space and the syndication world, kind of the equity raising space, which is primarily, I run the equity arm of Reliant Real Estate, right? My job is to make sure when we buy a property that there's money to, you know, equity money from investors to buy it. So, I think it's a passion thing with Noah, and that's my 18 year old son's name, with him, I would say he's very physical, he likes hands on type stuff, I would probably steer him to what we're trying to do with a carpentry or hey, go learn a trade that you can apply to real estate and then maybe you learn the trade, then maybe you go work with a real estate broker for a couple months and figure out how that works. You know, and then you have the opportunity to say, okay, maybe I can flip houses. Now I have access to the market, I know how to do a little bit of work or manage other people who can do it, then I have access to, you know, flipping a home. And, I think it's a journey, right, that you have to find what you like to do and as you explore what you like to do, then, you know, ultimately you're going to find your next step. And I think, like you said, you just got to be willing to take it.

**Jace:**Totally. Kris, where can people find out about you, your company and kind of more about what you all do?

**Kris:** Yeah, for sure. Well, there's a couple places that I'll lead you. We have a educational website, it's actually Krisbenson.com, it's Krisbenson.com. There's a number of educational pieces of just kind of resources of, about real estate and real estate investing. Reliant and there's too reliant websites, Reliantinvestments.com, that's more towards the investor tilt. If you're interested in learning more about how you may be able to partner with us on future Self Storage investment, you can go there so there's information on our firm, our track record, that kind of thing. And then Reliant management is www.reliance-mgmt.com and that specifically talks about our Self Storage platform and kind of the management company that runs them. And then I have a LinkedIn profile as well. I try to be fairly active on LinkedIn with some posts there so people can certainly find me there. I'm Kris with a K, so it's Kris Benson.

**Jace:** Awesome. That's Chris with Reliant. Appreciate you coming on the show today.

**Kris:** My pleasure, guys. Thanks for taking the time.

**Clark:** Thanks, Kris.

**Narrator:** Thanks for listening to the Millionaire's Unveiled Podcast with Clark Sheffield and Jace Mattinson. For more stories investment opportunities and information check out our website at millionairesunveiled.com. See you next time when you'll hear from another everyday millionaire.