



Whitney Elkins-Hutten of PassiveInvesting.com interviews [Axel Ragnarsson](#), founder of [Aligned Real Estate Partners](#). Axel reveals his strategic approach to winning direct-to-seller multifamily deals, even when competitive offers are higher. Learn how he masterfully structured the contract for the 72-unit Sterling Realty Apartments in Berrington, New Hampshire. He emphasizes crucial terms and a deep understanding of seller motivations. Discover how he secured the property without being the top bidder.

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72-Unit The Sterling Realty Apartments In Barrington, NH With Axel Ragnarsson, Apartment Syndicator

Welcome to Multifamily Investor Nation. I'm your host, Whitney Elkins-Hutten, Director of Investor Education here at PassiveInvesting.com. I'm excited to be joined by [Axel Ragnarsson](#). Axel, welcome to the show.

Thanks for having me. I am looking forward to it.

Unlocking Sterling Realty: From Small Multifamily To 72 Units

We have the Sterling Realty Apartments, 72 units, Barrington, New Hampshire, so a little north of Boston, to orient everybody. Tell us a little bit about yourself, how you got into the multifamily space, and where you're at.

I started investing in multifamily just after graduating from college. It was back in 2016. I started buying small multifamily properties, 2 to 10-unit buildings throughout Southern New Hampshire. For those that aren't familiar with New England and aren't familiar with New Hampshire, 45 minutes to an hour north of Boston. It is right on the Massachusetts-New Hampshire border. I did a lot of direct-to-seller marketing and prospecting to find good deals, borrowed a lot of private and hard money to buy them, and just started organically growing a portfolio with my capital.

2020 and 2021 came around. As a lot of folks did, I started pivoting to raising capital from LPs, starting to scale the business, and started to actually try to create a real business out of what was just me being a solopreneur and buying deals, refinancing them, and having a management company run them. That's when we started raising money. I started working with some joint venture partners and retail LPs as well, but all primarily in Southern New Hampshire with a deal here and there elsewhere in New England, like Maine or Rhode Island. Ninety percent of the deals we've done are in Southern New Hampshire.

We built out a management company years ago as well to manage our buildings, as well as some third-party properties, or third-party contracts for other investors. We laser-focused on the New Hampshire market, which makes us a little unique, relative to maybe the social media podcasting world. Not a lot of folks doing business up there, but we've built a nice business where we find a lot of deals direct-to-seller. We have a great in-house management team, and we do a really good job at the scattered site management, given that the vast majority of the deals we do are 10 to 75 units in size. That's what our business looks like.



Sterling Realty Apartments: We built a nice business where we find a lot of deals direct to the seller and manage them with an in-house team.

Let's dive into one of those properties, Sterling Realty Apartments, 72 units, Barrington, New Hampshire. When did you close on the property, and what was the purchase price?

December of 2024 is when we closed. We bought it for just under \$15 million, so \$14,950,000.

Let's back up the timeline. When did you find this deal, and what was it offered at?

We went under contract in August or September. It was a long contract period for some other reasons, which maybe we'll touch on, but this was a true direct-to-seller deal from a direct mail piece. I've been sending the long-term owner of this building mail for four or five years. We chatted over the years. It was annoying him until the timing was right, and he and his partner were looking to sell. It was just two guys who had owned it since the late '90s, with no debt. They'd owned it for 26 years or so when we bought it. It is a true direct-to-seller deal.

They wanted anywhere from \$17 million to \$18 million for a long period of time. We finally got them down to a number that we were willing to pay, which is just shy of that \$15 million number. There were some other components of our offer that compelled them to want to work with us, and all of that. I competed with a couple of other folks who were also doing the direct-to-seller thing. It was a great deal in that we built a relationship with a couple of guys who had owned it for a long time. They wanted to work with us when it came time to sell outside of price, which was great.

The Art Of The Deal: Creative Contracts & Seller Pain Points

Let's talk about how you set yourself apart and how you structure the contract to seal the deal. You mentioned you had some stuff in the contract that was appealing to them. What were those items?

Just from a standard term standpoint, the typical stuff that I think a seller likes, we had no financing contingency. We had a pretty healthy deposit. There were some units that were vacant. They were like, "We don't want to fix them up and lease them." We're like, "That's fine. We'll handle that post-closing." We're really easy to work with in general in terms of how we structure the contract. I think the big thing that put us over the top in terms of the couple of groups that we were competing with was that there was an onsite manager at the property. It was a family friend's daughter of one of the sellers.

They had a close relationship. She'd worked there for four or five years. They were just really concerned in terms of what was going to happen with her job post-closing. Is she going to stay on? Is she going to continue to manage the building? It's always tough as a buyer, as many of the readers, I'm sure, are familiar, and you guys are familiar as well. It's hard to retain a management company or onsite manager that you're not familiar with or comfortable with, especially one who has operated the property entirely differently from the way you're going to. It was the situation here. They had paper rent rolls and were collecting checks for rents. We were going to modernize the property management software.

They were concerned about what was going to happen with her job. What we did was we included in the offer that \$14,950,000, but we had \$25,000 additional that we would pay to her in addition to her standard salary that she was getting paid, which we obviously knew was part of a contract. We were just gathering their financials, all that. We said, "\$25,000 spread over the first six months. We'd like to retain her because we did think that she had great soft skills to help us with the transition and all of that, get to know the property, get to know all the residents, et cetera. Also, this is giving her plenty of time to find another role if she doesn't want to work with us and she wants to go do something else."

It's putting her in a financial situation where she's got more than enough of a buffer, even if she wanted to take some time off after that. We proposed that to them. That wasn't something they asked for. We knew that this was a pain point for them or something that they were concerned about. We included that in the purchase and sale agreement that she, as the onsite manager, would have increased compensation of \$25,000 spread over the first six months. They were blown out of the water and thought that was great and all that.

We weren't the highest offer from a price standpoint, but we were by far the best, terms-wise, because they didn't have to have an uncomfortable conversation with her. They didn't have to do a whole bunch of stuff behind the scenes in terms of renovating and leasing units and trying to retain some occupancy figure, no financing contingency with a good deposit. We won despite not being the best price, which was great.

Tweet: We weren't the highest offer, but we were by far the best terms-wise.

Navigating Financing: Securing Loans In A High-Rate Environment

How did you circumvent the financing contingency? We're recording this on August 1st, 2025. We've seen this whole run-up in interest rates in the past couple of years. They're still high. The Fed just voted to maintain them. How were you able to be confident that the financing was not going to be an issue here?

The vast majority of the deals that we buy, just as context, we finance with local banks and credit unions. We don't do a lot of agency financing mainly because we don't get the best terms from the agencies to put it quickly. We have a great relationship with the local bank, which we knew was interested in financing this deal. While we were working through the final negotiations in terms of nailing down the price and all of that, we floated it by them. We're like, "This is a bit of a bigger loan than you guys typically work on or have with us in the past. Is this something you're interested in?"

We were also very comfortable with our price in terms of whether the rate moved while we were under contract, because we weren't going to lock our rate until two weeks before closing. We still had a buffer there. We ended up closing with a 6.35% rate. If it went all the way up into the high sixes, low sevens, we still had enough margin in our underwriting to absorb that. We define that as our true downside scenario, as rates run while we're under contract and we have to lock a higher rate. Luckily, that didn't happen.

Tweet: Our price had enough margin to absorb rate fluctuations—even if interest rates pushed into the low sevens.

It was a little higher than we originally projected. We thought we'd be around 6.25%. We ended up at 6.35% or 6.4%, I believe. It wasn't terminal in terms of killing the deal or anything like that. Because our price was a number that gave us some margin, we were comfortable removing that as a term. Again, we were competing with a couple of buyers who were maybe over that \$15 million mark. They included financing contingencies because they were underwriting at a much lower rate.

What ended up happening was the sellers were pleased because they were tracking rates as we were under contract, just out of curiosity. They were like, "We probably would have lost this contract with one of the other buyers who underwrote this low rate." It worked out for the sellers in terms of working with us. For us, yes, we gave up a little bit in terms of paying a little bit more on the debt side than we thought, but we were comfortable with our price and the margin there to do so.

We don't want to get too far ahead on the financing. We'll circle back on that. I want to keep us focused on the actual contract period. How did due diligence go on this property? The previous owners have owned it since the 1990s. How well has it been maintained? Were there any surprises? Did you walk every unit?

We walked every unit. The buildings were in great shape. One of the owners lived at the property himself. It was real pride of ownership. A lot of the value added to the building was more management. There weren't a lot of physical defects that we were worried about. The big thing was just inspecting a ton of septic tanks and wells because it's private water and private sewer. It's a little bit more of a rural town in New Hampshire, about 5 to 10 minutes away from a city water and city sewer area within that town. We had to do a lot of water quality testing.



Sterling Realty Apartments: We walked every unit. The buildings were in great shape, and one of the owners lived at the property, so there was real pride of ownership. A lot of the value came from the management.

We had to do a lot of septic tank inspections. That was our biggest concern. We were going under contract and starting the DD period. We were going to find a bunch of old tanks that need some love or some water that's got testing for some material in it that is going to be a little problematic. We got to install infiltration systems and all that. Luckily, everything went smoothly. The other thing that we found during DD was that there were a lot of residents in there, that the leases and the rents didn't align, or they signed the lease at X five years ago.

The current owners were increasing their rents each year, but they didn't sign new leases at the new rent. They had to go dig up emails and texts. It was a typical mom-and-pop management style that we had to uncover to make sure that we were like, "We've got an agreement between this resident and the ownership as to what the rent is." There was a lot of pulling strings there and digging into their records. Luckily, we had a great seller who was willing to work with us. It was built through that relationship of just being in their ear for a long period of time.

How did you calculate the significant reduction in pricing?

In terms of their asking price of up in that \$17 million to \$18 million range, a large part of how we arrived at the price that we did was that we spent a lot of time almost acting as if we were a broker. We were almost educating them on what their property was worth and doing so with data. We sat down with them at the first meeting that we had with them, where we truly were like, "Here's our price. Here are

our terms. Here's why we're qualified to buy it. Here's the other stuff we bought." We were making our pitches to buyers.

We brought the OMs from broker deals that were roughly similar, where it was like, "This property sold for \$225 a unit. This one sold for \$220 a unit in similar areas, similar construction style, et cetera. We're willing to offer this because your rents are a little bit lower, and we have a little bit more work to do. Look at the rents of these other buildings. Here's how we arrived at our price." The reality was that it was a long process. They just started high and shooting for the moon. Over time, we were like, "This is why we're offering what we're offering with these data-oriented reasons, like comps and rents. Your rents are \$1,500 for these units. They should be \$2,000. We're going to have to work to get them up to that \$2,000 figure."



Sterling Realty Apartments: We literally brought broker OMS and comps to the table to educate the seller on what the property was worth.

They realized that their number was too high. It was through educating them with data outside of what we're willing to do for reasons that are known to us, and for not actually being backed up with any type of factual information. It was continuing that process with sharing rent comps, sales comps, and all of that, and showing them why we're actually at the price that we're at. That eventually brought them down to a figure that they were willing to sell for and that we were willing to pay.

The Business Plan: Value-Add Strategies For Sterling Realty

What's your overarching business plan with this property?

Straightforward, it's what everybody was doing from 2012 to 2020, where you had all these old owners who were not doing a very good job from a PM standpoint. We're just onboarding with our property management software and taking care of a lot of lingering maintenance issues. We're going to do a rebrand to a different brand. We're going to create a website, do some virtual floor plans, start a Google business page, and start to solicit some reviews. We've done some simple stuff on the lot, like building a dog park. We're about to build a pergola-paved-out barbecue area. We've been waiting for the summer to do that because we've only really owned it throughout our winter and spring seasons.

We continue bringing folks to market as they organically move out. The good part about the deal was that it didn't require a significant amount of physical work outside of some slightly dated units, turning them over, and spending anywhere from \$7,000 to \$10,000 on painting cabinets, painting the walls, replacing the flooring, and stuff like that. We locked in a lot of our returns at the buy, in terms of the price that we paid. We were rapidly working through the management implementations of getting everybody on the software and bringing rents a little bit closer to market.

Tweet: The good part about the deal was that it didn't require significant physical work, outside of slightly dated units, and turning them over.

Let's circle back on the financing piece. What loan did you secure on this? It sounds like it was not agency debt. What were the terms?

I got a little ahead of myself on that one. We worked with a regional bank that lends throughout Maine, Vermont, and New Hampshire called [Mascoma Bank](#). We do a lot of these smaller to midsize multifamily deals with them. It is 75% LTC, so 75% of the purchase and 75% of our reno budget. It is a very simple structure in that it's personally guaranteed by myself and my partner who bought the deal. Because it's a local bank, we're probably going to refi into an agency loan down the road so that we get out of RPG on that.

We negotiate down our prepays so that we have some flexibility in a couple of years when we are done with our business plan and we want to refi it. It is a very simple process in terms of them holding back a large chunk of the reno funds and releasing them to us as we're working through the business plan. It is a five-year fixed rate and a twenty-year term. It adjusts for the fifteen after the first five. Our business plan is that we're going to refinance in two or three years. That's when the prepayment penalty starts to shave off to something simple, like a 1% fee, so pretty straightforward debt terms.

You raised capital for this deal. How much capital did you raise, and how did you structure it for your general partners and your limited partners?

It is a very simple one here, just a 70/30 split over an 8% pref, 70 to the LPs and 30 to the GPs. We charge a 2% acquisition fee with no other fees. That's our standard structure for all the deals that we do. Myself and my partner, on this one, co-invested roughly 15% of the equity. We raised right around \$4.5 million. I believe we had 51 individual LPs in this one. The average check size is right around \$75,000. A lot of retail LPs are investing \$50,000, \$100,000, et cetera, but it was a 506(c) syndication that we fully marketed with a pretty simple waterfall structure and fee structure. We try to keep it simple so that we can replicate it on each deal.

Are you guys the only general partner on this deal, or are there others?

It is just the two of us. Myself and my business partner both share in the asset management duties. Our company manages on the PM side, and then we just split the raise from a capital standpoint. We leverage both of our investor networks to get it done.

Since you took over this property, how has it been going since the takeover?

It's been going well. I'll just start with a negative and share the positive. Not a lot of tenant screening was done by the previous owners. I think it's, "He seems like a nice guy. Let's throw him in the unit." We had a little bit more delinquency than we originally anticipated. We budgeted our standard 3% or so. We've had 5% or 6% over the first six months, but we've been shaving that down and working with folks. We've just had some organic turnover that always happens when you take over a building like this.

We're exceeding our rent projections on the units we renovate and lease, which is great. We projected that over the first entirety of the first twelve months of ownership that we would collect, on average, \$125,000 a month in rent. We've collected low \$120,000s. We're starting to exceed that \$125,000. It looks like we're going to just outperform our year one total income collected from a projection standpoint. It is a big magic number for us, given that a lot of our expenses are fixed, predetermined, and pre-closed in terms of taxes, insurance, et cetera.

As we're getting into units, we're finding that our reno budget was a little healthier than it needed to be, which is great. We're doing a lot of just painting half flooring, taking carpet out of bedrooms, and throwing down LVP that matches what's in the living room and the kitchen. Quick turnover, and we're bringing rents to slightly above where we thought we'd take them. We're getting into units at a nice velocity, which is great.

Lessons Learned: The Unforeseen Challenges Of Property Takeover

Let's wrap up with a couple of questions here. What did you find easy about this project that you thought would be harder? What did you find harder that, quite honestly, you thought would be easier?

What we found to be easier is that all of the major systems have been in better shape than we originally anticipated. We saw a lot of them during DD in terms of the septic tanks and the heating systems, et cetera. There were a lot of residents who were living in units where we had a bit of a harder time gauging the condition because there's so much stuff when someone's living in an apartment that you ballpark your CapEx. We've gotten into a lot of kitchens that we thought we would have to either do painted cabinets in and replace countertops, or new appliances.

We found that our interior reno budget has just been lower than what it's needed to be, which is great. The unexpected challenge goes back to the reason we won the deal, where we paid the onsite manager a slightly elevated salary for six months. We thought that she had an interest in staying on longer. We enjoyed working there, and she was doing a good job. She quit with no notice. In month seven, day one, she's like, "Guys, I'm out."

There was no two-week notice. We don't blame her. She stayed long enough to collect the elevated compensation. We had to rapidly find a replacement. It drew some resources from the rest of our property management company to try to get somebody in that seat. We had to manage the property for 21 to 30 days or so remotely without somebody in the office, which for a complex of that size was manageable. It wasn't the end of the world, but we had to ratchet the hiring process into the six gear to get somebody else in there.

That was a little unexpected challenge. Our leasing was a little bit more cumbersome. We had a slightly longer vacancy for the units that we were releasing when she was out. We found a nice replacement and everything's humming along again. They were mainly personnel challenges, but that's the reason we won the deal. We were like, "We knew that that was a scenario that might happen, but it just happened a little bit faster than we originally thought."

I want to ask a follow-up question to that. Would you have handled that differently knowing what you know now?

Going back to the deal structure pre-close, we probably would have done something similar, but maybe structured with some language around, "You need to give us a heads up," or maybe, "It's a lump sum payment at closing where it's \$25,000 to your very valued on-site management and close family friends, but we are going to take over with our team post-closing." She gets this up front, and there's a lump sum for the first two weeks. We just rapidly make that transition versus dragging it out over a six-month period of time, where we onboard her and get her all trained up and comfortable with the way we're doing things, just to lose her.

That's probably how I would do it if we were to use a similar deal structure in terms of winning the deal. We would have just done a lump sum. We knew before we bought the deal that it's always easier to close with your own team and to take over with somebody new, especially in a situation like this. She's used to collecting cash as rent payment and having the owner living on the property that she can go to and ask questions. They worked out of the office together. We use a lot of technology in our business. We do things very differently. We screen residents entirely differently during the leasing process. We don't just throw them on Craigslist. We list the units everywhere.



Sterling Realty Apartments: Unless you actually like how it's being operated, it's probably best to bring in your own team post-close.

We got her all trained up on all this stuff, only for her to leave. It was a lot of wasted energy and time. I'm a massive proponent of unless you're taking over a property that's more or less stabilized, you like how it's being operated, you like the team there, and they're going to do things similar or they have done things in a similar way to how you will continue to do things, it's probably best to bring your folks in who you have control over in terms of hiring them, screening them, training them, et cetera.

Those are wise words, Axel. I want to just say thank you for sharing your knowledge and expertise with us. Hopefully, people stuck around to the end to read that. Lessons are learned the hard way, and we can always learn from each other. Axel, if readers want to learn more about you, how can they find out more and contact you?

Our business name is Aligned Real Estate Partners. Our website is AlignedRep.com. If you just want to email me, it is Axel@AlignedRep.com.

Axel, again, thank you for sharing your time with us here. We look forward to hearing about your future deals.

Thanks for having me.

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