Whitney Elkins-Hutten of PassiveInvesting.com interviews multifamily expert John Makarewicz about the acquisition of Faris Residences Georgetown, a 66-unit deal in Georgetown, South Carolina. While initially hesitant about the 10,000-person market and the 1970s vintage of the property, John explains how his team saw the potential for a total top-to-bottom transformation. From replacing roofs to adding a dog park, they executed an aggressive 90-day exterior renovation that built immediate resident trust. Learn how they navigated a competitive bidding process, secured 5-year fixed-rate Fannie Mae debt with interest-only terms, and are now achieving rents that dramatically exceed their initial pro forma.

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66-Unit Faris Residences Georgetown in Georgetown, SC With John Makarewicz, Apartment Investing Expert

Welcome to the show. With us is John Makarewicz. John, welcome to the show.

It is so good to be here, Whitney. Thanks for having me.

John, before we dive into Faris Residences Georgetown, 66 units in Georgetown, South Carolina, tell us a little bit about yourself, your background, and where you are in the multifamily space today.

John's Background And Launch Of Faris Capital Partners

I actually stumbled into real estate after I left Florida State University. Honestly, I just had some friends in it, and I was like, “I will just do this until I figure out what I really want to do.” This was all residential, just resale real estate. This was in the early 2000s. The market was going like this, and I just found a lot of early success. Cut to the Great Recession, the business I was working with just led to volume, and my income got cut in half. I reached out to a competitor, another brokerage in the area, and the guy had billboards up. In my brain, I'm like, “If he has billboards up in 2008, he has got something going on.” Long story short, we hit it off over a few years, really built a partnership, ended up taking the company into our own brokerage, and created a boutique brokerage.

Over the next fifteen years, we grew and scaled the thing to the point where we had a private equity exit in 2021. It was like this, a fifteen-year sprinting a marathon, as I like to think about it, but so much fun. In that time, I learned a lot about operations, but most importantly, the key driver of our success was really our focus on client experience and really trying to do something that felt a little bit different from what the average real estate agent was delivering. In 2023, I left that business after the sale, where I spent two years.

My current business partner and I had just had a long-term relationship because he had a similar business in Canada. I was down here in the United States. When I shared with him I left, he called me a week later and said, “John, I wanted to share with you. I have got this idea I wanted to run past you, and it was Faris Capital Partners.” I had planned to take 2023 off, but by April, we had launched Faris Capital Partners. Since then, we have acquired six assets on our own.

There were three that we participated in as a co-general partnership. Before I came on, Mark, my business partner, wanted to make sure he could actually raise the capital before he committed to building this business. With those successful co-GP capital raises completed, we are heavily involved in those deals, working alongside the asset management team. We went out on our own and acquired three in 2024 and three deals in 2025. We have got a couple of LOIs out there. We are hoping to do five this year. We want to ratchet it up a little bit, but that is the short version, which catches you up to today.

Acquisition Of Faris Residences Georgetown

I'm excited to hear about Faris Residences Georgetown, 66 units in Georgetown, South Carolina, because you launched this business and what some people would call one of the toughest multifamily markets that we have seen in a very long time. When did you close on this property, and what was the purchase price?

We closed on that property in late July 2025. It was a $6 million purchase, and it was not necessarily the type of deal we are typically chasing. We like 100 units or more. Because you mentioned it, deal flow is so challenging. This deal came to us initially off-market. We will dive into the market a little bit. I'm sure you have that teed up as a future question, but there were just some initial concerns for me, particularly because it is a very small market.

It took us a few months to really wrap our minds around it. The deal ended up launching publicly, and that is when we struck. In hindsight, we wish we had acted a little faster, but there is something to be said about slowing things down, particularly when we had found a lot of success in Charleston, South Carolina. We have a handful of deals there, and they have just been going very well for us.

Faris Residences Georgetown: We wish we had moved a little faster, but there's value in slowing down—especially after finding success in Charleston, South Carolina. We've done several deals there, and they've performed very well for us.

Georgetown is an hour outside of Charleston. It is absolutely a different market. Sometimes we look back on it and go, "We could have maybe gotten it a little bit less expensive if we had acted quicker." I think that process of really slowing down helped us really make a good decision because it was a big lift, and we will get into that. It was not just that we are renovating some units. It was a total top-to-bottom renovation. That catches you up to the acquisition side of things.

When you saw this property, first of all, was it brought to you by a broker? Was it on market, off market?

It was initially off-market. The deal was through Bracadia, and we had closed two transactions. It was a portfolio, but two different assets with a broker in the Charleston market working with Bracadia. They are a team. Through that, it was a two-loan assumption. In fact, it was really four loans because there were two primary and two supplements, and two properties. Four different loans. This was in late 2023, early 2024. The broker just saw us as being a new group, but was really pushing to move that assumption along. One of our things, both Mark and I bring, I think that is a little unique, is that we both had residential real estate companies.

Being a residential broker and a commercial broker is vastly different, but just having been in that broker's shoes before, we know how important it is when you go to your seller and say, "I really believe this is the right buyer." If something goes wrong, that seller is looking at you, not the buyer. Early on, communicating with brokers that we are going to do the best on the front end, we have a contractor walk the properties, and we are going to really tighten up our numbers.

Our goal is never to retrade. Our goal is to close 100% of the transactions we put under contract, which we have thus far done. That broker had a team member who brought this to us, just saying, "It is close to Charleston, thought you might be interested." We did get an early crack at it, but I initially was a little skeptical of the market. It is a 10,000-person market. There is population growth happening there, steady 3 to 5% over the next five years.

That was great, but the market also lacked some other things that we look for, which is like economic diversity. Charleston, Atlanta, Tampa, Florida, where there are just so many different industries, and it is not just dominated by one. I will admit, I was the naysayer. I was like, "Guys, I think we need to really just, I do not know that this is for us." Another thing happened too, and this is not the broker to be very clear.

We were under the impression it was a 1980s vintage. After walking the property with our contractor, I think this might be '70s vintage. Turns out it was. It was interesting because my business partner and I have a podcast, and for a year, we were on there saying, "We do not do '70s vintage. We only do '80s or newer. There was a bit of an internal conversation around that of like, "We have really been communicating to our investors why we stay away from the '70s." We need to have a compelling story that we can tell here.

Really, what ended up happening is the compelling story just came through the opportunity to vastly transform this property. It was not like our previous deals, where we would do some painting, new doors, and lighting on the exterior, maybe new pool furniture. It is just lipstick. This was the replacement of roofs redo the parking lots. We got rid of columns and replaced them. It was a big lift on the exterior side.

That was a little new for us. We took a lot of time, and then what ended up happening is that it got launched publicly while we were internally debating. It is not to say we did it for this reason, but we were also not finding a lot of other deals out there. It was really the conviction of our team. One of the things Mark and I learned growing our businesses in the past is that the team is everything. If you get the right people in the right seats, everything becomes easier.

Tweet: The team is everything. When you get the right people in the right seats, everything becomes easier.

We had a twenty-year experienced asset manager telling us we can make this property scream. We are going to crush this. Our acquisitions guy is telling us the same thing. He has closed over 1.2 billion in transactions before coming on with us. Mark and I sat down, really met with the team, and based on their conviction, we decided to move forward. We are really glad we did. It has been one of our more successful early launches, and we can get into why.

It was a learning lesson for me of just being more open-minded and slowing down, but being more open-minded. I will say Whitney, for me, I'm not somebody who can just see a thing and see what it is going to look like in the future. I need renderings, and I need a designer's eye. We actually found a great designer who will now help us do that very quickly, where we are like, "This building looks a little tired. What do you think we can do to make it look nicer?"

Within a day, she's sending us these beautiful renderings. "Now I can see it."Where my business partner, he can just look at it and go, "We can do X, Y, Z, and it is going to be beautiful." That was a learning lesson for me that if I cannot see it, I need to go find a resource that can help me see it. We are glad we closed on it. It is going really well so far.

Differentiating To Win Competitive Bidding Process

Let's get into some of the nitty-gritty. I want to start with how you got it under contract. It is originally off-market. You said that during the time that you are actually looking at the property, it

does go public. At what point in time did you put in your offer? Was there competition on this deal?

There were quite a few offers, actually, which was somewhat surprising. I assumed there would be interest, but there were 30 other offers that came in. What we have been learning from brokers because one of the things early on, Mark and I decided is we are going to have really strong broker relationships. Before we even had a deal to look at, we would go into a market that we were targeting and try to meet with every single broker, which was interesting because in some cases they were looking at us like “You guys are smoking crack. You are not going to close a deal in this market. You are new. You do not know what you are doing.”

Many were super nice. We followed up with gifts, thanking them for their time, whether a book or, in some cases, we sent gift baskets. That just caught their attention. The bottom line was that early on, we just communicated that we would never take down a deal we do not think we can raise the capital for. That was number one. Because we had that track record with Bracadia in that market, some of the other offers were higher. This goes back to what I mentioned earlier, you know this, but many times if there are 30, 40, probably two-thirds of them are just tire kickers, just throw out a low offer, maybe somebody bites.

We made the best and final, and in that process, what we learned after we got the deal was that two of the other groups had a track record of killing deals in the past or retrading. Although we were not the highest offer, the broker went to bat with us with a seller and just said, “Look, we have worked with them in the past. They have closed every deal they put under contract. They have had contractors on the property. Their numbers are tight. We believe their numbers are tight based on what they have shared with us.”

Going back to even down to hard insurance quotes and hard debt quotes, we also generally will work with Bracadia as the lender when it is a Bracadia deal. Brokers often will tell you that it is not important, but it is. We checked all the right boxes. Another factor is strong communication, letting them know when we are going to pass on a deal. If a broker sends us a deal specifically, it is not just e-blasted. We always follow up with feedback.

We will underwrite it loosely. We are not going to do a deep underwriting if it is just not in our buy box, but we are at least going to follow up and say, “Here is why we are not going to be able to move forward with it.” Just that strong communication was also a factor. That is how we differentiated ourselves.

Just being visible, following up, letting them know what is on our mind and how our thought process is working on that particular deal, what our concerns were, made it seem that we would be easy to work with. That is what we are trying to communicate when we are working with a broker, that we are not going to be a pain and we are not going to come back and snake them at the last minute with a $500,000 or a million-dollar retrade.

You are closed, and I asked what date you got the property under contract?

We went under contract. I should have known that off the top of my head, but it was about a 90-day closing from start to finish. 30-day DD. There was a slight delay. Fannie and Freddie, towards the end of the year last year, just seemed to be moving a little bit slower. We went with Fannie on that one. I think we went under contract in May. I would have to think back on that. Sorry, I do not know that off the top of my head. It was a whirlwind year with three closings, so I just did not have that detail tight in my brain.

You get the property under contract. At what point in time are you walking all the units, or did you walk all the units?

Navigating Physical And Financial Due Diligence Surprises

100%. That is something we decided right away, that we have to walk 100% of the units. We put it in our LOI. Understanding that there are certain cases where a unit just may not be available on the day. You certainly have had that experience where you knock on the door, and the person just refuses to let you in. We are glad we did. Candidly, on this deal, I saw one of the worst units I have ever seen in my life. Somebody living in the unit had allowed their dogs to use the downstairs as their bathroom for a period of time that probably went into the years.

It was one of those where you open up the front door, and I literally just turned around. I was like, “I'm not going in there.” Our contractor and a couple of other folks went through, but we work with Asset Living, and they have a really great due diligence process. They send out a whole team, and then we bring out our preferred contractor for on-site, roof inspections. That goes back to another way we can make it easier for the owner and the broker is we just try to do all that in two days.

Have everybody come out. We cannot control environmental and survey with the lenders, but anything we are going to do, we are going to try to pack it into, and of course, if it is a larger unit count, we might need three days, but we try to make it very easy for the operator and not be a disruption for their current operations.

Through that process, what we learned is that the property manager who was currently on site actually told us that she viewed unit inspections as an invasion of privacy. There was a moment where we may have to increase our budget for HVAC repairs, because if they are not replacing the filters, I doubt the residents are doing that. Walking 100% of the units is definitely something we always like to try to achieve, even if one or two just are not available for one reason or another.

Faris Residences Georgetown: Walking 100% of the units is always something we aim to achieve, even if one or two are unavailable for any reason.

Were there any surprises in the physical due diligence?

There was actually. In this case, we were led to believe there was cast-iron plumbing, and we were led to believe that the majority of that had been replaced. We actually came to find out that was not the case. One thing we have always done from day one is we always put a ten percent contingency budget in, and then we just overestimate. If we think landscaping is going to be 100,000, we might budget 125. In the final moments of best and final, we can really get in there and make those tweaks.

We always like to have a healthy contingency just because even today, oil prices have skyrocketed. That means in two to three months, all of our materials costs will go up. Always having something for a rainy day. We also always have, depending on the size of the deal and the cashflow, three to six months of principal and interest in reserve. With that, we were able to absorb that cost and still believed in the deal.

It was a little bit of a bummer. It is an unfortunate thing I have noticed in this business where sometimes there are so many owners over so many years, and one said, “I did it.” The next guy tells you what they did, but it is not always accurate. I have learned that it is not the broker's fault, but you cannot always just believe what you are told. You really have to get in there and dig in and look.

It was one of those moments where we thought it might kill the deal, but we had a great plumbing contractor in that market prior to our other three deals. They came out and looked at it and said they can repair it for X. We had the money in the budget to do it. We went ahead and did that. Thankfully, it all worked out.

I love you pointing out trust, but verify. Trust what the broker tells you, but at the same time, you need to go out and verify everything.

That is right.

That is the physical side of the due diligence. What about the financial side of the due diligence?

Our SVP of acquisition has fifteen-plus years of experience. He and our asset manager, the typical process is we have an analyst who does a first scrub on anything and everything that fits our buy box that comes across. Then he surfaces the deals to our acquisitions guy, who takes the ones the analyst brings to the table. He does the deep underwriting. Typically, I'm on the market side of things. I like to really dig into the markets. I have lived in the Southeast my entire life, spent a lot of time in all the markets we are doing deals in. It is just the area that I lean into.

Once he is through reviewing it, he and the asset manager will then have an hour, maybe two-hour meeting where they will go through all the financials with a fine-tooth comb. We are looking for not only rent lift, but potentially some operational lift. Can we run this thing more efficiently? We know costs like utilities are not going down. We know that most of the hard costs are what they are, but can we potentially make it up in payroll somehow? Now that we are in Georgetown, we actually have an LOI out on another deal in that market because it is right down the street, and we can then leverage the same team to operate both deals.

That operational lift, we also look for things like bad reviews. Obviously, if the property has great reviews and it pencils, that is not a bad thing, but when we see that the property has lower reviews, it is like, “We can fix that easily.” That is just client experience and customer service. From the financial due diligence, it is really just internally, where the team goes through it. We also have a director of finance who does a final scrub on the underwriting and will surface any concerns or items that we may have missed through that process.

In total, there are five sets of eyes on every single deal, six including the analyst. By the time it comes to Mark or me, it has already been pretty well scrubbed. Once again, I'm looking at the market as a pass fail. Initially, I was like, “I do not know, it is a small market. I do not think it is for us.” Thankfully, what happened is we were in Charleston visiting our other assets, and we just drove out there and took a look. Once we saw the town. It was interesting. There was a large paper mill that had gone out of business. The company just downsized.

We were on the first visit, and it was just this dead piece of property. On the second visit, we see a lot of stuff being torn down and repaired. The city was not able to tell us exactly what was going on, but it was clear to us that something was happening here. It was not a Hail Mary, but we made the decision just to say, “Look, there are only 900 multifamily units in this entire market.” There is nothing under development. We toured all the rent comps. There is just a lack of quality apartments available.

There was a new class A that was there, but outside of that, it was the 60s, 70s, and 80s that just retired. We felt that there was enough opportunity there where if we could deliver high-quality renovated units, we could hit our numbers. We are actually exceeding our numbers on our pro forma pretty dramatically. That is when I went back to the team and said, “I'm going to own it.” We could have gotten it earlier. It was on me, but I'm glad you guys convinced me because it has been going really well.

When you were going through the rent rules, were there any surprises there?

Not necessarily. The first thing we noticed is that they were below market pretty dramatically. From that PM that was there, she was as sweet as can be, but she just did not have the right mindset to be a property manager. She wanted to be everybody's friend. That is something that I find quite shocking, actually, is how many deals we see where the operator just seems to buy it and then almost forget about it.

There was so much deferred maintenance, I have to assume that they must not have toured that property in a year or more, based on the current condition it was in. Trash on the ground, and it just felt unloved, and the residents are going to respond to that. There was no higher-than-average delinquency rate or eviction rate. It was all normal.

That gave us confidence in the market, and the rents we were targeting were basically at about 30% of the rent-to-income ratio for the average and median income in the area. That gave us some confidence. Nothing overly surprising, other than they just were not pushing hard enough. That is really where, once again, one of those check boxes we look for, where there is lift here if we did not do anything, if we just operated the deal a little more strongly.

Financing Strategy And Rapid Value-Add Execution

Let's pivot to the lending part of the deal. You mentioned you closed with a Fannie Mae loan and that it took a little bit longer than expected. How did you structure the loan, and what are all the details and terms?

We just did a five-year loan. We typically do a flexible payment so that we can exit earlier. If we see that there is going to be some prepayment penalty there, but we buy that down initially on the front end. We just went agency, five-year term, two-year interest only. We have looked at other alternative lending options, and obviously, with a bridge, they typically want to see a higher purchase price. We went with Fannie's small balance. Actually, all of our deals have been with the agencies at this point, whether through assumptions, our first two deals were assumptions, the rest have been new debt.

We have only done one with Freddie so far, and that was just because we got better terms. It was another smaller unit deal we did in Charleston. Working with our lender there, it was the same lender who worked on the other deals. Bracadia, we just stuck with the same lender there. It was fixed-rate debt. That is one of our golden rules. We have three. One is the contingencies I already mentioned. We always have that six months of principal and interest, or maybe down to three, depending on the cashflow, that ten percent contingency.

We only buy deals that cashflow on day one, and we only do fixed-rate debt. Those are three golden rules that Mark and I sat down and designed on the first day. What are the things we just will not do? Occasionally, I have had somebody come to me and say, “It was floating rate, but with a cap, would you do it?” Not today. Just as you mentioned earlier, coming into the market we came into, a couple of things. Number one, nobody told me it was as bad as it was. I just came in, and maybe in a good way, a little naive, “We are just going to figure it out.”

I also think if I look back at Mark's prior business, our biggest years of growth were during the Great Recession. We had explosive growth during the pandemic era. Just learning that in those tough markets, that is really where you can experiment a little bit, push a little bit harder. I think it is probably the best time to start a business because you do not get it easy. You have to do the work. You have to figure it out where, I'm not saying it was easy, but if you launch your business in 2018 or 2019, a lot of deal flow prices were going like this. Rent was going like that.

Faris Residences Georgetown: Difficult markets are where you can experiment, push harder, and grow the most. Starting a business in tough times may be the best training—you don’t get it easy, so you learn to do the work.

A lot of people could find success a little bit more easily. For us, we ran the numbers in 2023 and 2024. Even in 2025, it improved a little bit, but it was basically 300 offers. Our deals had to come across our desk to find one that we could put under contract. I'm counting every deal we received. That includes stuff out of our buy box or out of our price range, but that is the ratio. Just getting the discipline to say, "What does the acquisition person need to do every day?" He needs to have ten meaningful conversations with brokers every single day.

That could be an email or a LinkedIn comment, but the intentionality of just touching base with brokers daily, offering something of value, and then just having the willingness and the tenacity to go through 300 deals to find that one that might work for us. Those are some of the things we implemented on the front end. Fixed rate debt to answer your question in a long way on the Georgetown property.

What was the interest rate on the debt again?

I believe we were at 5.25, but I would have to go back and look. Sorry, I do not know that off the top of my head.

Fixed rate debt for, and was it interest-only for a period of time?

Two years, that is right.

After your interest-only period, what is your carry-out plan for this type of debt?

With that, we model all that out. We know when the principal kicks in, obviously, our payment is going to go up. The first thing we do whenever we take over a deal is we do all of the immediate exterior work. Our goal is to do it in less than 30 days, but this was a much bigger lift. It actually took about 75 days to complete because we replaced all the roofs. We had to do a lot of general maintenance. Once you pull the roof off, we had to replace some of the plywood. We redid the parking lots. We remodeled the leasing center. We added a grilling station, a playground, and a dog park.

Our theory there is that if we can spend all that money on the front end and show the residents that not only is it a new owner, but there are improvements coming, and it is happening very quickly. We found that builds a lot of trust because, for example, we got a review very early on where somebody had been in that community for ten years, and they're like, this is like the third owner, and you are the first one that has done something that I have noticed. With that, we are giving value before we are asking for value in additional rent on a monthly basis when they come up for renewal.

We are very focused on making sure that the property management team has a genuine love of people and a kind heart. We also want them to be strong managers and know when to say no and not be everybody's friend, as the prior PM was. By bringing people on who just have that care for people, who just enjoy solving problems and making things better, that brings a lot of success as well. Immediately, we started renovating. We have already renovated eight units at that property, and we are getting about $100 above our pro forma and rent.

Whenever there is a turn, we go ahead and renovate. The plan here is to renovate very quickly. We do have five-year holds. We make sure we model out like any prepayment and all that, but likely on a deal like this, we will look to exit probably in year three. The deal can support itself with that additional principal payment through that five-year hold period, no problems. If the market is not the right timing, we will wait.

Because we are a newer group, we are not impatient or going too quickly, but we would like to get to some exits a little bit sooner so we can build that track record. Forty percent of our investors who have invested with us have invested in multiple deals, and that is something we are very proud of, but we just do not have that exit yet. With some of our more sophisticated investors, they might invest in one and say, "I'm going to wait and see how this one goes."

Some are just saying, call me when you have some exits. Building that track record is important to us. When we saw it was 66 units, I felt this was an opportunity to maybe get to an exit a little bit faster than maybe a 140-unit deal or something like that, where it is just going to take a little bit more time to get that NOI where we want it to be.

Just to put a bow on the financing, you were okay going with the fixed rate debt because it penciled out from day one, but you have already, with your business plan, prepared to sell at three years, and you have actually penciled out that you can pay the yield maintenance on this.

That is exactly right. In fact, it was interesting. We have the co-general partnership investment we did. One of them has experienced some challenges in a market where there have been a lot of new deliveries, and it is what it is. They are muscling through it, but there was a moment where they wanted us to take a look at the underwriting as well, and our guy, Joe, realized they had not factored in yield maintenance into their model. That changed some thinking on how they were going to approach some of their business plan there.

That goes back to Mark and me realizing that we are newer to this. We believed in our ability to grow strong businesses. Having a private equity exit on my resume, I had a very successful business on his side. Knowing this is still new to us, we need to go out and find some experts. That is where we brought on George, our asset manager, and Joe, our acquisition. To be clear, Mark Faris himself has built a $30 million portfolio. I have done real estate investing my whole career, generally speaking. Just knowing that we are new to this, we need to surround ourselves with people who are smarter than us and better than us at this stuff.

We had the ability to do that because of our prior successful businesses, and we were willing to spend that money waiting for that first deal to have that strong team around us. We did not walk into a wall or stub our toe, or make a bad decision, because you can read a lot of books. I have read some of yours, Joe Fairless's books, and I'm really learning this stuff, but I want to surround myself with people who are smarter than me and better than me at the things that I'm weak at or newer at, and then I will learn from them.

Tweet: Surround yourself with people who are smarter than you and stronger in the areas where you’re weak or still learning, so you can learn from them and grow.

Having that kind of mindset of humbleness is super critical in any business, but particularly in something where there are a lot of high stakes. We are asking people to give us their hard-earned money, and we take that responsibility very seriously. Having those experts around who can tell us when we are going too fast or when we are making a bad decision is super important to my business partner and me.

Limited Partner Structure And Fee Arrangement

Just before we wrap up here, I do want to touch on the raise part of the deal because you did raise capital. Real quick, two areas. Can you tell us how you structured the deal for the limited partner, and cover very quickly the fees that you charged for the deal?

In this particular deal, we actually tried something new for the first time, and we were looking at what other operators were doing, and we saw a number of groups that we have looked up to or met over the years, and have found a lot of success. We saw that they were offering a class A option that had a higher cash-on-cash return. Some of our investors, the majority are actually Canadian. I'm mentioning that because what we found in Mark, my business partner, is Canadian. He lives in Florida. They tend to be just a little more conservative.

This is new in the US, this syndication investing, but it is even newer in Canada. There is a lot of education that has to take place. In some of the feedback, when somebody did not invest, there was just the risk they felt was too high for them, even though in our world, we did not feel like it was super risky, but we introduced the Class A share, and that became very popular. Of course, we can only put so much into that class share because it impacts the cash flows. There was that. We also introduced some additional shares, where the more you invested, the better your economics were.

That helped us get some larger checks. That is how we structured it. Because this was a $6 million deal and our investors are all retail investors, we did charge a four percent acquisition fee because it is a smaller deal. None of our investors balked at that. We do have an asset management fee that is paid along the way. We actually have an internal construction manager. We collect that construction management fee to cover his salary.

Across all of our deals, that money sweeps in, and that covers him, but he is managing all the subcontractors, does all the unit walks with us, and is alongside us, even when we are deciding whether to buy a deal or not. He will actually come into town when we are doing our tour. He actually spotted 600 feet of retaining wall that needed replacing, which the broker was told had been replaced. I would not have seen it because I'm so focused on the units, and I love this deal.

He starts pulling Ivy back and going, “Holy mackerel, there is like 600 feet of this stuff that is going to need to be replaced. That would have been like $500,000. That would have destroyed that deal.” Having him along really is an edge as well. That is our typical fee structure. Generally, we charge a three percent acquisition fee, but because this was a smaller deal, it still requires the same amount of work, the same amount of time, the same travel costs, and all that. We did charge four percent on this one.

Back to the limited partner return, did you have a preferred return and backend split on this particular deal?

An eight percent preferred return is what we offered. For class A, it was a twelve percent preference with no participation in the backend. Depending on how much they invested, typically it is a 70/30 split. If we hit a 15 IRR, we go to 50/50. If you invest 500,000 or more, it goes up a little bit. A 750 or more, we actually do an 80/20 split. We got one or two on that deal. It was a small raise, but we then took that to our next deal, which we did in Newnan, Georgia. It was interesting. We actually had to turn a lot of people away from class A.

We had a number of our investors bump up to that 750,000 investment because they are getting monthly updates, they are getting their distributions on another deal, and they like what we are up to. That has really helped us go a little bit faster in terms of the capital raise. Our average check size is 140,000. If somebody can write a check for 750, that is huge. Obviously, the client acquisition cost is the same. Those class shares have been really helpful, allowing us to go a little bit faster on our raises.

Reflection On Project Success And Remaining Challenges

In wrapping up, what did you find easier on this deal than you thought it would be? What was harder than you thought it would be?

What was easier was that big lift. I say that, my asset manager, George, if she is tuning in to this, she is probably telling me I'm crazy because she was alongside the contract manager dealing with it, but we were able to do all that work in 90 days, which I thought was a little ambitious. To give you an example. In Q1 of this year, we are recording this in March of 2026. We have received 25 five-star reviews from residents in just this quarter. There are only 66 units. By once again demonstrating that value, we were able to really just change the mindset of a lot of the residents in there.

They feel the love, they see that we actually do care. To be very clear, we are running a business, but in my view, who is my customer as an operator of apartment buildings? Is it the investor or is it the resident? In my view, it is the resident because if I do not take good care of them, the investor is going to get jammed up. We do think a lot about our investor experience as well, to be very clear, but just that focus on the resident experience has been super helpful for us.

Each deal gets a little bit easier because each time you learn from a mistake. For example, on our Newnan deal, we went a little fast, and we raised a little bit more in class A than we intended to because the team is locking down the investors, it is flowing in, and then we are like, "Wait a minute, we only budgeted for 2 million, and we got 2.4." Thankfully, it all worked out in the numbers, and we have those reserves, and we were able to make it work. That is a great example where you better believe we have a system in place now where that will never happen again.

Tweet: Each deal gets a little easier because every time, you learn from a mistake.

Nothing has been detrimental to the investors, but you just make little mistakes here and there. That one, being our fifth transaction, every time it feels a little bit easier. The hardest thing, I would have to think about that one. I guess I would say on the front end, it was the hardest deal to get to an offer on. It was partly because I was just a little reluctant about the market being so small. I have to say, we have not had any major challenges there yet. Fingers crossed nothing comes up in the short term or the medium term, but so far it has been going really well.

John, thank you so much for sharing your insights with us here. If listeners want to connect and learn more, what is the best way to do so?

The best way is just to go to FarisCapitalPartners.com. There is a simple link on there where you can book a time to talk with my business partner or me. If you just want to talk business or talk operating deals, or potentially investing, that is a great way to find us.

Thanks again for being here with us, and we look forward to hearing about your future deals.

Sounds great, Whitney. Thank you.

Important Links

- John Makarewicz
- John Makarewicz on LinkedIn
- Faris Capital Partners