

# 46-Unit The Ranch In Gresham, Oregon

WITH **CALEB WEBSTER**,  
MULTIFAMILY INVESTING  
EXPERT



Whitney Elkins-Hutten of [PassiveInvesting.com](https://passiveinvesting.com) interviews multifamily syndication expert [Caleb Webster](#) about his recent acquisition: The Ranch, a 46-unit apartment complex in Gresham, OR. While Portland, OR is currently ranked 81st out of 82 markets for investor attractiveness, Webster reveals how he successfully closed a pocket listing by identifying a unique "financial value-add" opportunity. He dives into acquiring a well-maintained, 1976-vintage property where the seller's expense ratio was over 60%, detailing how cutting costs—such as reducing trash pick-up and self-managing the property—added a significant day-one NOI bump. Learn how his team secured incredibly competitive 5-year fixed interest-only debt from Chase and navigated the long closing period to make this deal pencil in a challenging environment.

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## 46-Unit The Ranch In Gresham, OR With Caleb Webster, Multifamily Syndication Expert

**Welcome to the show. I am excited to be joined by [Caleb Webster](#). Caleb, welcome to the show.**

Whitney, good to be here. Thanks for having me.

**Caleb, before we dive into the ranch, 46 units in Gresham, Oregon, tell us a little bit about your background and where you are in the multifamily space.**

## Background And Shift From Development To Multifamily Investing

I got started in real estate about nine years ago. I got started doing the small flips like a lot of us, about a house hack. At that point, everyone is telling me, "You've got to scale up, you've got to go bigger, buy multifamily." This was around 2018. I started going in that direction, joined a mastermind right before COVID hit to help scale a syndication business. I purchased two deals right before COVID. COVID hit, and I just felt really unsure about the direction of the economy and multifamily in general.

I pulled way back. I ended up selling one of those deals and just set my focus back on the Portland market rather than looking at other markets. I have been developing infill housing in Portland for 4 or 5 years locally, just sitting on my hands waiting for multifamily within the macro market to start to improve and projects to pencil again.

I would say within the last year, I started to get really excited about what we are seeing in Portland, but also just overall, I think the headwinds, rising interest rates, and cap rate expansion, expense growth, are just out of control. All of those things seem to be stabilizing to where we can start to project out over the next 3 to 5 years, where we think multifamily might be headed, and values have come down significantly.

A market like Portland, which is not typically seen as a cash flow market. Typically, you look at the Midwest as your cash flow markets. Portland is actually becoming a cash flow market, which is incredibly surprising to me, but it is also really exciting because we still believe that it is a value and appreciation market as well. Anyways, that brings us to today. We bought one deal so far since the market is starting to improve, and we are hoping to buy a couple more this year.

**Thank you for sharing, Caleb. Let us dive into the details of this last deal, the Ranch 46 units in Gresham, Oregon. As you said, for the audience, this is outside. It is like a sub-market of Portland, Oregon. When did you close on this property, and what was the purchase price?**

We closed very recently. We closed January 26th of this year, and we purchased it for 6.1 million, or right around 132,000 a unit.

**What kind of vintage is this property?**

Let me just pull up my notes. I believe it is 1976.

**A class P property. Let us back up the timeline. How did you find this deal?**

## Deal Sourcing Through Broker Pocket Listing And Initial Negotiation

This was brought to us through a broker that we were trying to purchase a different property from, and we just cannot find a price that works for us with the seller. He told us about this other deal that was a pocket listing of his, and where the seller wanted to trade was still a little bit above where we thought the value was. We were close enough that it was worth going under contract. Pocket listing, a true off-market deal there.

**You have got an off-market deal. You were actually trying to find another one. Cannot get it under contract. The realtor is like, "I like these guys. I have got a listing. Let me share it with them." You said there was a bit of a gap here between what the seller wanted and what you guys wanted to offer for it. How did you close that gap and get to LOI?**

The gap was about \$500,000 initially. It was just your classic negotiation of you start at one point and everybody just keeps meeting in the middle a little bit more and more. Where we started, if we had gotten that initial price of where we started, we would have been overjoyed, but we knew they probably were not going to come down that far. We figured we would meet in the middle somewhere, right where we wanted to. Not necessarily the most complex negotiation strategy, but it worked.

**How long did it take you to complete this negotiation? When you closed in January, when did you find the property?**

We found the property in July. We were under contract for over 100 days. It was a long-overdue diligence period. It was about three weeks or so of back and forth with the LOI. Let us talk about how you structured the contract. We did a couple of extensions. We figured finance might be a little challenging. That was mostly because this is our first multifamily acquisition in a while. We were not as familiar with the debt markets and wanted a bit of a buffer in our contracts to allow for some extensions. We structured it with 45 days of due diligence.

It was originally a 90-day close with a one-month extension. When we got to the 45 days of our earnest money going hard, we negotiated a second-month extension in case we needed it. It turned out we did need it. Partly, we negotiated that because after that first month extension, I think our close date was like the day after, two days after Christmas. We just figured there is likely going to be some delays, just with the holidays. We were dead on there. I am glad we negotiated that one up front.

**How much money did you put down?**

We put down one percent and then released an additional \$15,000. We put down \$65,000 for the first earnest money deposit and then an additional deposit. We were all in it at just under \$100,000.

**Let us switch into the physical due diligence. You get the property under contract. It sounds like this is probably in August sometime, late July, early August. When did you walk the property? Did you walk every single unit? How did you conduct your due diligence here?**

We walked every single unit that we could get into. We were not able to get into three units, but we were very adamant that we needed to see all of the units if possible. My partner has a property management company and has also been doing development. We brought our project manager with us, and we also had a commercial inspector.



*The Ranch In Gresham: We walked every unit we were able to access, except for three. We were very adamant about seeing all of them if at all possible.*

There were probably seven of us out there at the property during the inspections. We got eyes on as much as we could, except for those three units, I think, that we were not able to get into. We had sewer scopes. It is a vintage that could have some challenges. We were looking for electrical panels, as something that insurance might call out. We were looking at potentially some aluminum wiring and galvanized plumbing that would need to be replaced.

We were mostly just focusing on the big ticket items, the roofs, the plumbing, the exterior envelope. Since we were not able to get into those three units, we had a rough idea of the condition of those properties or those units. We were not all that concerned since we had just budgeted for a set number of unit turns as it was. It felt pretty good. We had actually toured the property and gotten in a couple of units prior to writing the offer as well. We were not really surprised by the interior conditions.

**Was this a typical value-add strategy? You are going to get in, upgrade the units, complete some of the deferred maintenance on the property, and then push rents? Is that the business plan here?**

### Financial Value-Add Strategy Through Expense Reduction

That is our model, typically. On this deal, the reason we were so excited about it and why it was an anomaly as far as this vintage is that this was an owner who had owned it for 25 years, took really good care of the property, and actually did a great job of keeping rents at market. About 80% of the units were right at market. There is still a little bit of room. Their RUBS were a bit. They had a ceiling of \$125 for their utility billbacks, but not all the units were at \$125.

There is definitely still room to push revenue. His expense ratio was over 60%. Even though he was getting market rents, his expenses were just out of control. He is an out-of-state owner and definitely structured his management for, "I just do not want to think about it. I do not want you to pick up the phone and ask me anything." They were spending over \$100 a unit on trash pickup, which our market is closer to 50 to 60. That is \$35,000 in NOI that we can add there.

Their management was over fifteen percent. We self-manage. We would be managing for roughly five percent. There are all these things when you look at their expense load, where we saw a ton of value to be added relatively easily. Some of them, day one, the management, that is like a day one NOI bump for very little effort from us. In garbage, day one, we just reduced the pickups from four days to three days. Just that alone adds \$10,000 to the NOI.

That is why we are excited about it. There were some other valuable things, like the pool was a source of conflict for a lot of the tenants, and it added a lot to our insurance. That is not something that we factored into our proforma and our projections. If we decide to remove the pool, we might see some NOI boost there from lower insurance.

The pool building with the on-site office could be converted into one or maybe two units there. We did not put that in our proforma, but that could be a bump down the road if we want to do that work. The roofs were in rough shape. We budgeted for just replacing all of the roofs. The CapEx would not materially drive rent growth. The rent growth we were happy with from day one.

## Surprises And Investment Thesis On Market Conditions And Risk Assumptions

**It still is a value-add strategy. The value added is the financial side. For so long, we thought the value added always had to be on the actual physical structure. It can also be on the finances. It is very cool that you found all those opportunities. Were there any surprises that came up in due diligence? It sounded like there were a couple of things that you did not have factored in. Was there anything that you were like, "That is cool or interesting?"**

Yes. The big one was that we were surprised at how well-maintained the property was, 40, to 50-year-old property. We know what to expect with these working workforce housing-type properties. We went in there expecting the worst and were very pleasantly surprised with the overall condition of the building. As I mentioned before, there were some other bonus pieces that, if it was worth going down those steps, could unlock even more value.

When we underwrote this property, we did not underwrite for any rent growth in year one and just assumed we were going to keep rents stable for at least a year. We underwrote for relatively low rent growth after year one. We did not want to get any boost from the market. We wanted the property to stand on its own two feet. If the returns were good enough to justify doing, then any improvement from the market would just be material, as we would be over promising under delivering to our investors.



*The Ranch In Gresham: We wanted the property to stand on its own two feet. If the returns were strong enough to justify the deal, any market upside would simply be a bonus—allowing us to consistently under-promise and over-deliver to our investors.*

Given that this is our first syndication, we wanted it to be a deal that our investors would be wowed by. Just assumed things would stay the same with our market, which, if you are at all familiar with Portland, is not good. We are 81st out of 82 markets for investor attractiveness. We just assumed that it would not change. If it does, if those headwinds turn into tailwinds or just become neutral, then that is going to just be the biggest win for us.

**Let us pivot a little bit. We talked about the physical due diligence, and we also talked about the value-added strategy on the financial things. Tell me about the financial due diligence of the property. Were there any surprises there?**

The surprises we had under contract were fairly good financials. We already had three years of robust T12s. There were no surprises in the income and expenses. We knew his expense load for the last three years. We knew why his expense ratio was over 60%. It was really just drilling down into those expenses and why they were paying so much for trash. They were using this intermediary service that would contract out to waste management. That alone added a substantial amount to their trash. It was not really providing any value to him. Things like that.

Looking at the rent roll, no surprises that we had very solid financials, partly because he was paying fifteen percent for property management. It was a very reputable company that kept great financials. Not your typical retiring landlord who has been managing it himself. He was one of the larger property owners in the Metro, and this was his last property. He was just ready to sail off into the

sunset. He was not trying to maximize his sale price. He just wanted assurance that we would close. That was really to our benefit.

**Let us pivot a little bit. The financing piece. What type of loan did you get on the property? What were the terms? Let us talk about all those details.**

## Financing Structure With Chase Interest-Only Loan And Capital Stack

We initially thought this would be a good property for HUD or agency debt because it was stabilized above 90%. Rents were good. We did not have to bring a budget for a renovation to bring rents up to market. We went down that path. After talking with a broker that we were referred to by another investor, he really encouraged us to steer away from agency debt and go with Chase's multifamily loan program. They were incredibly competitive.

They offered fixed five-year interest-only debt at 200 basis points above the five-year. That worked out to be 5.8% interest only. The rate was fixed for five years, but it was a fifteen-year term. It starts floating after five years, but we do not have a balloon payment after those five years. Seventy percent LTV, no fees. It was far better than we were expecting. I am a big fan of interest only, which might be a bit of a controversial take for a lot of people.

I believe amortization is just a forced savings account. I am a better allocator of capital than a savings account is. It improved our cash on cash return materially to have that long of an interest-only period. It allowed us to really build up a solid reserve during the property ownership. We might be getting into this in a little bit, so I am not to get ahead of myself. Our debt service coverage is well over two percent. A two-debt service coverage ratio.

**Tweet:** Amortization is just a forced savings account, and I'm a better allocator of capital than a savings account is.

**Thank you for sharing that. I know you raised capital for this deal. Tell us about your capital stack. First, let us start with the partnership between you and your other general partner. How is that structured? Let us talk about the limited partner.**

I have one active general partner, and he and I have the same share percentage. We are both at 45% of the GP. We have a minority GP partner who just helped us on the balance sheet side and the network side. He also decided, because he liked the deal so much, to contribute 30% of the total equity. Between the three of us, we have a little over 30% of the total equity raised. The LP, we did a 70/30 LPGP split, did it over a six percent preferred return.

**Any hurdles in there?**

No hurdles.

**What kind of fees did you charge for the deal?**

We did a 1 and one percent acquisition fee. Just decided to roll that into the deal and a two percent management fee. That is it.

**An asset management team?**

Yeah, just on gross revenue.

**Let us talk about it since you recently closed this deal. It has probably been five weeks. How does the takeover go?**

Materially better than we expected. This is my thesis. Good deals get better and bad deals get worse. The more that we learned about this property, the more excited that we got. We have been at 90% collections within the first five days for the first two months of collections, which we were not expecting. We assumed collections would be a little slower for the first couple of months of our transition. We had a couple of problem tenants that we inherited.

**Tweet: Good deals get better, and bad deals get worse.**

There were about four units that we knew that 90% of our issues were going to be with these four units or tenants. We have already been able to move them out voluntarily without having to go through any extra steps. They were also units that were well below market. That was easier than we expected. We inherited three evictions that were ongoing.

The eviction process in Portland is slow and expensive. The eviction costs were not handled by us. Because they were going to lead to vacancies, we negotiated the \$20,000 credit for those evictions. There were also two extra vacancies, not including those evictions. We went under contract, and there were three units vacant. It is just above 90%. They got all the way up to five units vacant during our due diligence. We did not negotiate. We just said, and this is part of extending our closing day, that we needed them to lease those units up.

To get those leases up quickly, we are willing to pay for substantial concessions. Because this is right during Christmas, nobody is moving. They were able to get tenants in there with three months of free rent that they credited to us at closing and \$1,000 gift cards. Those tenants got a great deal. We were able to secure tenants at market rate without any cost to ourselves. That was also a big win. Those are the ones that come to mind.

**Let us wrap up here. What did you find easy about this deal that was easier than expected? What was harder than you thought it would be?**

After having done development for the last five years, I would say all of it was easier than development. Development is what people liken to crawling through glass for years at a time. Especially when we did not have a scaled operation. It is lean and a lot of work, especially in a city like Portland, where they do not make it easy to build new housing. Our mindset going in is that we are just going to roll up our sleeves and get to work. It is going to be hard.

**Tweet: Development is often described as crawling through glass for years at a time.**

We are going to experience a lot of opposition and setbacks. That has been a helpful mindset to go into because we have just been pleasantly surprised every step of the way. How straightforward it has been, how relatively simple it has been. The benefit of scaling into more units is that you have 46 leases in one location, versus scattered across the city. It is just far easier to manage. When you get to larger dollar amounts, it is more cost-effective to outsource.

You have an entire property management team. There is just somebody who is responsible for all of these different KPIs, whereas before, doing development or doing smaller deals, it all kind of fell on my shoulders. We closed on this deal, and I kept asking our management team, "Are you sure you guys do not need anything from me? I can go out to the property. I am happy to deliver notices and all of that."

They are like, "No, we got it. We are totally good." It is just a weird feeling that the workload dropped off after closing. We have our bi-weekly asset management meetings, but apart from that, I am like, "This is nice. I am kind of enjoying this." It allows me to just focus on going on podcasts, looking for more deals, and networking with brokers. That part has been a great surprise. What was the other question?

**What was harder than you thought it would be?**

The capital raise was longer and slower, two sides of the same coin. Doing it over the holidays was challenging. The perception of Portland also played into that. My partner and I have just been head down, working in our own market, not building much of a personal brand. A lot of our capital comes from promissory notes. It has been debt funding. The investors who are comfortable with debt, they want it secured against the property. They are typically looking for a fixed return with relatively low risk. They did not translate well to an equity investor. It has just been a little more challenging than we were expecting, but we still got it done. I cannot complain.

**That is always wise words. What I am reading in there is that you have to build the list before you need it. Caleb, thank you so much for your insights. If people want to connect with you and learn more. How can they do so?**

LinkedIn, I would say, is a good one. I am fairly active over on X or Twitter, and I still have my old handle of infill developer, but you can find me there.

**Caleb, again, thank you so much for being with us here. We look forward to hearing about your future deals.**

Thanks, Whitney.

## Important Links

- [Caleb Webster on LinkedIn](#)
- [Caleb Webster on X](#)
- [Glacier Properties on LinkedIn](#)