Whitney Elkins-Hutten of PassiveInvesting.com interviews Jon Siegel of RailField about the 288-unit Springfield Apartments in Durham, North Carolina, diving into every step of this multifamily acquisition. Jon shares how he first discovered the property, the twists and timing that led to closing the deal, and the challenges of assuming a Fannie Mae loan. He breaks down the detailed due diligence process, including inspecting units, evaluating the market, and navigating unexpected issues like outdated breaker panels, while ensuring insurance and taxes were managed effectively. The conversation also covers how he structured a programmatic joint venture with institutional partners, the hold and exit strategy, and the value-add approach for maximizing returns, offering listeners a clear, behind-the-scenes look at executing a complex multifamily investment with precision and foresight.

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288-Unit Springfield Apartments In Durham, NC With Jon Siegel, Multifamily Investor

I am blessed to be joined by Jon Siegel. Jon, welcome to the show.

Thanks for having me.

Awesome. Before we dive into Springfield Apartments, 288 units in Durham, North Carolina, tell us a little bit about your background, where you are currently in the multifamily space.

My company is called RailField and we're an owner of multifamily. I say now that I'm old, I've been in multifamily for longer than I care to admit. It's been a long time. I worked actually for the largest owner of apartments, doing acquisitions at one point, then I was a lender and I worked at Fannie Mae and then we started RailField in 2013. We're owners and we're still buying properties, we're still going forward. We escaped most of the problems of the last downturn and so we're hoping to keep buying.

Springfield Apartments: We escaped most of the problems of the last downturn and so we're hoping to keep buying.

The Springfield Apartments Acquisition: Why This Deal Made Sense

All right, let's get dive into this latest acquisition. Springfield Apartments, 288 units, Durham, North Carolina. When did you close on this property and what was the purchase price?

We closed on the property in October 2025. The purchase price was $42 million.

All right. Quick math, how much is that a unit?

It's like $156,000, $158,000. I should be able to do that math in my head, but yeah, one of those, somewhere. Less than $160,000 a unit.

What is the vintage of this property and the overarching business plan?

The property was built in 1986. It's a pretty traditional garden-style property, Durham, part of the Research Triangle area. Good market, hot market, but a lot of new construction. It was bought with what we would call a value-add business plan. I think the concept of a value-add business plan has changed a little bit in 2025 compared to 2021. You're not able to just go in and fix update every kitchen and charge $300 a unit.

First of all, the property has been well-occupied and has done pretty well, so not to rock the boat too much. Some incremental common area improvements and then we set aside a number of units that we're going to do a value-add program, but we set it up so that we can try a few different finishes and see what'll work and what won't.

Interesting. You closed in October 2025. When did you find the property and how did you find it?

It's interesting. We've been doing this since 2013, RailField. This is the third time we've looked at this property. I think I first looked at it in 2016 maybe, something like that. It sold to the people that we bought it from in about 2019 or so, and we bid on it then, and they beat us. It came back around. It was actually on the market at one point in 2024, and like so many deals these days, it didn't trade right away. I think the pricing didn't come in where they wanted it to be and it hung around for a little while.

We always say we have our hang-around-the-hoop strategy to see what happens because that's the way a lot of deals happen these days. We have a really good relationship with the brokers that had marketed the deal, and the sellers really wanted to sell but again, they weren't 100% happy with where they were.

Tweet: We always say we have our hang-around-the-hoop strategy, because that’s how a lot of deals happen these days.

We were talking to the brokers and they said, "Can you get to a certain price?" We were having a hard time getting there and then I said to them, "Their loan looks pretty good. Could we assume their loan?" They hadn't marketed it as a loan assumption deal and they said, "Maybe. Where would you be on that?"

We gave them the price where we were on that and then they came back and said, "You know what? I think that's a pretty good idea.” A lot of time elapsed between all these phases. That's a long way of saying it was originally marketed, it didn't trade when it was marketed and then we stayed in the game and it ended up falling our way when we came up with a slight twist on how to do it and that worked for us.

Let's talk about you get it under contract. At this point in time, were you the only group that were able to meet their terms or were you still in competition?

No. We came back and we told them what we could do and that we would assume the loan. It took them a while. We didn't hear from them for a couple of weeks and figured that we were done, that they had moved on. All of a sudden, we heard back from them and they said, "Look, okay, if you can do it, we'll give you a shot." I said, "Give me a shot? Does that mean we're going to get the deal or not?" it was like a weird few days and they're like, "Okay." they signed our letter of intent and sent it back to us.

Yeah, like, "Is that a yes?"

Yeah, and it's funny because I asked the broker and he was like, "I don't really know. I'm not sure if that's a yes or no." Eventually, like I say, we got to yes.

Okay, so we get to yes, property's under contract or under LOI. Tell us about the due diligence of the proper. First of all, how did you structure the deal. This is a loan assumption. They take a little bit longer.

First of all, it took longer. We're assuming the loan, so we had to obviously go through the loan assumption process and that added not only time, but a little bit of complication. The rest of the structure was pretty straightforward. The loan had a great rate. I think the rate was like 3.45% or so. It was really low compared to now where I think the quotes we got when we were looking at it were in the fives. It was amortizing, so we didn't have any interest only.

Springfield Apartments: The loan had a great rate. I think it was like 3.45, which compared to today is really low.

The loan had a good rate, but it was pretty low LTV. I think we ended up being somewhere in the high 50s loan-to-value. The rest of it obviously was equity. We fortunately have a programmatic joint venture, we have a couple of them, but we have a programmatic joint venture with a group and it's to buy value-add properties in the Sunbelt. This is what it was and so we took the deal to them and they liked it and so it ended up being a fairly straightforward structure.

Did you have 30 days to do due diligence?

The way on a loan assumption you have to structure it, it's really the later of 30 days to close, which is what we would normally do if we were getting a new loan, or when we get the approval from the lender to sign off on it because we all have to wait for that. That ended up being much more than 30 days. This was a Fannie Mae loan and so the loan had to go to Fannie Mae and so it took I think from the day we signed the contract, which is when the due diligence period started, to the day we closed was a little, like 95 days or something like that.

You're under contract. Share with me how due diligence went on this property.

Due Diligence Reality: Engineering Reports, Capex, And Renegotiation

It's an ‘86 construction, so it's not a brand-new property. It's in good condition. We obviously went to see it before we ever signed the deal up, and we thought it looked pretty straightforward. Our due diligence is probably similar to most everybody else. We walk all the units, audit the leases, we have an engineer go in there, get our arms around the market. Everything pretty much checked out as we were doing the deal. It was pretty straightforward. We have our management company come up with a budget.

Everything was checking out, and I mentioned the lender portion of it because obviously, we have to get approved by the lender. The lender, which has the loan already, so this part, the lender said they wanted to do an engineering report. We're like, "Yeah, that's fine. We think the property's in good condition.” The lender does an engineering report and they come back, they send us the engineering report. It was just a couple of days before the due diligence period ended and came back and said, "Look, the property's in good condition, but the breaker panels, so all the circuit breakers in all the units, are a certain construction.”

This is a 1986 construction property, so those panels were built by a certain company back in the ‘80s that Fannie Mae now does not allow. Fannie Mae won't lend on properties that have those. My response was, "Fannie Mae has the loan already, so why would they not? Wouldn't you have caught this before?" it turns out that Fannie Mae had just decided recently that this was a problem.

They're like, “It's not like they're not going to do the deal.” I was like, "Well, obviously they're going to do the deal because they already have the loan.” They wanted us to replace all the breaker panels in the whole property. There's 288 units and replacing a breaker panel is not nothing. We ended up going through a whole process.

Having the loan assumption actually found something that we would have never noticed or found because it wasn't on our radar screen. It was a bit of a drawn-out process. We ended up walking all the units again to figure out how many really were this breaker panel. It turned out not to be all of them. It turned out to only be a portion of them. We had a little negotiation with the seller and we ended up figuring it out. The due diligence was three days away from being a non-event and ended up having a problem which to be fair, most deals have something crazy like that happen.

Tweet: One of the benefits of a loan assumption is it can surface issues you would never have found otherwise.

Anything else on physical due diligence or was it pretty sound?

It all was pretty good. We were pretty conservative, we usually put a whole bunch of money up front for capex, even when we're underwriting the deal, even with our untrained eyes and a lot of squishy places where if we find another problem, we can absorb it. We didn't find too much. As I said, they had kept the people that we bought the property from had done a good job and they had kept it up pretty well. They had actually renovated the clubhouse and so it looked good. It's not like there's nothing that we needed to do, but we had identified everything before we started. That was pretty straightforward.

Re-Underwriting In Today's Environment: Taxes, Insurance, And Expenses

Let's pivot to the financial due diligence and how did that work on this property? Any surprises there?

The big issue on a lot of these properties these days, obviously we're going to look at all of the leases and we're going to verify that the rent roll tells us how much money we're really going to collect. That all was fine and we're going to go through a budgeting process with our management company and hopefully, there's not something we didn't think of. The management company always wants more money to spend on expenses, we always want less, but that ended up being pretty good.

What we're seeing a lot these days is actually the real estate taxes. We used to always look at real estate taxes and say like, "When we buy the property, we're going to get reassessed." the assessment's going to go up. What do you assume. You're going to assume some, depending on the jurisdiction, when's it going to happen, all that stuff. That was pretty straightforward for many years. What's happening now is that a lot of the properties are trading for less than they're assessed for.

Tweet: Real estate taxes are one of the trickiest parts of underwriting deals right now.

You come into the problem of A) What is the value going to be that the jurisdiction's going to use and B) What kind of mill rate they're going to use. A lot of jurisdictions don't like to lower the value but then they'll just lower the mill rate to try to lower your taxes. We spent a lot of time on this one around the taxes and during the process, we got the assessment.

The previous assessment was high. It ended up during the DD coming back and being lower, and so we think it'll work out. That was probably the trickiest part of this was trying to underwrite the taxes and I think the brokers told us that a lot of the people that were looking at the deal before got scared away because they couldn't get comfortable with the taxes because the price was going to be lower than what the assessed value was and so how are you going to get the taxes to be lower?

Fannie Mae's flagged the panels. Were there any complications on getting insurance for this property because of that?

No. Maybe they didn't know. Now they do. Don't send them this episode. The insurance was fairly straightforward on this deal. One of the things that we've had problems with insurance before is wood-burning fireplaces. That's actually on older deals we've seen that be a problem. As I said, we're pretty conservative and we look before we ever got started on this, before we get too far down the road.

We'll talk to the insurance company and tell them tell them exactly what's going on and say, "Okay, so give us a quote," then we'll iterate that as we go forward. We didn't have too many problems with the insurance. This one was fairly straightforward and fortunately, the Raleigh-Durham area is not like in a hurricane zone or anything like that, so it was fine.

Springfield Apartments: Fannie Mae is tightening things up a lot. The process is more cumbersome and takes longer, but it's not full of drama.

Let's pivot to some of the finances. We already touched that this is a loan assumption. The rate was like in the threes. It's already past the IO period, so it's amortizing. What other cool things or not-so-cool things popped up during this loan assumption period?

The main thing with the loan assumption obviously was with the physical issue. It's just a Fannie Mae loan assumption and Fannie Mae has tightened things up a lot. They had a lot of problems with fraud, I know, over the years. The process was just a lot of documentation, a lot of questions. I would call it more cumbersome and it took a long time than full of any drama or anything like that. It was pretty straightforward, to be honest with you.

I should give the qualifier that I used to work at Fannie Mae, and so does my partner. We understand the drill. We think sometimes that's a little bit of a competitive advantage for us. We're not afraid of a loan assumption and we're not going to get super frustrated during the process because we know how it works and every once in a while, something weird will pop up and we'll call our friends at Fannie Mae and ask them, "Is that real or not?" They have so many loans, I don't know they'll answer our question specifically, but they can say, "No, yeah, we're asking for that all the time now," or something like that. It was probably more just time-consuming than super arduous.

How much do you have left on the loan, like in terms of time?

Our business plan is really to hold it, and when we talk about our hold period was really through the maturity of the loan, which is pretty short. It's only four and a half years or something like that. It was a ten-year loan to start, I guess, so it's not a ton of time left. Our hold period is basically to be co-terminus when the loan matures.

Springfield Apartments: Our business plan is really to hold through the maturity of the loan.

Capital Structure, Hold Period, And Exit Thinking

Are you looking to recapitalize or are you just looking to fully exit?

The way we underwrote it would be that we're going to exit we'll exit in four and a half years. We'll sell it then. People just say like, "How long's your hold period?" I used to always say, "Well, our hold period's ten years," we barely existed for ten years and we've sold half of our property. The hold period is always a guess and you're going to react to the market and do what you have to do. I would love to know what's going to happen in four and a half years from now, but yeah, the model says we're going to sell it. If it makes more sense to refi it, we'll do that and keep going.

You raised capital through a partnership. Let's dive deeper into that partnership. How did you structure it in terms of percentage, return? Yeah, let's get into the details.

This was actually bought by, as we call it, a programmatic joint venture. It's actually called the RG Value Add Fund. It's actually structured as a fund. It's a joint venture between us. There's a company called GCM Grosvenor, which is a large alternative investment firm. I think they have $50 billion under management or something like that. They're in a lot of different infrastructure and hedge funds and stuff like that and they have a real estate group which I think has something like $8 billion under management.

They form joint ventures with companies like ours with lots of different strategies. They have every kind of strategy from office buildings or industrial and a lot of niche products too. Ours is for value-add multifamily. Our charge is to find value-add and value-add for them is really probably more of a return metric than a strategy if you will like. They're not saying if it's value-add, it has to be that you change out the kitchens or whatever. It's more, "Can you deliver us a mid-teens return IRR?"

The structure is that like most of the fund they put up, most of the money, we're the GP, they're the LP. First of all, they're great people to work with. They get their money from pension funds so it's fairly patient capital and they're really good group to work with. They're very good partners. We've worked with a lot of institutional investors over the years and some are more difficult than others and I think a lot of people would say, "If you're dealing with like real estate private equity or something like that, they're real tough and they're hard to deal with."

These guys have been great partners. This was the fourth deal that we've done through this fund. As we look to buy, it gives us certainty of execution so we don't have to go raise more money for a deal. Obviously, everybody has to approve the deal, but we've already done the joint venture agreement, all the parameters are set out and we know exactly what we're solving for in terms of our box and all of that. It helps us.

What This Deal Taught Them And What Investors Should Take Away

Let's move on. What did you find easier about this deal than you thought it was going to be?

Every deal is different and every deal has its own complications. I think this was a pretty easy deal all around. I don't know how excited the sellers were about selling it. I think it was just time for them to sell based on their capital structure. I'm not 100% privy to everything with them, but they were pretty easy to work with.

Tweet: Every deal is different and comes with its own complications.

It was actually a pretty straightforward deal. Especially in this day in age with all the complications in the market, a lot of these things can be very adversarial. Everybody was pretty easy to work with. It was a very smooth deal, it just took a long time. Outside of that, everything was pretty straightforward. I think we were pleasantly surprised that the deal was easy. It was easy to negotiate the deal. We got all the info for the due diligence, most everything checked out. Everything went according to plan. It just dragged on a little slowly.

Jon, thank you so much for joining us and sharing your knowledge and insights with us. If people want to learn more, what's the best way for them to get in touch?

You can shoot me an email, it's JSiegel@RailFieldrealty.com .

Jon, thanks again for being with us and we'd look forward to hearing about your future deals.

Great, thanks for having me.

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- Jon Siegel
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