Whitney Elkins-Hutten of PassiveInvesting.com interviews Ethan Diaz, a full-time operator and syndicator, about the acquisition and long-term holding strategy for the 120-Unit Chevy Chase Apartments in Nacogdoches, TX. Discover how they navigated an off-market deal, negotiated the purchase price down, and structured a non-recourse Fannie Mae loan with a 7-year term. Ethan also shares insights into their rigorous due diligence process and their investor partnership structure, including a 7/30 split and 7% preferred return, revealing the challenges and successes of raising capital in a fluctuating market.

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120-Unit Chevy Chase Apartments In Nacogdoches, TX With Ethan Diaz, Apartment Investing Expert

I am pleased to be joined by Ethan Diaz. Ethan, welcome to the show.

Thank you so much. Thank you for inviting me. Glad to be here.

Ethan's Multifamily Journey: From High School To Real Estate Tycoon

Ethan, before we dive into Chevy Chase Apartments, 120 units in Nacogdoches, TX. Tell us a little bit about yourself, your background, and how you got into the multifamily space.

It's crazy to think that it's been almost seven years since I got into the multifamily space. I think it was 2018. My father and I joined an academy. I was just finishing high school early. I was sixteen years old. I joined an academy, got in a unit with my dad. We started syndicating bigger properties, got our feet wet with that first aid unit. We've just been syndicating ever since. My father's a physician, so we use his network more or less for our investor base. Full-time operator now. We have a handful of properties throughout Texas, Florida. We even have 300 units in Peru and South America. I've been in multifamily now for a decent amount of time.

When people say the Academy, I think of one of the four academies, like the Air Force Academy or Naval Academy. What do you mean by the Academy? I'm just curious.

The multifamily Academy. That's what it was. I went around the entire guru space. I went to the original ones from back in the day from a bunch of academies. I'm always joining the academies. I use it a lot for networking. My dad said, "If you're not going to college, you have to get educated to stay in my house." I had to go to some sort of academy, so that's what he invested in. That helped us get our first eight-unit.

We learned a lot the hard way. No mistakes, just learning lessons. We made a lot of learning lessons that were costly, but I've continuously joined different academies. That's where I met some of my partners. Even when I was like eighteen years old, I worked for an academy part-time. I learned a lot like that, working directly for a mentor. No Naval Academy, no military, just a multifamily academies.

Unlocking The Deal: Negotiating Chevy Chase Apartments Off-Market

I love it, though. Every once in a while, I'll talk to a parent, and they have an alternative track for their child for education. That's a wonderful segue into real estate. Let's dive into this deal. Hundred twenty units, Nacogdoches, Texas, Chevy Chase Apartments. When did you close, and what was the purchase price?

We closed on May 30th, the purchase price was $9.85 million, and we raised around $3.4 million total for the acquisition.

Let's back up the timeline a little bit. When did you find this property, and how did you find it?

It was around February 2025. It was an off-market property. It was never listed or anything, completely off-market with the help of a broker. The broker reached out to our management company, and our management company then connected us. The management company we use, because we have other buildings in East Texas.

I guess they thought we were a good fit for the property because we like the really small tertiary markets. Higher cashflow, obviously higher cap rate as well, less appreciation, but we got that property, then we walked it around that time. I think February as well, we walked it. We were very pleased with everything that we saw.

Usually, there's like, you see a lot of meat on the bones and a lot of value added for eight years of improvement. This one was more of a turnkey property. It was cash flowing with the numbers. Everything cash flowed well. Just going back and forth with the broker. We negotiated it down. Originally, it was $10.5 million they were asking, then we got down to $9.85 million. We just wanted to get the deal closed before they got to the point where they were going to list it. I know they were going to list it around this time of the year to sell in August was their goal.

Tweet: This was more of a turnkey property. It was cash-flowing. With the numbers, everything cash flowed well.

Were you the only group competing for this deal at this point in time, with it being off-market?

The only group that I'm aware of. Yeah. Good question. Maybe I should have asked.

It's because I'm curious. It seems like you might have been the only group, especially if you were able to negotiate down the price pretty readily. Did you negotiate down the price before getting the purchase agreement signed?

Yeah, we negotiated on the price like before getting the LOI signed. Once we got the purchase price, like we're both on the same page, we got the LOI signed, and then I figured out the terms and everything else.

Help us through that process, because a lot of sellers are still stuck on their sales price, and there seems to be a gap. How were you able to bridge that with the seller?

I think it was a mix of things. We wanted to get lower. In our underwriting, we saw that we could have bought it for $10.25 million and still closed the deal. We don't want to get too greedy with like continuous feed nickel and diamond down to like $9.5 million. It makes it even better, our underwriting. We were happy with what we had. The seller did have some levels of motivation as well, because I believe he was a syndicator and his main investors were ready to move on to the next deal, because it's been 4 or 5 years. With him, knowing that he has to sell it, and us knowing that we weren't going to be too greedy on the purchase price and we've been negotiating back and forth, but it wasn't too aggressive for the negotiations.

Chevy Chase Apartments: The seller was motivated; I believe he was a syndication, and his main investors were ready to move on to the next deal.

How did you get the deal accepted? You've got the LOI signed out there. What terms did you structure for the deal?

It was regular terms. It was 30 due diligence, 30 closing, and then 2 extensions of 15. We always do that. This is the first deal that I've had where we haven't had to use the extensions. My whole previous experience is like using 90 days to close the whole process because we need to raise the capital. We need all the time we have. Luckily, this one, we were able to close in just 60 days, even less, I believe, because I think closing was supposed to be like June 5th, but we got it before then.

I believe there was definitely one stipulation in place that we wanted, I think for this occupancy lowered down below 90%, they us for a few amount of turnovers. I forget the exact wording in it, but luckily, occupancy stayed great. The numbers improved as we got it. When we were looking at our underwriting, it just kept getting better. Our pull for taxes got lower than what we underwrote. We wrote for the worst-case scenario that they would reappraise the purchase price for the taxes. Insurance came back lower.

Due Diligence Deep Dive: Uncovering The Truth About A Turnkey Property

Did you put earnest money down for this deal?

We put earnest money of about 1%. I have good partners. There are only three of us on the deal. It makes everything pretty easy.

Was the earnest money hard? Sorry.

That was the hard thing to pay the earnest money. It was not hard until after due diligence, I believe.

Let's get into the due diligence. What issues came up during due diligence? Let's start with the physical side.

Nothing really came up during due diligence. I'm always on edge now from all the mistakes I've made in my career in the past of like the first eight units. I only tore two units out of all of them. I had a building, 104 Unit, not too far away from here. We hired a company to do the due diligence. I just felt like they didn't do it very thoroughly when it came to the financials and to the actual physical due diligence. We did it ourselves.

Me and one partner, we printed out a bunch of sheets per unit. We recorded every single one when we walked inside of it and we filled out the inspections ourselves. We had the help of our management company. They had two employees available, and then the maintenance tech of that building was opening the doors for us. We physically do the due diligence ourselves. I also have somebody review every single lease.

We created a breakdown of every lease. Every issue that we faced in the past, we've tried to avoid seeing, “When are the leases coming up? How strong are the leases?” If we can see anything in the file, maybe some of them were just filled up. I bought buildings where they were just filled up right before they were sold. They get handed over, then you get a bunch of bad tenants who aren't paying. The due diligence was very thorough in all aspects.

Tweet: Every issue that we faced in the past, we've tried to avoid.

Nothing came up that was anything too crazy. We knew going in. Let's raise as much money as we need for CapEx items for the next two and a half years. The roof, we raised that as well. Nothing came up. The roof is fine for the most part. I think there was twenty or so original HVACs from like, I think it was 80s. We put that down as we'll need to raise money to replace all of those. The plan is not to come in and start replacing them, but as they break down, and one broke down. We have the funds available to get it fixed. Just that nothing too crazy, honestly.

What vintage of property is this?

1983. It was nice because I'm used to the ‘70s, like the late ‘60s. There's a lot of deferred maintenance and a lot of issues that come up. I'm trying to avoid doing 1970 bills as much as possible and just slowly move down to the 1980s and so on.

What is your overarching business plan here?

The business plan here is a long-term syndication. We told the investors going in that this is not supposed to be a quick flip. We're not here to try to, “You give us the money in 2 or 3 years, we give it back the money, we sell it.” It is in a tertiary market. It's not going to appreciate as high as Dallas or anything outside of that Dallas, the Fort Worth bubble, but it is in a cashflow very well. Just long-term, all the investors know that, and that's aligned with their goals as well. Again, a lot of our investors are physicians, so they're not needing the quick cash.

They just need something to preserve their wealth as well. That's the pitch to everything. It's not a value added to turnkey. Even if we take over the property and lose $40,000, compared to the last P&O, we're still making 9% cash on cash. It's hard to mess it up, I guess. Just turnkey long-term hold for ten years. If we can refinance, why not? It's not needed to keep the deal alive. We underwrote it as a deal that's not going to be refinanced, but when we played around with the refinance options, it makes it a lot better for everybody else to get their capital back, and they're still cash flowing.

Chevy Chase Apartments: A lot of our investors are physicians, so they don't really need quick cash. They just need something to preserve their wealth.

The Long Game: Strategic Financing For A 10-Year Hold

Let's talk about the financing for the deal. If you're in this for a ten-year hold, how did you structure the financing? Let's get into the terms like the interest rate, who's the debt holder, recourse, non-recourse, all those goodies.

Non-recourse loan Fannie Mae, we went through Greystone as the lender and got a Fannie Mae loan, 5.62 or 5.64, I think was the rate that we locked in at. It was very chaotic because the rates were moving so drastically from one week to another. One week we were looking at it, it's like, "If we lock right now, it's 5.2 and now it's 5.8." Everything moving around in the stock market and all that stuff that was going on during the closing, that's when they had the tariff scare, I guess.

Once that happens, it definitely fluctuates the numbers. We were happy to close in at 5.62, I believe. Seven-year term, obviously amortized through 30 years. We want to do the seven-year, so that our yield maintenance wouldn't be too high if we decided to refinance at year five. The ten-year term would have been a lower rate, but then there's more yield maintenance if you have to refinance at year 4 or 5 or whatever the case may be.

If the business plan or the thought is to hold this for ten years, and you're at seven years, what is the game plan then?

I want to refinance. That's my goal. If we can get out in seven years, that's great. I don't want to be tied to the ten-year knowing that the refinance is a big option and something that we want to do. Even if the rates are around the same, we can still pull out people's capital. If rates drop 1%, if they get to the next seven years down to 4.6, which I hope. I'm young in this career and I've only seen mainly good. Hopefully, rates will drop in the next seven years. In that way, we can refinance. I like to be under promise and over-deliver. If I tell someone ten years, hopefully, we get it done in less time. If I tell them seven years, hopefully we can do it in five years. Hopefully, we get it done in less than ten years. That's the goal.

You did mention you raised capital for this deal. How did you structure this between the general partnership and the limited partnership?

70/30 split. We try not to overly complicate the splits because me personally, my father, we LP on deals, and we've seen how tricky GPs can get just so they can get an extra buck. For me, it gives me a nasty feeling in my stomach to see stuff like that. As an investor, they're on edge about so many things. I know if you ever read a full PPM, but it's scary. It's like, you can lose everything and we're not responsible, basically, is what it is saying. Regular 70/30 split. The only hurdle you could say is the preferred return of 7%. The first 7% goes 100% to the LPs. Everything after that becomes the 70/30, but we're not switching it after like an RR hurdle or anything, just a 7% preff.

No other tranches or anything like that?

Nope.

What kind of fees are you charging for the deal?

We have an asset management fee, 2%. The acquisition fee was 3%. Disposition fee, 1%. I think the refinance fee, 1% as well.

Navigating The Fundraising Storm: Unexpected Challenges In Capital Raising

Tell me, as you moved through this deal process, what did you find easy that you thought was going to be harder? What was harder than that, quite honestly, you thought would be easier?

It was easy was deal with the lender. The first indication I did, I was eighteen when we went under contract and closed at nineteen, but like the lender just gave me the list of all the items they needed. It is being overwhelmed, and it just makes it a lot easier to have everything prepared. Like having my professional resume or whatever prepared. They asked for that sometimes. The PFS, SREO. Just always updated every month.

It's super easy just to send it out. That was super easy. The raise was harder than expected, which was surprising to me just because I've done a handful of raises at this point. What made it hard again was the whole tariff situation because I had a few investors who soft committed, and then they're like, "I'm like down in my stock account. I was going to pull this money out to invest, and now I cannot." One of my GPs was pretty smart. He tried to make it positive.

He's like, "This is why you should invest. You cannot control this." At least you can control this asset with force appreciation and everything. It's not going to drop this significant amount and get as volatile. If you're down like a decent chunk, then you'd rather just hold and get back their money. That was probably more difficult than expected. It went back up and now everything's fine. There was uncertainty in the air for some investors, I guess. That made it a little harder.

Ethan, thank you so much for sharing your experience with us here. If people want to learn more about you, how can they do so?

On Instagram, it's Ethan T. Diaz. On LinkedIn, Ethan Diaz as well. You can check out my website, DBInvest.com, but I just recommend LinkedIn. It's probably the best way to connect with me on Instagram. Either way works. Thank you so much, Whitney.

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

No worries. Thank you so much. I appreciate the invite, and hopefully, I'll be back in the upcoming future once I have another deal.

Important Links

- Ethan Diaz on LinkedIn
- Ethan Diaz on Instagram
- DB Invest