

EPISODE 512

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[00:00:24] WS: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today, our guest is Cody Payne. Thanks for being on the show, Cody.

[00:00:33] CP: Absolutely. Thank you for having me.

[00:00:35] WS: Yeah, my pleasure. Cody is an office and industrial investment sales specialist for Colliers International. He's team leader for a nine-person investment sales team, works with private institutional funds and syndicators across the globe.

Cody, thank you again for your time. Give us a little more about what you do, and let's dive into your superpower.

[00:00:56] CP: Absolutely. I work for, like you said, Colliers International. For those of you who don't know who it is, it's a commercial real estate investment sales firm, one of the largest in the world actually, offices in 68 countries. I run a division here of office and industrial agents. We also have a good retail and self-storage RV park division is where we're based on Dallas-Fort Worth.

It's where a majority of the work and play that we do out here is. We're mostly private capital, which means assets are going to be anywhere from 1 to 25 million dollars. We work with a lot of high-net-worth investors, real estate syndicators from across the US funds and institutional, even though we're really not on the institutional side. But it just depends on the pricing of the asset. But we're on the sale and buy side.

[00:01:43] WS: Nice. I know we have listeners that are in the Dallas-Fort Worth area, so hopefully they'll reach out to you, and we'll tell them how at the end. But, Cody, I guess walk us through a little bit about maybe – Or we'll dive into maybe some recent projects that you're familiar with. Or maybe we'll talk about some buyers or sellers or how they did really well on a building or maybe how they've added value and things like that. But get us started on the specific types of properties and dive in a little deeper on the exact properties that the asset class that you're focused on.

[00:02:14] CP: Absolutely. My main focus and a lot of the guys that work for me, our main focus has been selling investment office and industrial buildings. This will be anywhere from a mid-rise office tower to a small garden office park or medical office buildings, single-tenant net lease projects that are office, industrial, medical. On the industrial side, we'll do industrial business parks or the large distribution centers that you see. That's one of the more hotter asset classes right now is industrial, so that's been a big focus of ours this year.

[00:02:48] WS: Okay. Tell me a little bit about, is there a recent project that we could dive into a little bit where maybe somebody produced higher than normal returns or something you've seen like that.

[00:02:59] CP: Yeah, absolutely. We had a medical office building that is, matter of fact, a real estate syndicator I think with MAG Capital that we've done some work with before. They purchased off of us out in a town called Keller, Texas. It's in the Dallas-Fort Worth area, just a sub city. It was a medical office building. They purchased it from another group that was also a syndication group. They ended up adding some tenancy, creating some more value and then selling the project off after – I think it was just a little over a year, and they did very well on that project.

[00:03:29] WS: They sold in in just over a year. Was that – The group you were just talking about, they bought it, they held it for a year, they added the value and then listed the property again or exited.

[00:03:39] CP: Yes, sir.

[00:03:40] WS: Tell me a little bit about – I know the listeners are already thinking, “Okay. So that person that's working with you as the broker, as the – You're the expert in selling these properties.” Tell me a little bit about that relationship. Did they buy that through you all and they sold it through you all as well?

[00:03:55] CP: Yes, sir. Absolutely. We approached them with the deal. They're a group, like I said, like many syndicators that we work with. We get their criteria of what they're looking for. They'll say either, “We need a value-add or maybe we want stabilized that it's producing 5, 6, 7, 8, 9, 10% on the initial going in cap rates.” We'll go find them that project.

In this particular case, they had a criteria. We went out and found it. They wanted something that they can flip in a year and do well on, and that ended up being a good one for them. Then they actually ended up 1031 and then getting something else. But, yeah, we help them purchase the project and then we help them sell it whenever they decided to exit.

[00:04:33] WS: We all want the most safe investment that we can find, right? Sometimes, obviously people think that real estate can be really risky, and obviously there's risk in any investment. But can you maybe elaborate a little bit on some buyers or sellers where you've seen them take a little more risk than others?

[00:04:51] CP: Yeah, absolutely. The riskier projects are generally going to produce a higher return or at least that's what the thought and hope is. Those are going to be generally I would say multi-tenant mid-rise office or small bay flex industrial. That's one of the hotter products out here right now as I was saying. Those are going to produce a lot of times, especially the mid-rise office, higher initial returns. That's what a lot of people look to those for.

If you're looking for more of a safer investment, those can be something like a medical office or a net lease office medical with a large company like a DaVita or Fresenius. So it's kind of good long-term lease. But those will generally produce lower returns but safer returns in a lot of people's minds.

[00:05:39] WS: In that type of asset class, which I don't claim to know a whole lot about – multifamily is normally our focus. But I hear people say, “Well, I'm worried about finding tenants if I have an office building or if I have some type of retail like that.” What's your response to that and how do we find them?

[00:05:54] CP: Absolutely. Let me tell you. When you say the multifamily side, I can't tell you how many people from multifamily over the past three years have purchased office or industrial, because the returns are higher right now than what they're finding generally. But that is the biggest question is, where do I find tenants, who do I get to manage it and things of that nature.

On the management side, I can tell you there's a lot, especially in Dallas-Fort Worth, there's a lot of great companies. I've even seen the multifamily people use their multifamily management company to do it.

[00:06:24] WS: Really?

[00:06:25] CP: Yeah, absolutely. One of them actually I ran into not long ago, and they liked it because they said like, “Kind of the only calls we get are between 8:00 and 5:00, because that's when the office tenants are there.” So they say, “We basically eliminated the night calls.”

But as far as the leasing goes, that's what the key to representation is in making sure you're buying something in an area that you understand the tenant sizes, you understand what tenant pool is out there, certain areas in Dallas-Fort Worth, I got a DFW map back behind us, some of the areas out here.

Especially like you take some of the mid-cities, for example, there's not a lot of 10,000 square-foot tenants rolling around out there. If someone's going to buy an office building out there and all the tenants – All the space sizes there are vacant or over 10,000 feet, those things just sit for

long times, so they got to make sure that they know, “Hey! We need to chop these things down. You got to have the right plan of action to achieve what you're looking to do on the project.”

That’s really what it is, and going in on anything on the office industrial side is that, because you’re right. Leasing spaces is the most key point on office.

[00:07:32] WS: Yeah. Obviously, with any real estate investment location it’s so important. We have to know our market so well. But it seems like too with like a property like this, we have to be somewhat of a – with any of them, but especially with this like a visionary. We have to like really be able to think even more so outside of the box and say, “Okay. We got this big warehouse.” But kind of like you said, we can cut it up. We can do these different things with it and really get creative. Is that something you see happen very often?

[00:07:57] CP: Absolutely. You know what? The co-working industry expanding the way it has been, I saw a stat that Dallas alone has – The co-working has expanded by almost 200% in two years, and so that's a lot of growth. I’ve seen a lot of owners that own an office building. They’ll take a full floor and kind of operate one on their own, even without being a franchisee or anything of that nature.

But there's a lot of changes, especially on the office side that have been happening over the past 2, 3, 4, 5, 9, 10 years that you got to stay with the times on those.

[00:08:29] WS: Yeah. Any other creative ways or anything like really outside of the box where somebody's done something crazy with an office space and outside of the WeWork type?

[00:08:38] CP: Yeah. No, and especially on historic buildings. Out here in DFW, we've had a lot of people look at our office products to convert to hotels. Actually, another project that we work on near downtown Dallas, they were doing a multifamily conversion on it. That’s been a lot of opportunity that people have looked into to capitalize on what they can do with the square footage is a conversion.

[00:09:03] WS: How are you finding sellers right now?

[00:09:06] CP: Sellers, we've got a great group of guys. What we do is we are consistently out there. We're always marketing, working with the sellers. We're updating evaluations on their projects, advising them, "Hey! Maybe a good time to sell or maybe get your building up to this part or to this occupancy, lower these expenses and figuring out. If now's the time to sell, it's time to sell. If not, then you definitely need to look at refi with where interest rates are right now."

[00:09:33] WS: Help me with that relationship a little bit there, like if I have a building that I own and I'm working with you and I'm thinking, "Okay, Cody. I'm not sure if it's time to sell or not." Help me to think through that a little bit.

[00:09:45] CP: Absolutely. Say you have an office building, right, and you say, "Cody, I'm not sure if it's a good time to sell." What we'll typically do is we'll say, "Okay. Let's look at the operations. Let's see where the occupancy is. Let's see where the expenses are. Let's see where they should be." We'll generally look at that and go, "Okay. Your occupancy is maybe a little below market. Your expenses are a little higher than they should be." We'll give you an evaluation generally on what it is now. But then our main thing is we'll say like. "If you do these things, you can actually get it here."

We like to make an action plan for all owners to have a goal to get to, because that's why they bought these assets at the end of the day is to produce the highest return. That's what we do for most of our sellers is action plans.

[00:10:30] WS: You're showing them the value, the potential value anyway.

[00:10:32] CP: Absolutely. Absolutely. The best thing about me and all my guys is many of us have leasing experience, management experience, ownership experience. I mean, knowing these buildings in and out is so key, especially nowadays.

[00:10:44] WS: What's been the hardest part of this syndication journey, just working with syndicators for you, Cody?

[00:10:50] CP: Over the past, three, four, five years, I mean, this seems like everybody wants to be a syndicator. I've even done some myself. I mean, it's fun. Whenever we get a new one that's come in, we just have to vet them properly. Make sure that they're knowing and doing the right things.

If they've never done a syndication before, we have to take certain steps to make sure if they're bidding on our property that they have everything behind them to do the project. It's usually not that hard to vet them out, and a lot of times they're pretty good at getting their ducks in a row before they do bid on a project.

[00:11:21] WS: You mentioned you've done some yourself. How are you prepared for this potential downturn that everybody's talking about?

[00:11:28] CP: Well, one thing I always say is if you're going to hold, if you're going to hold right now in commercial and buying office and industrial, you standard loans are going to be five and seven years over a 20 or 25-year rent, right? The best way to figure out what you want to do with your project is, "Okay. Am I holding it? Because if I'm holding it, I need to make sure I have it refied right now with interest rates being where they're at. If I'm not, I need to get an action plan together or I need to look at figuring out how to sell this project."

But doing something that is progressing you forward is what's key, and so that's what we tell everybody is, "Hey! Are you selling or are you holding? You're selling, great. You're holding, how much longer do you have left on your loan? Let's get you some long-term debt put in place." Let's get this figured out so that you're not like one of those guys in 2012 who had a loan come up because – Or, I'm sorry, 2010 because it wasn't refied at the right time. I believe now is a very good time for refi'ing if you're planning on holding.

[00:12:29] WS: What's a way that you have recently improved your business that we could apply to ours?

[00:12:34] CP: Well, we've been doing a lot more marketing and things of that nature. I tell you, I've got some really good, young, bright guys here that the social media world has just taken

even our industry by storm. The commercial real estate industry has been stuck in the stone ages for so long, even when I first got in it in the early 2000s.

I've got a lot of my guys that are very good, young, and bright and understand that avenue and been really making some good headway on that, and so it's been a lot of good connections and traction for us.

[00:13:03] WS: Okay. So increasing your social media or improving that.

[00:13:06] CP: Absolutely. That's helped us out a lot. I think that's what you'll probably done as well.

[00:13:11] WS: Of course, yeah. If you're not creating content right now, you're going to be left behind, if you have a business anyway.

[00:13:16] CP: Absolutely.

[00:13:17] WS: What's the number one thing that's contributed to your success?

[00:13:20] CP: I've had really good mentors. I can tell you that. Whether it's David Dunn, Hernando Perez, I've had very good mentors that I can tell you that early on I probably wasn't the greatest to work with little hardheaded things of that nature. But those guys stuck with me and help push me and drive me. Also, I've got a phenomenal team around me that you were very close, very tight niche. Those things are very good to having a fun career as well.

[00:13:49] WS: Team is so important.

[00:13:51] CP: Absolutely. Absolutely. I mean – What's funny is talking about this with one of the guys earlier. It's so funny how one bad egg can just destroy 10, 12 others like no problem. It's kind of like the crab boat. When a crab breaks in a crab boat, it can poison a lot of other crabs. It's one of those things.

So, yeah, I know we've got great team camaraderie. All the guys here, we all have the same singular focus, and that's to win and to win often.

[00:14:19] WS: I love that. I didn't know that about crab either.

[00:14:23] CP: You know what? I may just made it up or my grandfather told it to me. It's something I heard a long time ago, so I stuck with it.

[00:14:29] WS: It makes sense though. Cody, tell us how you like to give back.

[00:14:32] CP: Many different ways. Actually, for a long time, I was part of the Big Brother Big Sister organization. I did a lot of work with them. I was a vacation Bible school teacher as well. A lot of the guys here as well are in various different things and then like does a lot of charity work as well.

Colliers International does as a whole also. We're very big on that and yeah.

[00:14:52] WS: Awesome. Well, Cody, thank you very much for your time today. I appreciate you just sharing from your expertise and just your experience in the business and some different resellers and properties and asset classes you've worked with. But tell the listeners how they can get in touch with you.

[00:15:05] CP: Absolutely. Hey! Any questions in office industrial, man, you got to give us a shout. www.texasofficeinvestments.com or (972) 345-6500.

[00:15:18] WS: Awesome. That's a wrap, Cody. Thank you very much.

[00:15:20] CP: All right.

[END OF INTERVIEW]

[00:15:22] WS: Don't go yet. Thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there.

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[OUTRO]

[00:16:02] ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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