

EPISODE 713

[INTRODUCTION]

[0:00:00.0] 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]

[0:00:24.4] WS: This is your daily real estate syndication show. I'm your host Whitney Sewell. Today, our guest is Anthony Behar. Thanks for being on the show, Anthony.

[0:00:32.8] AB: Thanks for having me. I'm excited you reached out Whitney.

[0:00:36.5] WS: yeah, Anthony is a Partner and Executive Vice President at Major Properties, he is an expert in commercial real estate, he also hosts the Behar On The Block podcast.

Anthony, thank you again for your time this morning giving back in that way to the listeners and myself. Give us a little more about your experience in the industry. I know you've been in this business for many, many years and are very knowledgeable individual, just about the syndication business and what's happening in real estate. But give us a little more about your background and let's jump in.

[0:01:06.7] AB: Sure, appreciate it and it's good to be east coast west coast talking right now. For you listeners out there. I'm in Los Angeles and I'm a commercial real estate broker in the business about 18 years. I've seen a lot, I've weathered a lot of storms, I've seen the ups and downs and multiple cycles of real estate and my expertise really lies in commercial real estate. And so, that covers primarily industrial, anything in the industrial sector so warehousing, distribution, manufacturing, food, cold storage, auto facilities, land play, we work with and represent

property owners across all of those sectors and owner users of these type of properties. Investors and developers as well.

[0:02:01.8] WS: Nice. That's awesome, let's just jump in, you know, to your market place and helping us understand what's happening there, even in Los Angeles all together but just you know, give us some insight just on what's happened, what the market temperature is there and why.

[0:02:20.6] AB: Super interesting question, obviously there's been so much shift in real estate and I think we're going through a really unique time as a result of COVID. But our market, the Los Angeles market, the greater LA market tends to hold up a little bit better than a lot of other parts of the country and we saw this in eight, 09, we were sort of the last to get hit, we were one of the first to come back out of it.

Partly because of the appreciation we have, amazing appreciation of real estate here in Los Angeles and just the vast resources of the universities, entertainment, the density, the proximity, there's so many great things and the mountains, beaches, deserts. I think LA always is able to bounce back.

But what we're seeing right now in real estate is a major shift in the way commercial and industrial properties are being handled. What do I mean by that? Pre COVID, we saw a lot of retail was really starting to slow down and because of COVID now, the retail sectors have been hit really bad. I think all across the country. You have the malls which we're seeing get repositioned, we're seeing the small retail buildings along the corridors that come in and out of Los Angeles.

For those of you that don't know, the Pico boulevard, Olympic Boulevard, these are major east west, thoroughfares between the beach and downtown Los Angeles. They're made up of a mix of all kinds of property strip malls, standalone, small little retail buildings and some multifamily but what we're seeing right now is, when there is a cluster of small retail buildings, we have investors and developers looking to take these down and turn them into alternative uses and one is to turn it into multifamily housing.

That's a big shift we're seeing right now to increase the density across these old buildings and I think with the way the office market is going across the country, I think the skyscrapers are going to be hurting in terms of their occupancy and I think you're going to see a shift towards people taking some of these old retail facilities or retail buildings and turn them into maybe small little offices where they could put five or six or seven people.

We're in the middle of that right now, we're representing the property owners and we're working with the investors or owner users of this properties and try to decide, hey, what is the best value for the property today what is the best value for you as Mr. Owner or what is the upside for you as an investor and a syndicator group to come in and buy this property and reposition it?

And that's where, really, the big opportunities lie today and I don't think that's just for Los Angeles but I'm sure there are other opportunities in all other parts of the country but for me, from what I'm seeing, my market is very specific to the Los Angeles and we're working on a lot of things like that today.

[0:05:41.1] WS: Do you have an example of maybe a property that you sold or work through that was some type of retail or skyscraper or something that have a change of use though? Now it's multifamily or now it's used for something else completely different.

[0:05:54.5] AB: There's a lot, I'm going to give you, I could give sites several but one of my favorite is a com – gentleman I've been working with for a number of years. He ran a pickle manufacturing facility in the greater LA area. And he was getting close to retirement and he said, "Anthony, I want to sell the business but really, I want to sell the real estate here. I've been doing this 50 years," and he made pickles for all the delis and all the restaurants in Los Angeles, just a sweetheart of a guy.

And so when I analyzed his property, I said, "Marty," I go. "You know, I have good news and bad news. The good news is your property's worth a lot of money but the bad news is, I don't think anybody is going to buy this for the existing facilities. I think all of your production buildings, your distribution building tier, your warehouse, they're all functionally obsolete for food so we have to look at this in a different way."

When I analyzed and valued his property, I said, “The best way we could maximize your money here and give somebody a great opportunity is to really look at this as a land play.” It was hard for him to swallow, it was hard for a lot of these old-time guys to acknowledge that the place where they had their business, where they made money, where they made a life is only worth what the land is today. But that’s the fact, that’s what’s happening here in Los Angeles so when we brought the property to the market, we market it and sold it specifically when after housing developers.

At the end of the day, we closed the deal about a year ago with an affordable housing developer that’s going to reposition this site, it was about three acres and the other interesting part was we ended up assembling every other property on the entire city square block. We went after there was some old single-family homes, there’s another, there’s the auto facility that are all adjacent to it so in the end, it maybe ended up being like another acre of properties and so it gave a developer an opportunity to really improve an area and it gave the ownership a great way to exit and get the most value out of this property.

[0:08:07.1] WS: Nice, what was the seller’s take on that? When you’re starting to explain, okay, this building is really costing us more than it’s worth now because somebody’s going to have to take it down and removed it. You know, in just the value of the land is what you’re going to sell. What’s their take on that? Like you said, I know that’s so hard because that’s where they’ve spent so much time and they feel like this building is valuable but how do you convince a seller of that?

[0:08:30.8] AB: Well, I think you go to [make them believe in what you’re saying and it’s coming across as the expert and being honest and transparent and truthful and showing them why that the buildings aren’t really the value and why the land is and showing what could be done here and what, if somebody wanted to put in other food operation in, what the people are looking for today.

They’re not looking for buildings that are 60, 70 years old and we’d cite specific examples of what a new and great food building is and unfortunately, that’s not you but if you really want to maximize the dollars, this is the direction we have to go after. Yeah, sometimes they’re hard

conversations and owners don't want to hear it but I think at the end of the day, everyone's trying to maximize the value of the real estate.

[0:09:23.0] WS: Speaking of the value of the real estate, can you walk through it a little bit of how you're coming up with that value when the building's worth nothing, you don't know who the buyer's going to be, you don't know what kind of property they're going to want to build here or you know, there's no revenue perse but I know you're looking at comps, I know the things like that but maybe you could just walk through it a little bit of you know, we're going to reposition this land completely into something else, how are you valuing that?

[0:09:48.8] AB: Right, here's something good to give some value to your listeners for people that are looking for opportunities, right? Everybody wants to find the added val opportunities. I'll look at the zoning in place, right? Super important, every city, every state is completely different so if the zoning is good. For us in Los Angeles, what does that mean if there's a C for zone in already there. It allows for so many different uses on the land, it could allow for multi-family, office building, various types of commercial. I would look at the size of the property, ingress egress opportunities.

How close you are to schools, public transportation, hospitals, what else is happening in the area, it's also understanding what things the cities are looking for, right? How do they want to improve, is there bond money out there for these developers, are the resources for the developers to come in. Looking at all of that, understanding the macro level of a city and the greater landscape of the area also helps.

I could look at another property, say in a very industrial area and maybe the building isn't really worth anything, maybe it's an old metal building on a large piece of land but I know that area of the city is never going to allow housing to be developed there, it's always going to be industrial. It's really understanding what part of the city you're in, what the city people want, what's in the surrounding area.

You know, every piece of real estate is different and I think each gives different types of opportunities and that's where the fun part of being in real estate investor comes in is knowing how to sort through it and look through these value ad opportunities.

[0:11:42.6] WS: For sure. Well, I know you are, I know you're working with so many sellers, right. And then so many buyers as well, so many other syndicators in the business. Can you tell us – just give us an inside peak of a little bit about you had mentioned earlier and like sniffing out the people that are serious, you know, to work with or not. I'd love for you to highlight, you know, that just a little bit so the listener and myself can just understand a little better about just your perspective when working with somebody like us?

[0:12:12.2] AB: Right, great. For all you syndicators, wannabe syndicator and learning to syndicate, I would say, I mean, a few things. Have your ducks in a row, super important, have your track record laid out, be very transparent with the brokers you're talking about. Let them know what you're doing, let them know where your capital's coming from, let them know what you've done before in the business or in this area, in the city or if you're new to the area, you know, just let the brokers know who you're working with so you could build that trust, build that relationship and look, the brokers want to get deals done and if you're honest and transparent about what you're doing, they'll help you and they'll work with you.

But I would say, be honest about what you've done and have a good team lined up, I mean, you know this. Have your title people, your escrow people, your attorneys, your consultants, have those people lined up so you can act fast. If you're in Los Angeles, there isn't time to go back and forth so much. I mean, our market is still very hot even in the midst of COVID, there's a lack of supply, debt is really cheap, still right now. When a decent property, good property, an opportunity comes up, a lot of people are looking at this and you want to be the go-to guys.

Build those relationships with the brokerage. Build a relationship with the brokerage community because we have the in sometimes and a lot of the times, you know, a good broker will want to keep it himself and if he knows, you can act and close, they'll bring that deal to you.

[0:13:56.6] WS: Nice, representing yourself well so really the broker knows you're very serious, right? You're not coming in and just asking elementary questions, you've done your homework.

[0:14:06.9] AB: Have some homework done, yeah.

[0:14:09.7] WS: Any key red flags that you see from newer operators or developers that just really tell you okay, wait a minute, this is not worth my time or you know, this individual's not going to buy anything.

[0:14:20.9] AB: Well, yeah. If I know somebody has no money and they have no skin in the game, I don't want to work with them and I am not going to encourage my client to look into the offer from this person that even though maybe they talk a big game or they are going to make a full price offer but if they have no skin in the game, if they have never developed anything, if they have never syndicated anything before and they are going after a \$20 million property, I don't think that's the person that I want to go out there.

I want to know who they're working with. I want to know where their financing is coming from, who are their lenders or their mortgage brokers, what have you done? Show me something that you've done. I don't care if it is maybe a few small deals, you have been involved in this, who are your partners? Let us know what your background is and have that lined up and don't try to just talk to me on the fly about it because we could sniff it out really fast.

[0:15:18.3] WS: Nice, yeah you definitely have worked with enough operators and developers. You can see through most of that right away I'm sure. So, Anthony, going back to the market just quickly, what are ways that you see like a town like Los Angeles standing out? You mentioned like usually a recession hits that later, maybe they withstands some things that other markets can't. Why is that and what have you seen in the past through maybe a way, you know how it performs versus other markets before we have to move to a few final questions?

[0:15:48.1] AB: Sure, so I mean I don't know a lot of other markets, right? I mean one of my I guess expertise is this I know the greater Los Angeles, LA county really, really well. I am an LA native, I grew up here and I've spent my whole real estate career really focusing on this market. I've done some investment deals and other parts of the country when I help clients work on 1031 exchanges but LA is a really, really unique place.

Number one, we have the second biggest port in the country and so we have containers coming in. The LA ports, Long Beach ports I mean they're huge, right? So, we have incredible freeway system here. We have easy access to so much distribution. LA is very spread out. We have

warehouses, a million square feet to 5,000 square feet. The density in this place, the weather, like I've seen earlier the universities, the entertainment, the culture.

I just think LA tends to bounce back pretty quick even though we were down in '08-'09 we came back and we came back really strong and I think we are going to see that here. And I think LA is the place that pivots, it changes and the real estate morphs, right? It grows and the people that can't see what the other alternatives are for the real estate, they are going to be the people that are going to lose. But to you guys. So, you know if you want to be a savvy investor, look for the opportunities where a piece of real estate has been something for 50 years and look at what it could be.

Just because it is a retail or an off business doesn't mean it can't be something else and I think the really smart guys and really smart brokers are looking for those opportunities and in buys in their clients and investors on how to reposition these assets and that's what's been happening for so long. LA just continues to grow, the real estate grows and working on the change to use on these properties is helping us.

[0:17:58.6] WS: Anthony, what's been the hardest part of this being involved in just the syndication business for you?

[0:18:04.7] AB: I would say a couple of things. One, as an investor it's being with somebody that has a great track record, finding a really good sponsor, right? And so, I want to know personally who this person has worked with and what they have done. So, there is a lot of people out there that are syndicating. I have been around them my whole life. My father was in the syndication business, he actually did what you're doing. He syndicated apartment buildings all over the country. So, I've been around it my entire life and you know it is being with the sponsor that is going to take care of his investors because once in a while there's going to be something that goes bad, something in the economy, right? Something that could happen that's out of everybody's control but a sponsor that takes care of his investors is somebody that I want to be with and I want to work with.

And you know, those people are really hard to come by. So, you know, you can never predict it all but just be very picky on who you chose to put your hard-earned money with.

[0:19:14.8] WS: How do you encourage people or tell people to be prepared for a downturn or maybe like we are in now or maybe what you see coming in the future?

[0:19:22.7] AB: So being prepared I mean don't put all of your eggs in one basket. You know I would say that is probably rule number one in investing and if you are not comfortable with the opportunities then wait, you know there is never going to be a perfect time to invest but I think large amounts of wealth are made in downturn. So, you got to have a little risk element in you and if you can't, then maybe real estate is not for you but I have seen tremendous wealth be made in real estate during downturns.

And you have to have it in your stomach to be able to ride out the waves. It is not always good and certainly not always bad and in the end, if you could stomach it you are going to make a lot of money investing passively or actively in real estate.

[0:20:15.7] WS: What's a way you have recently improved your business that we could apply to ours?

[0:20:19.8] AB: So when COVID and after I think the shock wore off and we realize it is not going to be two weeks and it is not going to be three or four and we all realize we're in this for the long haul and I have been through a really bad downturn in '08 I decided I didn't want to see that. I didn't want to be a victim of this and I actually started working with a real estate coach for the first time in 18 years and I worked with him for about 16 weeks really through the heart of all this COVID.

And while everybody was completely distressed and spinning out of control and a lot of people have negative approaches to real estate, the business, the economy, the world and I really took a different approach and really try to stay positive and really double down on my efforts in reaching out and talking and advising and helping my clients and perspective new clients and as a result, my business has continued to flourish during COVID.

And during this last five or six months and it's continuing to go that way for the rest of the year and looking at ways to find new opportunities. I mean real estate is a tough game and opportu-

nities don't fall in your lap whether you're an investor, a syndicator like yourself or a broker like me, you got to find these opportunities. They are not just going to drop in your lap and so that's what I have been able to do and that's one way I have helped improved my business along the way.

[0:21:48.7] WS: Nice, you know you mentioned earlier investing passively and working with operators that are going to take care of you, what's been a way that an operator or a person, a team that you are investing with have stood out to you? So, you chose them one to invest with but then just also through their operations or communication or whatever that may be, what was a way that they stood out to you in a good way?

[0:22:12.3] AB: Okay, so that is a big thing. I mean the communication is a big thing. I want to know the good and I want to know the bad. I don't want you to hide when something is not going well, you know let us know as investors. We want to know just so we are knowledgeable. We don't want to be hit and blindsided by something that this deal is going south, if it is going bad keep us informed. Tell us what's going on and in a recent syndication deal I was in, we had some really tough times through it.

But the sponsor was, he was good in the sense that he kept us all very informed. He gave us reports. He kept us up to date. He told us if there was a problem, a lien, a new law suit coming out or problems with the lender and we get it. You know we are savvy investors. We understand it is not going to be always rosy. So somebody that's communicating constantly to us, somebody that has, like I said, someone that has a good track record and I like to talk to people that have invested with this person before so I can get a sense and a review of what their like to work with.

[0:23:16.1] WS: What's the number one thing that's contributed to your success?

[0:23:19.5] AB: I would say a couple of things. I mean staying positive for sure. Real estate is a really hard business. It is not a get rich quick, I don't care what you see and read and hear out there. It is a tough business. It is a life and I think staying positive and learning to shift with the market and with the times, having gratitude every day for all the smaller things in my life and

learning to help people along the way and so giving back in that sense, I love to train the young agents in our office.

The junior agents, so when I can give back and help them it refreshes what I know, what I've done and what I've learned and that always feel good too. So, I mean those three things probably see it all right away.

[0:24:13.8] WS: Yeah, that is awesome. Tell us how you like to give back. I know you just mentioned one probably but –

[0:24:17.0] AB: Well, I mean a couple of ways. One from the business standpoint, I love to train and help and mentor the junior agents and I remember when I was first getting into the business it was a struggle. It was hard. I see it every day with the young people and so I like to work with them, help them, mentor them, work on cold calling skills, work on negotiation, work on sales skills, work on your market. I mean whatever they need, I like to help them and give back. That's number one.

Number two, I think it is so important to be involved in some sort of charity to your community where it is something you believe in. So, for me, it's been an organization called The Guardian. We support a Jewish Home for the Aging out here in Los Angeles and I've been a member there for 25 years and just to give back in that way and not only that, it helps, you know it gives you a presence in the community and it helps build new relationships, which could be maybe for your business or maybe for personal.

If you don't do it, do it. All of your listeners, find an organization. Find something to give back in. If you are making money with Whitney here on all of those real estate syndication deals, you will have a little extra to spread out.

[0:25:28.6] WS: Anthony, thank you so much for your time. I am grateful just for your expertise in Los Angeles but just helping us think through the change of use and helping us breakout of seeing a building and thinking that is our option, what can we do with this building but there may be other options there and helping us just think, okay, the changing times of the market right

now and what may be the best or most valuable use of the space or piece of land as oppose to not getting what type of property it is specifically.

So grateful for that and just helping us understand as a new operator that's maybe listening. You know having their ducks in a row and how they can be best prepared and present themselves very professionally to somebody like yourself when they are hoping to purchase a property. Thank you again Anthony. Tell the listeners how they can get in touch with you and learn more about you.

[0:26:15.0] AB: Well Whitney, thank you so much for reaching out. It's been great, it's been a lot of fun and being here at seven in the morning LA time with you so I love it. So, for me, I mean so my podcast is Behar on the Block and that could be found on iTunes or anywhere podcasts can be found. That comes out monthly. One day I think I'll try to keep up with Whitney and try to get an everyday show, I don't know about that but that's impressive, very impressive but mine is about monthly right now.

And on all the social, LinkedIn of course @anthonybehar, Twitter @anthonysbehar and on Instagram is where you can find me and our company is Major Properties Real Estate. We are here on Los Angeles, downtown LA so if anybody is looking to invest in the LA market, I would like to talk to you and help you and explore some opportunities.

[0:27:08.6] WS: Awesome, that's a wrap Anthony. Thank you so much.

[0:27:11.0] AB: Thanks Whitney.

[END OF INTERVIEW]

[0:27:13.0] 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. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

[0:27:53.2] 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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