EPISODE 856

[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 Moshe Bloorian. Thanks for being on the show, Moshe.

[0:00:32.3] MB: Thank you, thank you, I appreciate it.

[0:00:34.4] WS: Moshe started GreyHill Group in 2016. Since then, along with his partner, he's acquired more than 150 apartments all throughout the upstate New York area. They have also been heavily focused on the industrial market class, acquiring three large warehouses within the past year. Moshe, welcome to the show, I'm looking forward to hearing more about your story because I think you are going to be able to help us to learn more about why you love industrial, maybe why you're taking a shift from multifamily because you're very experienced now in both.

Then, also, I think you can help a lot of our young listeners to get started and maybe encourage them a little bit but tell us a little more detail about your focus right now and let's dive into the multifamily versus industrial and why you've made that switch?

[0:01:17.4] MB: Hundred percent, I appreciate it Whitney. Like you said, in the beginning, when I first created GreyHill, we first were focused primarily on the multifamily market because you could say it's a way to get in, right? You start buying duplexes, triplexes, you just start building up and form there, like I said, I got lucky a little bit, I got a few breakthroughs and we purchased a nice sized portfolio and we kind of built up in specific cities in upstate New York.

Boots on the ground, built a management company, that's still active till today, we still have all of our properties under management. A lot of the deals were syndicated, a lot of the deals are purchased in-house.

From there, a lot of experience was gained, a lot of relationships were created and obviously, the past year or so has been tough. A lot of our deals have suffered but thank God, we have been able to stay active and wouldn't have passed a year and a half so I kind of just started looking more into the industrial market.

My dad always leased rent warehouses as far as I can remember so I was always kind of involved in industrial market, I was always curious but, in the beginning, it's just hard to get into it. As I learned more about it, I just realized the risk factor I feel and potential per deal is just the way I see it a lot less.

In regards to multifamily, I think it's a tough market, especially right now where prices are heavily inflated. The pandemic almost assisted me in my decision to say, "Listen, this year, let's try to at least buy some industrial buildings." Multifamily is overpriced, we're still looking in our markets.

Once the market opens up, I do believe that we will still buy multifamily. It's our bread and butter, it's everywhere, it's never going to go away but thank God, we've focused heavily on the industrial market and it's worked out for us because the knowledge that we gained, the understanding of the market, the ability to assess risk in the industrial market has been great and it's worked out because again, our investors are getting comfortable with it. We're day by day getting more comfortable with it, we're seeing more deals.

We're focusing on bigger deals and the e-commerce is just going crazy and you see these tenants out there and you see these warehouses that are being, that the prices are just inflating and going just insane what's happening. I think within the next five years, there's going to be another huge boost and we're focused primarily on secondary and tertiary markets where I think there's still opportunity and we're focused on partnering with good businesses — it doesn't have to be accredited and it's just – it's been working.

[0:03:50.0] WS: Great. No, that's awesome, I appreciate you elaborating there. I wanted to back up a little bit. I know you mentioned just like some of the deals have suffered a little bit, just through the pandemic. I mean, the pandemic is obviously was unexpected to everyone, right?

No one knew that was coming but could you elaborate on that a little bit and maybe what – how has that helped you to improve moving forward? What have you changed or maybe a little bit of what happened and then how does that help you to operate the next deals even better or how you're preparing for the next opportunities?

[0:04:18.8] MB: 100%. I would say this was a little bit of a slap in the face. You kind of realized that it's not all easy. I don't think there's any investors out there that hasn't suffered through the pandemic. Again, I think except for industrial and self-storage but I think that on a multifamily standpoint, obviously a lot of rent has not been paid. I have friends that have suffered a lot more than me that I risk are losing their buildings but thank God we're not in that position.

At the end of the day, it makes you just work harder to collect more rent, to go out and to work with tenants and to build your relationship with them even more, to know that they have your trust,. Our management team had to step up but listen, at the end of the day, some rent is not getting paid, which is very frustrating.

The city is not helping us at all. We're put in the corner, our partners are put in the corner, thank God we're all working towards it and I hope that we're kind of coming to the end of this craziness but I would say, obviously, I didn't experience what happened 2008, I don't think there's anything like that. But I would say that this was a lesson for everybody and I think that everyone's going to learn from this. I think that every management company will be a better management company after the pandemic than they were before.

They'll learn more, they'll understand more, it doesn't really get tougher than this in regards to management when you have buildings that are – rent's not getting paid, it's tough to pay taxes, it's tough to pay our bills and it's tough to pay contractors even and they understand, everyone understands, everyone's working together to get past it and hopefully, over the next couple of months, it's going to work out.

[0:05:52.2] WS: Is there an example deal you could share with us that you're either working on now or have worked on recently?

[0:05:58.9] MB: I would say, on an industrial side, the biggest deal that we've worked on and I guess you can say it was very much luck because we just got in right when it came on the market. It wasn't really on the market, we ended up buying a 130,000 square foot space in Connecticut for around $15 a square foot vacant, which is the numbers just blew up because there was this company that was there for about a hundred years. The space is old, it actually came 20,000 square feet office space, that's separated from the warehouse and I bought 110,000 square feet industrial.

We bought it for 1.8, we got 0% financing for a year on a 70% LTV. Believe it or not, we already got, because the 20,000 square foot office space is on a main road, adjacent to it is a BMW dealership, adjacent to it is a McDonald's. We really got offered just an office space, 1.5 million and we declined it.

That deal turned out to be a home run, we did it in-house and it gave me a lot of energy and confidence to be able to kind of say like, "This is a fantastic deal," and the goal is to fill it up. We already have it on the market, it's a beautiful space and it's a classic value add deal, it's not really, again, generally what we look for because we do look for occupied properties generally.

Again, focusing on risk, this is a very risky deal, which is why we did it in-house. I generally don't like to risk partner's money unless they want to, unless they understand the risk associated with this. This, we did it fully in-house but generally, this is not the type of deals that we look for, it's very risky. We have a chance to be vacant for a couple of months, even up to a year but we declined the 1.5 million dollars offer on it and that's recouping our entire investment right there. I believe that the sky is limit with this deal.

[0:07:41.4] WS: Nice, that's awesome. I love when you're energized about a deal like that, feel confident about it. You pride yourself in being able to breakdown the risk. Help us to think through that, how have you really gotten good at breaking down that risk, like you talked about? You can use that deal as an example or a different one, but help us to do the same thing.

[0:07:59.5] MB: 100%. I think that with every deal, you can't look at it as one big picture because I think that's when you miss things. I think sometimes, and I literally will sit down and basically, on my computer, write down every single step that I think doesn't have to happen to make this deal work.

If I'm getting into financing from leasing up the property and a great way to kind of make sure you're not making a mistake is really, make each step into its own deal and that step has to work out and then it could turn out to be 20, 30 steps if you really break it down properly.

From there, after a little bit of thinking and some work, you can really specifically focus on, "Wow, that's where I can really mess up potentially. How can I resolve that and what happens if that doesn't work out?" I learned this from someone who taught it to me, I don't even know how I could assess deals without it because an underwriting is one thing but to be able to understand our deals is something else.

To break it down, to understand each step and then to assess each step is a fantastic way of just kind of taking a step back and minimizing your risk I think, heavily.

[0:09:03.8] WS: Yeah, you mentioned like underwriting versus understanding the deal. Can you give an example of that or just help the listener how to think through that?

[0:09:12.2] MB: When you underwrite, you're looking at just the overall deal like I said but you're missing, for example, you're saying that this is what you're getting for rent but what happens if it goes vacant? That's just a very broad example but you can break that down even more to the extent of, "Are there solid brokers in the area?" "How fast will it take you to get a space rented out potentially?"

I found that with industrial, it really comes down to market, it comes down to tenant. I think markets are the most important thing, if you're investing into a good market, you're already ahead. I think the tenants also are very important but if you're investing on a bad market, you have no upside. Real estate is a long term investment as you know, it's not a get rich quick game. You got to be in it long-term, I knew that from the beginning.

I know a lot of friends that kind of got in there a year or two, "Why am I not aren't rich yet? I got to get out of here and go make money." Part of what you got to do is like I said, I think underwriting is important but that's not the only way to asses the deal. I think that if you're just underwriting a deal and making offers, that's a good way to make an offer because you got to make an offer quickly but before you actually commit to the deal, I think there's a whole other level of "underwriting" that has to happen in order for the deal to make sense.

[0:10:24.6] WS: No doubt about it, there's a lot more to it than just the numbers. The numbers are so important, right? There's a lot bigger picture and I appreciate you just bringing that out, you have to look at that deal as a whole, like you mentioned. I think that's great advice. Just you getting started at a young age, let's talk about that in a minute because I think you can add a lot of value to the listeners who are maybe hesitant or maybe they feel like they're too young or you know, I've heard all those things myself even when I started.

There's probably many listening who are younger than I was when I started in real estate as well but I know you went though that and I think you can add a lot of value there. Let's jump in there and add some value to the listeners who think that maybe they're too young to get started in this business.

[0:11:02.5] MB: I graduated college with the bachelors in finance and a minor computer science, which I thought was the perfect combination to get the best job possible, which I think it still is in this day and age. I never got a job out of college. I decided that I wasn't married and I told myself, "Listen, if there's a time to take the biggest risk in my life, it's right now."

I told myself, "What do I want to do the most?" At that point obviously, you get hooked with Robert Kiyosaki and you kind of – you just kind of start to finally, as a 19-year-old, investing doesn't make any sense but as you get older, once you start going through your 20s, the investing concept kind of makes more sense.

I really believe and this is advice that someone gave me, which I think is where I am today because of it. It's that, when you're younger, you can take risks but when you're older, you're able to still take risks but it's going to be tough when you fail.

When you're 22-year-old guy and you lose $200,000, your life is not over. If you lose a hundred, $100,000, your life is not over, you lose a property, your life is not over. You have an opportunity to literally just – no one will ask you too many questions. When you're married, you have kids and you mess up, your wife's going to tell you something and then you have to make a big life decision from there.

I took that opportunity and it's really – like I said, when you're married, it's very tough to say, "Listen, I'm not going to make any money for two years and I don't need money for two years, I'm just going to focus on getting experience, learning, partnering with people and giving them the value," and when you're young, you can take that risk and it can pay off big time because it is a small risk to take but the potential I think is through the roof.

For any younger listeners, and I'm getting older, but for any younger listeners, take that risk in the beginning because as you get older, that opportunity is not going to be there and everyone naturally grows up. I think that's the biggest advice for anybody, I'm not saying go to college, take risks.

[0:12:57.9] WS: For sure. No, you have to be willing to take risk if you plan to do anything different than anybody else you probably know, right? That are playing it safe and getting the job that everybody says you should have and all of those things that you all heard about often but still, so many won't step out there and I couldn't agree with you more. The younger man, you know, take that risk now because it is so much harder once you have a family and kids and I wish me and myself had been much further along before marrying and kids — and I could have been — if I, like you had taken a little more risk or had a little guidance.

Was there something at that time though for you somebody or a mentor or somebody that said, "Hey, Moshe, why don't you try this?" Or, "Have you thought about doing this when you got out of college instead of that?" Anybody like that that helps kind of shape your thought about that during that time?

[0:13:46.2] MB: A hundred percent, it was all my dad. My dad was never an investor. He was a hardworking man, he had a business. He never invested a dollar in his life and I didn't really know much about real estate and he was the one who kind of said, "Here, why don't you just get your real estate license," and then the concept of real estate came into my head and then like I said, I just are in the process of talking to different individuals.

Honestly, just reading a few books that opens up your eyes a little bit and says, "Wow, this actually makes a lot of sense on a long-term basis." I really give all the credit to my dad until I would say today. If he didn't tell me to get my license and to just kind of like start learning more about the real estate game, I think I would have gotten a job in finance and that I hope would have still worked out but I don't think I'd be having as much fun as I am now. I'm blessed, thank God, so I give all the credit to my father.

[0:14:39.4] WS: That's awesome. Well, we all need those people, right? That can give us some wisdom or guidance at that time and I would encourage you to listen to Proverbs chapter one. My family and I have been reading that recently. It is just great for just heeding instruction and listening to those who are wiser. That's great advice. A few last questions, what's been the hardest part of just the syndication business for you?

[0:15:01.7] MB: The hardest part is gaining that traction and thank God at this point, I would say that I had gained it and I had earned the respect needed in the industry but it's definitely a challenge to be gaining people's trust and to be just put out there and to say, "Hey listen, this is the opportunities that I had in front of me." I'm out there hustling and I am out there getting opportunities to come work with me and let us reach that goal together.

I always say that if you know yourself, when you have a partner it is never a one and done type of thing. It's all about building long-term relationships and once I took that concept head on, I think that it's really by building more than even our friendship. It is like a bond you are building together where you are really in it together. You are not only in it to make money but you are also in it to enjoy. You know I think investing is a business but it is also like it is something that I think that everyone should enjoy doing.

That is why you work, you invest your money and I think that it should be so much fun to be able to analyze the building, you know make that investment, take that risk, get your heart pumping a little bit, start getting returns and just work the deal and I would say the toughest part was to get past that. I'm sure you've been it also Whitney, it is very tough to kind of get past that first wall but once the wall start coming down, people will start to know you more.

It is a really good feeling and I honestly sometimes think to myself in five years down the line, it is going to be so much of a better feeling because as you get older, it only gets better and I always tell my partner that whatever tough times we have on our business right now, whether it is getting deals, whether it is putting together deals, it only really gets easier as you progress forward. That is the way I see it. I could be completely wrong about that.

You probably have more experience than I do but I can't see it getting harder than this — you know what I am saying?

[0:16:49.6] WS: Right, it is definitely so difficult to get started, to get to that first syndication, building a brand, a business, all of those things or just the educational component during all of that that has to happen. There is just so much that has to happen getting that first deal done but oh my goodness, you know the second deal so much easier. The third deal, the fourth deal, I mean it does, you know? Like you said, you finally start to gain some momentum.

People know who you are, I mean — whether it's brokers or attorneys, investors, they all know you can close. They all know you have credibility hopefully and it does. It gets easier but everybody had to start somewhere, so you just got to jump in like you said. You know you had to be willing to take some risk but hopefully you have calculated it just like you talked about as well. Moshe, how do you prepare for a downturn?

[0:17:34.2] MB: Again, I don't think there is any way to prepare for a downturn. It is a tough question to answer but I would just say is to have all of your knots tied. You know I think that you need to have a solid management company in place. When it comes to industrial, you just have to be smart with your investments. Again, like I said, you have to invest in good markets. I think to predict a crash or to predict a pandemic — it is literally impossible.

Any investor that says that they could predict it and oh yeah, we have that risk set up and we know it's not coming or we know that that risk is not an associated with this deal. I think that it is just wrong and so I never tell anybody from my partner or my partners that we work with that I know whether or not something bad is coming that would really hurt our investment but again, with whatever deal we do, we have the trust from our partners and everyone around us.

That we're assessing every single type of risk that we can but a downturn, a downturn in regards to a tenant not paying is something that I think could be managed but a downturn on a different level I think that it's part of mother nature up to certain extent. Don't run into the fire but if everything looks safe and then things kind of go south, it's unfortunate when you get hit with the pandemic but again, obviously to answer your question to a certain extent, never over -leverage.

Because, thank God, our debt coverage ratio is I take pride in it being so high and on our overall portfolio base and lenders love it and it gives us opportunities to get more financing that we need in the future and it kind of like sets this foundation for our company. I would say to answer your question is over-leveraging could put you in a position but right now for example, during a pandemic, guys who are over-leveraged through the roof are suffering even our deals where we have private lending, it's been tough. It's been very tough.

[0:19:25.2] WS: For sure. Yeah, you definitely don't want to over-leverage or you're going to be hurting in a time like this no doubt about it. Any daily habits that you are disciplined about that have helped you achieve success?

[0:19:34.9] MB: I would say getting up early. Everyone has read Elrod's book, that book was a – I read it when I was younger. It was amazing. I haven't taken on all of his tips but I think getting up early and having a good start to your day and kind of putting everything out on the table that needs to be done as well as preparing. Every Sunday, and this is really from *The 7 Habits* book, that was a huge point to me where it just kind of like preparing is really the most important thing.

To have to know what you got to do on a weekly basis, to know what you got to do on a daily basis. I don't think you can have any chance of getting anything done without that. There is no way you can get to your office in the morning and then define, “What do I got to do now?” If you think about it, it just doesn’t make any sense.

[0:20:14.2] WS: What’s your best source for meeting new investors right now?

[0:20:17.3] MB: I would say, it’s word of mouth, people that I trust. Again, we like to create relationships with the smaller investors but also the big investors because those are the investors that we feel would really, really invest with us and we haven’t, like I said, an opportunity to make a huge relationship happen even though there are investors that will start off with investing 50,000 with you and I know people that they’re investing now a million dollars.

It is all about the long-term relationship, so I don’t just invest with any random person. I think that the same way they’re choosing us we’re choosing them even more and I think that every LP and every partnership understand that and when they’re assessing the deal, it is not about just choosing the investment. You’re choosing the operator but the operator also has to make a decision to say it’s a real partnership. There is a little bit of a different to try to see a partnership between two partners versus a partnership between LP and a GP but it is not that much different.

They are giving you their money, you are working together, you each have your own roles. I think that there is nothing that I love more than for a person who is invested with us to say, “Hey, here is my friend who wants to invest with you guys” and that is to me the best feeling in the world.

[0:21:22.0] WS: For sure. The number one thing that’s contributed to your success?

[0:21:26.1] MB: I do think it’s starting young. I really believe that. I think that that was – again that like mitigated my risk like crazy. I don’t know what I would have done if I would have started later obviously, I think I would have figured it out but starting young is I think the most important thing. You know you just got to jump in, if it doesn’t work out you’ll figure it out but take risks in the beginning and just be prepared to not make money in the beginning that you could get lucky.

Be prepared to not make money in the beginning and slowly things would just progress forward, just kind of like how we are as humans. Things work out eventually. Also, getting married was huge. I think getting married is a huge blessing and my wife is amazing and she runs a real estate marketing company, which helps me like crazy but I think once you get married, blessings just blossom from there.

[0:22:10.6] WS: Thanks for giving her some credit there. I'm sure she appreciates that, I couldn't agree more, no doubt about it but hopefully if you are getting started young, maybe you aren't married yet but man, yeah, I couldn't do it without my wife that's for sure. She's the most important thing ever. How do you like to give back?

[0:22:25.3] MB: Well, I give back 10% of whatever I make to charity. I think that's important and my religion that is kind of like a must. It's a worldwide concept and often to religion but for some reason in this world that we live in, when you give you really get back. It's hard, no one can explain it but I think giving charity is an easy way. You don't have to go into a soup kitchen and give out soup. It's great if you can do that but an easy way for any business owner or any investor or anybody at all to just easily give back on your computer and it is so easy because opportunities come left and right.

Just always makes sure that not only that you are giving back the 10% but you're also calculating exactly how much you give back because I found that when you stay in track of it, you're actually calculating every little bit of charity. You actually make it that you make sure that 10% but not less I think that it is just for some reason, everything just works out and just comes back to you. It's amazing.

[0:23:24.6] WS: Moshe, grateful for your time today, how you give back and then just also how you gave back to us today just in sharing your experience and for multifamily to industrial and why and how to evaluate risk, you are just breaking down the risk and I appreciate too just the underwriting versus understanding the entire deal, looking at it as a whole and then just your encouragement for younger people who want to make it in this business or in any business really for that matter.

That taking that risk is best, earlier the better, no doubt about it. Moshe, thank you again. How can listeners get in touch with you and learn more about you?

[0:24:00.6] MB: You can reach us at greyhillgroup.com. We're on LinkedIn, we're on Instagram. If anybody wants to contact me, my email is mo@greyhillgroup.com and we're always looking to making new relationships, multifamily, industrial or just to say hi and just become friends, so yeah.

[END OF INTERVIEW]

[0:24:20.1] 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]

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