EPISODE 976

[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]

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Whitney Sewell: This is your daily real estate syndication Show. I'm your host Whitney Sewell. Today, our guest is Jaimee Keene. Thanks for me at show, Jaimie.

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Jaimee Keene: Whitney, thanks for having me. I am a listener for some months now and happy to be a part of the podcast.

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WS: Yeah, thank you for being willing to share your expertise. Nominated as a woman of influence in 2019 by crew Denver as commercial real estate women, Jaimee has over 20 years of experience in diverse commercial real estate market, and is a proud mentor to young women who are making their way into the industry. Thank you for doing that, Jaimee. Jaimee focuses on the disposition acquisition of Office medical office industrial and mixed use properties throughout Denver. With specific expertise within Denver's Northwest and Boulder County sub-markets. She's an MBA graduate and a licensed commercial broker. Has earned the coveted MAI designation from the Appraisal Institute.

Jaimee, welcome to the show. I look forward to just the conversation, just with your background in this industry, so welcome and give us a little about that appraisal background, maybe what that designation means a little bit, and then how you got into brokerage side and what your focus is now, and let's dive into a few specific things that I know you're an expert in that's gonna help the listener...

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JK: Well, right, so I've been in the commercial real estate industry for going on 21 years now. I really got started on the appraisal side of the industry, after I graduated with my MBA, I went into commercial banking and learned really quick... That's not what I wanted to do. However, it did pick up understanding what credit committees go through an underwriting real estate, and really quickly to the classes that I needed to go out and become a commercial appraiser. I had to take a step back in order to do that, so the salary that I had as a bank was nice and cushy, but I had to leave that to step back and jump into an apprenticeship on the appraisal friend. But, I knew long term I had more upside in doing that and taking that step, but it was before I had kids before I had a mortgage. Before I ask some of those big life things that really get harder to take those text back as you go forward. So, I spent several years as an appraiser, moved up the ladder pretty quickly, before I knew it, I was managing appraiser, I had other appraisers underneath me.

At one point, I was the managing director here in Denver. I managed their launched and manage their real estate valuation team, their appraisal team here, that filed for bankruptcy, and unfortunately, my team was left really scattered. And so, I was able to find another national firm to move my entire team over, and we really just continue to do what we were doing. I had a book of business, I had a great team of appraisers, and over time grew that team, I ended up buying one of our competitors while I was at BG, we bought one of our largest competitors here in the Denver market, and before I knew what I was managing over 22. I... Praise, my job had really morphed into a management-intensive role.

I was getting and further away from the real estate, further away from the deal. I was underwriting real estate anymore, I wasn't writing the appraisals that again, it had morphed into really a management intensive... And I lost the joy. I missed working with property owners, I miss working with investors, I missed really understanding the deals. And so, I made a decision to get my brokerage license and I had to take a year off, I had a non-compete that wouldn't let me go because I reached such a high level in my previous company, in order to move on from them and keep my equity in the company, I had to do a non-compete. So, I did a gap year, some people do a gap year when they're 18 or 22, I took my gap year at 40. But during that time, I worked on getting my broker's license under my belt, spent some time traveling, reconnecting with my kids and jump back in in 2018 in the commercial real estate field as a broker.

And so now I help real estate investors identify opportunities and go out and make those happen, I've got investors look at all property types, and really coming out of the appraisal fields. I've underwritten multi-family, I've underwritten office at the portfolio as large as $65 million, multi-state portfolio and have done the little stuff too. So everything from single tenant and at least on through.

So, my real sweet spot now in the brokerage world is really working on office, medical office and industrial, those were the types of assets that I was really attracted to and really had fun on when I was appraising, so I've gone back to my core and then working with investors who are trying to invest in those categories.

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WS: Nice, Jaimee, what a background. And I wanted to touch quickly on you leaving the cushy job, as you said, with the bank to pursue that apprenticeship, and I look back in my own personal story and numerous times where it's like you have to make the hard decision. And it seems almost like a step back to most people and maybe even receive some criticism at that time, maybe by family or whoever, I don't know. But you could see a bigger picture there, I just... That you could speak to that just for a minute, to the listener who's thinking, “You know what, fixing have to make a hard pivot if they really wanna get into this space or maybe have to leave another W2 position that seems really good to most.”

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JK: Yeah, setting yourself up, making sure you can take that, take that step back. So, I didn’t have any car payments, I didn't have any debt, I really didn't have anything from holding me back. Yeah, the nice cause paycheck was nice. But what was I really doing with it? You know, longer term, I had goals to invest in real estate, and I knew the banking job, it wasn't gonna put me in front of those deals. I wasn't going to really be in the real estate world and meeting the people that I really wanted to meet unless I made that change. And so the appraisal option really helped me understand how to underwrite real estate. You know, my undergraduate degree was in finance and real estate, so I knew the basics from an academic standpoint, but academics are a little different than the real world and real world application, so going into that appraisal path, I knew I would really give me that first-hand experience to really understand how deals are put together and what it takes to cross the finish line.

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WS: Yeah, on one way that we briefly discussed before we started recording, just a way some investors are finding opportunities right now are through what's called a sale-leaseback. And that's something I know you are experienced in, and I just tell maybe some opportunities or many of the listeners as well. And I'd love for you to just discuss that, what that is, and how there could be some potential there for some buyers right now.

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JK: Right, so sale-leasebacks are situations where companies are selling their real estate that they don't need to move out of their facility. So, whether it's an industrial property or an office building, sometimes even doctors who are selling their facilities, who don't need to be real estate owners anymore. And really, we're seeing this in our market, in the Denver market in particular, where owners might have bought buildings for various reasons. Call it five to seven years ago, whatever it might be, and we've seen an incredible appreciation in our market since that time. And a lot of businesses get to the point where maybe there's not enough depreciation on that asset where it really makes sense for them to own their own real estate. Maybe they can use that money and deploy it to get that returns on that money instead of having that money tied up in their real estate.

So, what companies are starting to do now is we're trying to educate companies on the sale-leaseback option so that they can use their real estate as a tool, really among that equity, take advantage of the market right now without having to move, without having to relocate. And it makes sense for companies who don't need to move, obviously, if a company has a need to move on and I facility no longer meets their needs. Let's say all these back won't work, but for those companies who can stay committed to their space for 10 years, 12 years, 15 years, enter into a long-term lease, now investors have an opportunity to invest in that real estate, have a tenant in place who has a solid history, solid performance was taking care of the building as their own, because it's been their own facility and really knows that going forward.

So we typically structure those, those triple net leases so that the tenant, the legacy company who's still there will continue to pay the property expenses going forward, and that trickle at least rate is really what the investor gets to take advantage of for the long term. There's no let-up costs associated with that, it's not like buying a building and now you've gotta re-tenant it or put a lot of capital into it to secure new tenants, pay leasing commissions paid on, and improvements. That tenants already there, that lease is already done, so we're really starting to see a nice uptick in that type of activity right now. And it's a great place for investors to look for just stable cash flow in properties.

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WS: It sounds like a way for a current owner or tenant to really harness all the equity that they've gained over many years and then re-invest it and do different things. Because one of my questions in your answer to it is, what's gonna be the incentive? they already own the property, but now they're gonna be a tenant for most that wouldn't seem like something they wanna do, but for many, they may just enjoy being a tenant and now being able to use all that equity invested better like you mentioned... You mentioned educating companies on the sell-leaseback option. What are some ways even, say, find those ten owners and then also educate them on this option and how it benefits them?

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JK: So right now, I just joined a company called benchmark commercial, and they're very occupier-focused and tenant-focused. And so what we're doing now is educating our clients who we might have sold in that building five or 10 years ago, there are already clients of the company.

But now, it's a real, truly still working for them in the way that they intended it to when they initially made that purchase, and I referred to depreciation earlier. It's really a conversation that we bring in the CPA and we understand just longer term, it doesn't make sense. So, it's educating them, and it may not be the right scenario, it might not be the right solution in every case, but it takes a concentrated effort with their trusted advisors in their team, and we come in as the subject matter expert for the real estate component. We take in the consideration of what the accountants are telling them, and we just understand the big picture for them. And really what my background coming from the appraisal side of it is, “Hey, here's what you're building has worked for investor, this is what an investor will pay for it. Do we have equity there that's valuable to you? Do you need to buy new equipment through a manufacturing process, or do you need to invest in upgrading your software? What sort of investments do you need to make in your business without having to take on more debt? How can we structure this?”

And so, it takes a lot of concentration and an owner who really wants to understand if it's the right decision for them, but then we pair them up with the investors who are ready to make these investments in the real estate.

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WS: No, it sounds like you're great option for something and thought about if they have equipment, it's a massive expense for many companies, right? Just new equipment alone, and that could be a way for them to really get back on their feet and invest in other areas, but investing in their own company and getting new technology or expanding in many areas. Is there a few pros and cons, maybe for the current owner or the buyer that you're working with, that you're aware of?

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JK: I would say pros for the buyer, you typically have a piece of real estate that has probably been well maintained as they've been there as an owner, they've probably had to take pride in owning that property. On the flip side though, maybe they're not experienced and owning real estate and maybe things have been neglected, maybe the HVAC system needs replacement, maybe the roof, there could still be capital expenses, and so we also have, just like you would do in any real estate transaction, you go through a due diligence process. You have your inspectors come out and evaluate the system, and that all comes into play and most become negotiable between the buyer and the seller will enter those into the equation as well.

So there's still things that can crop up when you're working in these transactions, I think for cons from a buyer's perspective, you really need to understand the industry that that business is in, is that industry seeing some ups and downs. So it's almost like you're betting on a horse, you're betting on that company, you're putting your money behind them, they're gonna be in for a long haul, their industry needs to be on solid footing, they need to have a good market share within that industry. And so can things go wrong? Of course, and it can with any tenant. You buy any real estate investment and you have that risk of your tenant may not make it.

So going in with some sound underwriting and just understanding the business that will be there, that real estate, you gotta take that into consideration.

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WS: Are there specific asset classes that this works the best with or has been most successful, that you've seen?

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JK: Industrial... We're seeing a lot of industrial deals in this. In sale-leasebacks right now, office buildings are, we've seen corporate campuses go through the same. Companies are realizing that their money, their capital is better invested in what they do best. They can make a better return on their capital doing whatever it is they do, then they can have that capital tied up in the real estate.

So, if you look at a lot of national corporations, they're going out of the real estate game, they don't need own their own real estate anymore, they understand that they can do what they do better and have a better return on it.

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WS: Any other thoughts about just the sell-leaseback that the listener should know about him, or maybe they're missing an opportunity there before we move on to something else.

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JK: If you see the terms of properties, you know, brokers who are marketing these properties tend to be marketing them as sale-leaseback, it's a search term to make sure you're looking for. If you want to reach out to the brokers in your market, the investment sales brokers, and understand who is really trying to source these up, who's talking to the companies who own the real estate, forge relationships with those brokers, they're the ones in the know, they're the ones talking to the companies, they'll know what's coming online.

Some of the stuff gets done off-market, if you're tied in with a broker, you have a great relationship and they'll Fulton into some opportunities before they actually get to market. You've gotta jump on a scenario where sometimes you see competitive and the pricing gets that up because you've got a lot of hungry capital choosing the same deal. So, it was so few deals on the market right now, really good solid investment deals, it does get competitive out there, particularly in our market

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WS: For sure. Yeah, especially in your market. No doubt about it. What about maybe an example of where one of these have gone south, or any examples that you know of why something, at least our sale-leaseback didn't turn out as planned.

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JK: You know, I don't know of any scenarios where it hasn't turned out. There is a deal, I don't wanna break any confidentiality of anything in my market, but I am aware of one that sale-leaseback was executed several years ago. The company entered into, I think it was a 12-year lease. That company is now outgrown their space, and so they've recognized that their facility no longer meets their needs, their growth projections, which is great for that company, however, now they have a situation where they need to exit their real estate and so the investor who holds that investment now is, you know, still the least is in place. That company is still going to have to make good on a lease. However, now, he knows he's gonna have a vacant building at the end of this.

So that group is trying to find a sub-tenant, but the space is highly specialized, it's manufacturing and it's built out very specific for there. And so, at the end of this, the investor is going to have a specialized property with no tenant. But s, it still valuable real estate, and it could, it will still do okay on it, but those situations do happen as well, where companies exceed their growth projections I need to move on.

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WS: Definitely something to keep in mind. We're so worried about the tenant not doing well and going out of business. But here in that case, they did too well and outgrew it. But then also you brought up another great point there that the building is so tenant-specific. When they do move out, what do you have? Or is it like you said, it's still valuable real estate, but it's gonna be difficult maybe define a tenant to fill that space.

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JK: Right, or maybe you're gonna have to divide that space of, you know, it's a 70,000 square foot building. Maybe they'll divide it up into two or three smaller spaces more bit size for some of the smaller tenants that tend to be in this little sub-market. So you gotta be flexible just with any real estate investment. You're never gonna have the same piece of real estate, look the same and be the same at the end of 20, 30, 40 years and over time, things are going to change.

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WS: So Jaimee when you, you work with lots of operators, no doubt. How do you like to see to some of the best operators prepare or be prepared for a downturn?

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JK: For a downturn, you know, diversification. I really think we see different property types go through different market cycles. There's no magic to it, it depends on the amount of supply in a particular segment. Industrial, for example, our industrial market in Denver has been very strong, we've seen a lot of supply comes online, and so now where rents had been growing it... Call it five percent a year. Now, those rents, if you're underwriting a deal right now and you're plugging in 5% gross factor for rent, that's probably not going to happen. So, really understanding kind of bigger picture or new market, but if you're diversified as you're savvy real estate investor and you've got a little bit of industrial, a little bit in office, a little bit of medical office or multifamily, those are all of them going to hit different keeps and balance at different times, and so you're trying to even that out, so when one segments doing great, you might have another segment that might be a little sluggish, but they're going to even out over time.

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WS: Yeah, it's something to think about, especially for the passive investor, what type of asset classes are investing in. What about, do you see the predictions that you have over the next six to 12 months just in the real estate market?

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JK: Yeah, watching real estate interest rates closely, you know that's always... Capital is very cheap right now. But I think we're in a bubble with that, I think we will see interest rates start to rise. The lenders that I've spoken with are encouraging their groups to re-capitalize right now while they can. Or if we're looking at purchasing, trying to take advantage of the low interest rate environment. No one really expects us to last forever, and I think we will see an uptick in that, so as capital gets more expensive, we'll probably see some adjustments to cap rate accordingly as well. So yeah, just keep an eye on interest rates.

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WS: And is there a specific place you can watch interest rates? Where you're tracking it?

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JK: I personally do not track them in any one place, I have relationships with several lenders and interest rates, they change whether you're doing reporter, non-recourse, every deal is going to require a slightly different structure, your amortization, the amount of capital that you have in to invest yourself in those, those things will all affect interest rates in a particular deal. So, I just stay in touch with my lenders, I ask them what they're seeing and, “Hey, tell me about a deal that you wonder out recently, where the interest rate land on that, and why did it, how did you underwrite it there?”

And there's so many elements that go into a particular deal, so what somebody might get for an interest rate on one deal will not necessarily be the right, that structure for another. And it's just really having those relationships with your lenders that can keep you informed as you go.

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WS: We do the same thing. I just wondered if you had some kind of special websites or where you can see things like that. I'd like to ask…

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JK: You might be able to see trends, but I don't wanna set anybody up for expectations, Oh, I get a 385% interest, right? When they really probably can't do better than for four, given their certain circumstances or property type or you know what, it just really, really depends.

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WS: That lender relationships’ crucial. Anyway, so reach out and to have an excuse to talk again. Jaimee, do you have any daily habits that you are disciplined about that have helped you achieve success?

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JK: I make a point to really nurture my network. And so, I'll reach out to somebody on a daily basis. And whether it's “Hey I saw something funny and I thought of you,” or, “Hey, let's talk about a recent deal.” So, when I say my network, these aren't necessarily client or target clients, they're my referral partners, and then they’re my lenders, they’re my brokers. You know, a lot of brokers, I wanna hold their information close to the chest, and I tend to have really robust broker relationships. I wanna know what other people are working on, and I wanna be able to refer my clients that I can't help to other brokers, I wanna understand what their strengths are. I make it a point daily to just have a touch point with somebody in my network and just say tune in.

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WS: Incredible. Yeah, there's daily consistent things like that. Right. They help build those relationships. And you never know where they're gonna go. What about your best store for now for meeting new investors or new buyers and people like that in the business?

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JK: Honestly, referrals, I was actually looking at my numbers recently, I had a record year last year, I was a top performing producer in my company, and I went back and looked at every single deal, and it was a pandemic year, it was the year that I thought, “”man, I'm not gonna make any money, we're not gonna get anything done, and wow... I surprised myself, but I looked at every single one of those and started tracking where did they come from, and over 50% were referrals. They were either referrals from my network or referrals from clients that I worked with in the past who had referred me new business. So, it really spoke to me that I need to really nurture my referral network and just my network in general, because I'm getting a lot of business from folks who know me and know what I'm capable of.

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WS: Awesome, I think it's incredible to start getting referrals like that and seeing that happen in your business, and it says a lot. It makes us feel good. I know that for sure, but it's incredible to head to track it, make sure you're tracking it, otherwise, you don't know what to focus on. But also another point you mentioned there, I focus on the network you already have, and you already said that once, like how important that is, it's a consistency of reaching back out, but nurturing the network that you already have, the email is... People are so focused on like, grow, grow, grow, but then we forget about this growth we already had back here, not doing anything with it, that could be a lot of value there. But what about the number one thing that's contributed to your success?

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JK: The people that I surround myself with, I foster that network. And it's funny, when I was an appraiser, I didn't think about network, I honestly didn’y, and I was more wonder and praise, are you kind of in the commodity business, if you will, you're just to check the box, your appraisers there because they have to be... The lenders required. So I didn't realize I love people, I'd always stay in touch. I'm a natural curiosity for deals and people and what they're doing next, and so when I moved over to the brokerage side of the business, I looked at all the appraisals I had done for the last three or four years, and called every single one of those property owners who just said, “Hey, I'm making a change. This is what I'm doing now. I'm familiar with your property and person in the past, what are you working on now, what's next?” And so that natural curiosity of How is a real estate doing, how are they... What are they moving forward with? I basically started nurturing a network that I didn't even know that I had. So, again, it's just the power of... Of the people you surround yourself with.

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WS: How do you like to give back?

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JK: Right now, I'm on my third year of mentoring for free, commercial real estate women, our mentor program here in the Denver market, so I get paired with... Every year I get paired with a young woman in commercial real estate who is really trying to get her career launched. I've been fortunate the last three women that I worked with at all come from out of the market, so they come here to Denver, they don't know anybody, they're just trying to get their feet underneath them, and so I basically open up My Rolex and make introductions for them and help them get grounded here in our market and really help get their careers kick off.

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WS: Well, what a great way to get started. Man, that's incredible. With this crew, Denver commercial real estate women, I hope there's other networks like that in other cities too, or for guys as well, 'cause that's incredible… just to come in and get to work with someone like yourself.

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JK: Men can be members of the crew, we do have several gentlemen who are a part of our organization, we don't discriminate, all are welcome to. You men that aren't too intimidated by a room full of women, we welcome them in and they actually get a lot of attention. It's like, “Hey, they're allies.”

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WS: Cool. Well, thank you for sharing that, Jaimee, I appreciate just your time and sharing, being willing to share your expertise and really even focus on the sale-leaseback option, 'cause that's not something we hear about on here very often. So it's great for the listeners and myself to just hear somebody that's experienced in that, and hey, maybe some deals over here with this other type of option that you should be considering, and so I appreciate is you being willing to just share a pros and cons about that from both sides of that coin... Whether it's the tenant or whether it's a buyer, but how can the listeners get in touch with you to learn more about you?

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JK: So I am with Benchmark Commercial Real Estate. My email address as jaimee@crebenchmark.com. I'm on Linkedin, Jaimee Keene, J-A-I-M-E-E. Last name is spelled, K-E-E-N-E. I'm on Facebook as well. And so I'm pretty easy to find if you Google me up in a lot of social media place.

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