

EPISODE 1060**[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]

0:00:01.6 SR: This is your daily Real Estate Syndication Show. I am your host, Whitney Sewell. It's that time of the week again where my business partner, Sam Rust, takes over the show and interviews our guest. I hope you enjoy the show.

0:01:13.9 SR: This is your daily Real Estate Syndication Show. I'm your host, Sam Rust. And I'm happy to be joined today by Adam Gilbert. Adam is an entrepreneur and real estate investor, specializing in value-add entitlement deals, he began his career as a civil litigation attorney and quickly found his passion in real estate as president of the firm commercial. Adam leads a team of agent specializing in commercial real estate sales, leasing, land acquisition development, government relations, and value-added entitlement deals, and based on your LinkedIn profile, out of about four or five other things that aren't even listed in your bio... Welcome to the show.

0:01:12.7 AG: Thank you so much for having me. Yeah, I get around this. They would say.

0:01:17.7 SR: It's fun to be able to pursue multiple interests in real estate is kind of the nexus of so many different things, so maybe we can start there Adam, you started at your career in the civil litigation side as an attorney, and now you're in real estate, you own a brokerage house, could you just share with audience a little bit about that transition, and then how being an attorney has given you an advantage in the real estate space.

0:01:42.4 AG: Yeah, definitely. So I never really knew about real estate, never really had intentions... My family is a group of attorneys, my mom's side as a small business locally as well, but I was always gonna be an attorney, that was the plan, went to college with intention of going to

law school... I went to law school, moved back home to Palm Springs to take over my family's law firm, and then in California, when you're an attorney, you can sit for your broker's license with no classes or anything, so I was like, okay, and I'll just take the test and have another license, it'll up 25, I'll make me look more accomplished and good. So that was about 2011, 2012, so just right after the major collapse of the US market, and so I have this broker's license and I do this deal on the side just representing someone on the purchase that are gonna flip the house, and I gotta check for 20K for representing them, and it took 10 hours of work, I'm like, This is like a quarter of what I'm getting paid as an attorney, and I did, I did 10 hours and I was just like...

0:02:38.3 AG: That was when the lightbulb sparked, I'm like, Oh okay, let me look more into this, and then I just did a deep dive into all aspects of real estate investment development, but that was really the catalyst was just like the dollar signs.

0:02:51.6 SR: It is amazing. In real estate, you can create so much value without that much time spent, and especially if you're tied to the transaction side as a broker, there's projects where you put in 100 hours and you don't make anything, so the variance is extremely high, but it's fun to have your first experience be such a positive one...

0:03:09.7 SR: Exactly, and that's why the compensation structure is that way, because there are so many opportunities where you don't... But if you get really good at closing, or if you're in a good market like now, and everything's closing the opportunity to make money while you learn from other people, and that's what I've really done is that I've aligned myself with some amazing clients who know much more than I do, and they've taught me things as I've represented their interest as well, and the ways that I can... It's been an amazing tool to gain knowledge in the sector, so you started... You get your degree back in 2011-ish, start practicing law, then you started the firm commercial in 2012, was that just you hung out a shingle and that's how you got your first deal, or what was the process to start your own firm?

0:03:55.7 AG: Yeah, and it's gone over a couple of different name iterations over those years, but yeah, pretty much just handing and started doing some general marketing and just started doing deals, and I started just doing whatever came in small... At least in California, single family homes around 300000. And then just was taking the deals that other people didn't want, I just learned and went to that process, and now we've got a ton of listings that are in the tens of millions, a total combined gross volume, but you just start at the beginning and you take it from there.

0:04:27.0 SR: So you now do more than just act as a brokerage, you're a full-scale investment advisory firm, in some senses, you have your own deals, you're also listing your leasing, but you also mentioned as part of your bio and in our conversation before, and that you love the value-added entitlement deals. I'm not sure what that means, I'm pretty sure a lot of our audience doesn't really know what that means, could you expound on that a little bit, why you like them and why there's opportunity in this niche?

0:04:53.8 AG: So I mean, I love value-add deals, just regardless...

0:04:58.8 SR: Magic words right there.

0:04:59.8 AG: Exactly, if you can put some work into it and take a little bit of risk, you could just make more money than you ever could on an hourly basis, or just putting in anything, but in regards to entitlements, that's even a sector that even less people know about, and thus, there's less competition, especially in my market here in Palm Springs, but the ability to either... And so the projects that I've mainly done are zone change deals, so acquiring a property or putting an option on the property and then getting us out change to a higher and better use to allow for our value-add creation there, or taking a big and parcel and then getting the entitlements for a drive-through approved, for example, because everyone wants to drive through, but it's really difficult to get it approved to the cities and go through that process. So if you can go through that process and you could take a vacant parcel of land that's 300000, but go through the entitlements, invest 100 grand, that bag and personal land with entitlement, you could sell to someone else, a developer or a company for 900000 or a million dollars, so those are opportunities that on a side deal, that's not your day-to-day to really create a lot of value without...

0:06:07.5 AG: It's a little bit more on the risky side, but without the day-to-day grind of having to turn out a bunch of houses or commercial properties as a broker...

0:06:23.5 SR: Sure, so in that sense, you're taking... In the example, you used 300000 to buy the land. Another 100 to get the entitlements done, and then maybe it's a two, two and a half X upon exit, assume you... You get the entitlements, that is a somewhat risky process, and I don't know much about Palm Springs in their city and how favorable they look upon development, but I know that California in general isn't all that favorable. What steps do you take to kind of ameliorate your risk when you're looking at one of these deals where you see the potential of what this property could be, but it's a matter of convincing your best friends on the City Council to see that same

vision.

0:06:51.9 AG: I try not to do deals and Palm Spring, 'cause my wife is actually the mayor, so we try to avoid that as much as possible. But when you are in a city like Palm Springs or in the nine other sister cities here on their Coachella Valley, understanding the different levels, and typically what you do is you'll submit your project to the planning staff, and then they'll give you some feedback of whether or not they're gonna support it.

0:07:16.9 AG: And then it usually goes to Planning Commission, which is a group of five to seven members typically on and talk to them, or you can watch the meetings and kinda see what they're improving and what they're not... What they're looking for, and then taking up to the City Council, you can find out and have an idea of the projects that they wanna see and in their town and what they don't, so you can actually take out a lot of the risk by one taking the information that is available, and then to ask, sitting down with them, trying to find out that information or just leading from the conversations that they're having with other projects as to what's going on, and secondly, the biggest thing and the biggest roadblock for entitlements is often neighbors and so I in Palm Springs, for example, we have an organized neighborhood group about 45 recognized neighborhoods, and so... For my last project, I went and talked to them and said, Hey, this is what I wanna do. Now, is this what you wanna see, or What are your concerns? And then if you can get there and not only present your project but gather 10 to 20 neighbors who are supporting it, you're gonna have a much higher likelihood of success for your project.

0:08:22.9 AG: So it's not rocket science, it's just kind of knowing what they want to see and providing it for them.

0:08:29.6 SR: Yeah, real estate really is a team sport. We say that a lot of time in our side of the world, and we're dealing a lot with existing multi-family, and so for us, the team is maybe your accountant in your CPA, your attorney, and your investors, but with you, you're broadening that out to a whole another level, government relations, neighbors, all of those things, development certainly has more upside, but also it requires pulling together a lot more stakeholders to get something off the ground.

0:08:55.0 AG: I think real estate development, at least ground up as we're discussing, is like the ultimate entrepreneurial concoction because you have your sales of buying the land and then you have your creativity in the architecture and engineering, and then you have, again, kind of sales,

but governmental relations in terms of getting it through the council, and then you gotta build it, so you're dealing with a construction people, and that's a whole another thing, and then you gotta sell it again, and so there's so many different aspects to it, and it's really about being the orchestra leader of all of these different groups that you have to bring in, which is what makes it so risky because one, it takes a long to... It's so expensive, especially here in California.

0:09:34.6 SR: So when you're looking out at the landscape, Adam, you have a lot of different revenue streams, you're at a point in your career where you can explore a lot of different things, how do you decide what you're going to pursue? Accounting for the opportunity costs, you can put more time towards your brokerage, you can put more time towards these development deals on your own. How do you make those decisions?

0:09:54.3 AG: Yeah, so part of it's gonna be the market itself, and so if I'm making educated guesses as, Hey, we're at the end of our cycle here, maybe I'm not going to get into a crazy high-risk development deal, I'll try to offer that with maybe a short-term six months to a year program where I can get in and out, but a lot of it is following the opportunity and then also just doing what you like, and then at some point this last year has been kind of crazy, especially on the broker side, so things that are difficult. I push off, so if things to just kind of fall into place and they're easy, I was just pursuing a dry venture deal, and the guy who I was gonna do it with started being really difficult, and I'm like, Okay, you've made the decision for me, I'm out. And so just kind of following the trail of the path of least resistance has been successful for me.

0:10:44.7 SR: One of your other ventures back from 2015 to 2018, you co-founded a vacation rental management company in the greater Palm Springs, Palm Desert area. It's like the second home for Airbnb, I know it started in San Francisco, but it quickly migrated south, and I think the Airbnb model is super fascinating, especially for folks who are trying to get into real estate investing, it provides higher cash flow. Would not maybe quite as much upfront, if you're trying to step into a syndication right away, could you share a little bit about your journey in that space, and then where you see it moving going forwards in a post-covid world?

0:11:20.1 AG: Definitely, definitely. So I stayed in my first Airbnb, we were... Did a summer in New York, and then we went traveling on these costs, I just stayed in someone's room in 2011 right after like... Oh, wow. The platform had launched, I did it with my then girlfriend now wife, and she's like, We're staying in someone's room. I'm like, This is awesome. This is crazy, this is gonna be huge. So as soon as I move back to Palm Springs, which has had an active vacation rental market

for 50 plus years, no one was on the platform yet because everyone had their existing kind of mom and pop paper companies, and so I just started saying, Okay, I got a broker's license, I can do this. And so we put a couple of condos up and compared to long-term rents, they were making three times, four times on a short-term basis. So I just kind of figured it out as I went along. I had the handyman, the maid service, and once you got it figured out, you can start adding more, so I just started adding more and more. Brought on partners, added staff, and we got up to 35 homes between Palm Springs and Indio, which is kind of like operating a 100-room hotel, except all your rooms are separated and you got 35 pools, and it was a lot of work, but I highly recommend on a small scale basis, once you get up to four or five, then you start having to bring people on, but anyone, but I think could manage four or five on their own, but it's a great model, as you said, it's easier to get into...

0:12:45.9 AG: You don't have to do commercial financing, you could just do regular residential financing, and as long as the market's riding, you got a home that matches what people wanna rent, it's an incredible opportunity to generate income.

0:12:57.1 SR: So this might be a little bit of an arcane question, Adam, but you start to do an Airbnb when it was the complete wild west, and we knew what it was, this idea that you could couch serve seemed really sketchy, especially to anybody that's older than you and I... And now it's a fairly regulated industry, especially in California, how did you navigate the changing bureaucracy around that model and did that leads you to sell the business in 2018?

0:13:23.0 AG: That was part of it, was the changing kind of regulatory aspect of it, and even in the last year on the Coachella Valley, of the nine cities category, Rancho, Palm Desert and the keto have now either outlaw vacation rentals short-term in R-1 or 2 zones or put a moratorium on new permits, so I kinda saw that coming down the path, it's still a very profitable business on a management side, because managers typically charge about 25 to 30% of gross rents, which is very high, which is why I was into the business in the first place, but yeah, it was the Wild West, and you just kind of figured it out as you went along, and as things changed, you adopted new policies, but Airbnb has now become the Kleenex of tissue paper. People are like, What are you doing? What we're doing in Airbnb, that's a company, right? That's not a way to travel, and I think 71% of millennials, if they're traveling, the first place that they're gonna look for lodging is like an Airbnb or Vacation Rental model. So I think it's definitely here to stay. And as long as you can get through the regulatory aspect and some of the risk inherent in that, I think it's gonna be a profitable model for people on the management and investment side going forward.

0:12:57.1 SR: So if you were to give advice to somebody who's looking to break into real estate, they kinda like the idea, they're okay with putting in some hours because it does require a little bit more time, it's definitely not passive income. Do you have any tips on how to get started beyond just living in the right market or being willing to invest in the right market?

0:14:51.8 AG: Yeah, so definitely pick what market that you're gonna wanna be in and then find out what that particular traveler is looking for, so in Palm Springs, it's all bedrooms, it's a pool, it's nice finishing in Joshua Tree, which I represent people to a bit of a different traveler they're gonna be going to the national park, they're looking for isolation and seclusion, and they're looking for a little bit different style, so try to figure that out, there are lots of really good sources to determine what revenue places, different types of homes are generating, bigger pockets air DNA are really good resources for people who are looking to jump into that sphere, and then always feel free to reach out to me even if it's a different market for just basic principles.

0:15:33.5 SR: Fantastic, thanks for sharing that with our audience, you've mentioned on a number of times, You're in California, you're in the Palm Desert, Palm Springs area, that's not necessarily where a lot of people are flocking to invest in real estate. I think California in general, has a little bit of a black eye, but usually when the public perception sours, that doesn't mean that the whole market is bad or you should throw the baby out with the bath water, they're often... Is it silver lining for the folks that really know that market, why do you like investing in those areas beyond the fact that you live there and you figured out how to overcome the desert heat?

0:16:07.5 AG: Well, I'd say number one is just ignorance, I don't know any better. This is my market. This is what I know and I'll find deals here. It's kind of the same way I talk with old Tico real estate developers. Like we used to be able to make a 100% and it's so expensive. Now, I'm like, I don't know those days. So all I know is what we can do now, and so I'll just put blinders on and do that, so I think at any market you could definitely... There's always opportunities, and the ability to find deals, I hear some of the numbers of people who are like buying houses in Tennessee for 70000 and they're making 1000 a month on rented or whatever. And I'm just like, Wow, that sounds awesome. I should look into that, but for me, at least right now in my career, the ability to just go and feel the building, know what's happening in the city, and know what's happening on the regulatory front, it's important to me, and there's still definitely opportunities to make money.

0:16:07.5 SR: As you look across the landscape, and you can make... This is micro market or as

macro as you want, but what's the biggest risk in commercial real estate, really in real estate in general moving forward, if you look at the next 12 to 24 months, in your opinion...

0:17:13.2 AG: Yeah, I think the biggest thing is just like a macro change in the market, whether it's a stock market crash for the impending effects of the eviction moratorium and lack of foreclosures that are hitting the market, we just don't know what that's gonna look like as these policies either from a national state level roll out, I think starting September, at least here in California, is when a lot of that will happen. But at the same time, there's a huge urgency to get back out of the house and go, and so at least on my commercial buildings, I'm getting calls from people who are bullish to open up businesses and move forward, so the biggest thing is just risk... I would just say if you're gonna do any project just to make sure you have enough capital to hold for four to five years if need be, make sure you have a good enough cash position or access to credit line or something to not get over your head on any asset. Yeah.

0:18:11.2 SR: I think the number one thing we tell our investors is, how can you lower your risk by having enough capital to forestall anything foreseeable, you could always have been... Forbid have a condo slide into the ocean, like what just happened in Miami, but barring something cataclysmic like that, making sure that you're bringing enough capital reserves for a normal event, then you can write it out whether it's covid or whatever comes next. After covid, there's always gonna be these black swan events and leveraging yourself to the hilt or running everything at the razor's edge, you may make a little bit in the short run, but in the long run, it's a good way to get burned...

0:18:45.8 AG: Definitely, and leverage is the key to growth, but no one ever lost everything by having too much cash on hand.

0:18:54.2 SR: It raises your floor considerably, yes, that to how are you increasing your deal flow these days, it's a little bit different as a broker than may be a traditional investor, but you're trying to find deals in a lot of different markets and a lot of different sectors of those markets, what are some of the things that you do to increase deal flow?

0:19:12.6 AG: I just have a huge kind of presence also for media, how to be a leader, at least in my micro-market here, and knowing that I am the go-to person for people who are coming to our area, but outside of deals, it's really just being present again, I do my social media and my videos and my post that because any direct post is have an immediate return, but it's just being front of mind with people and be like, Oh, I see Adam every day when I have this new off-market boutique

hotel, we should like, Oh, Adam, I see him every day. So just being present and social media is a great way to be able to do that, that's non-invasive as I hate cold calling, it works, but I think a... At least a lot of times, it becomes warm because if you follow up people on social media, they follow back, and now you've got this digital relationship at least, and so that's how I've been able to kind of use my youth in the market to be successful.

0:20:14.9 SR: Do you utilize any paid social media marketing or is it all organic content that you put out yourself?

0:20:21.9 AG: You gotta do paid and targeted your on general network is gonna be fine. Luckily, I've got a specific area that I'm targeting and specific demos that I wanna hit, but every single dollar that I've ever put into paid advertising has come back, at least fivefold.

0:20:37.7 SR: You mentioned obviously, ROI on your marketing stuff, you're being very consistent on social media, I assume you don't sit down every day and as part of your daily routine, crank out a social media piece, are you batching those, how do you come up with your cohesive marketing strategy?

0:20:52.4 AG: Definitely at this point. So I have a full-time operations person on a full-time marketing person, and I have a marketing company that I use, and so the marketing person's whole job is to follow along on our Slack channel for our firm and figure out what's going on and create ideas and pre-content to give to them and they create the media and then put it out in this chart of the actual paid advertising. So it takes a team, I'm best calling people, following up on deals, closing deals, and that's... Again, there's 10 an hour or 50 an hour work in a 1000-hour work, and I do everything that I can to delegate to different levels of what I need to do so I can constraint on the high return activities makes a lot of sense. There's some folks that bring all their marketing in-house, particularly as they scale.

0:21:39.6 SR: But then there's some even businesses that have scaled pretty significantly that bring on marketing agencies. It sounds like you have kind of a hybrid approach. How did you land at that point? And what has worked in your estimation when you're looking at either all in-house or all external...

0:21:53.1 AG: Yeah, it's hard to say. I think for me, getting someone at the level that I needed for my brand purposes in-house would be prohibitively expensive, at least at this point in my company,

and so the ability to outsource and have someone in-house that can put everything together and make it easier for that marketing company, they have a number of accounts and their experts in paid marketing and tracking ad programs and all that kind of stuff, that's just been the formula that works, at least for me right now.

0:22:26.3 SR: Well, Adam as we're getting close to wrapping up, what's the number one thing that's contributed to your success up to this point.

0:22:31.7 AG: Working a lot...

0:22:33.7 SR: What there's no free lunch?

0:22:35.6 AG: I always say success is time plus effort, the more effort, the less time, the less effort, more time it's gonna take. So it's a lot of things, but also just being ridiculously honest has been... Come back tenfold when you mess up, make it right. Pay the difference if you do. People are gonna remember that 10 times more than if you can hide in the fact that you did anything wrong in the first place, again, just treat people right, do right by them, Don't be greedy in the short term, and then long term, it should all work out.

0:23:08.3 SR: Awesome. Well, I really appreciate you joining us today, Adam. If our folks that are listening to a podcast, they wanna get in touch... How can they reach out to you?

0:23:15.1 AG: I'm on all social media platforms. Typically on Adam Gilbert13, that's Adam Gilbert13, that's Instagram, Twitter, Facebook, or you can go to my website on AdamGilbertEsq.com, or TheFirmcommercial.com, and you can check out the whole team and all our listings and everything like that.

0:23:33.2 SR: Fantastic. Well, thank you to our listeners for joining us on another episode of the real estate syndication show. We appreciate your time and have a great rest of your day.

0:23:43.2 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.

[END]

Thank you for choosing Scribie.com

Cross-check this transcript against the audio quickly and efficiently using our online Integrated Editor. Please visit the following link and click the Check & Download button to start.

<https://scribie.com/files/3062cf6167b74a1d9f8e3966f892367cae3bd018>