

EPISODE 1284

[INTRODUCTION]

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(Michael Feldman) MF: And so that's really what I'm looking for is, do they like them? And do I like them? Because if three or four of us meet the person we all like the person, probably the clients will like them, their colleagues will like them. So, I look for number one, likability. Number two, I look for intelligence. It's the kind of industry where you have to choose between experience and intelligence, to me, that's an easy decision. I'd always take smarts, it's like in sports, they say you can't teach size or speed or whatever, you can't teach someone how to be smart, if you get someone who is likeable and smart, they can gain experience.

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Sam Rust (SR): This is your daily Real Estate Syndication Show. I'm your host, Sam Rust. Joining us today is Michael Feldman, who is the Co-founder and CEO of Choice New York Companies, which provides an array of third-party real estate services such as property management, building staffing, and residential brokerage on medium to large scale buildings in New York City, real estate capital of the world. Michael focuses his day-to-day activities on business acquisitions, brand awareness, staff recruitment, talent retention, and client advisory engagements. Prior to co-founding Choice New York Management, he was a managing director at AFC capital, a boutique commercial real estate investment bank.

[INTERVIEW]

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SR: Michael, thanks for taking the time. Welcome to the show.

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MF: Thanks, Sam, let's go.

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SR: So, I'm curious, Michael, a lot of folks get into real estate through different paths, but as I was expanding on your bio, you started in commercial lending or just in lending in general, and then moved to property managed property management is known, at least in a lot of the multifamily circles that I'm in is a very labor-intensive business that maybe doesn't provide the same return as being a principal. I'm curious why you made that shift? That's not a traditional shift that I see at someone's career path.

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MF: Yeah, well, I actually, after college, lived in Los Angeles for a few years, and I was in the movie business behind the camera, doing location, scout location, managing on major, major films, mostly for Sony. That's a lot of logistics. It's what I would term high volume task management, and to me, if you look across the array of various services out there on the real estate side of things, brokerage, mortgage brokerage, development sales, certainly, you're right, property management is the least sexy. But when I was out in the movie business, got the chance to at least meet and get to know, I got to meet probably half the US stars and got to be friendly with a few of them, and the wealthiest person I ever met by far out there was in the parking lot business because you needed them to rent up spots and this guy dressed like a total slob, as we would say here in audition, New York, and it was worth about 4 billion bucks. The sexier the business, the more competition. So, from my standpoint, the movie business in LA, the real estate business in Midtown Manhattan, those are two pretty sexy businesses, which when you get into the weeds, of course, has a very little glamour like every business, and so I just like the idea a little less competitive space, but it was sometimes a little naivety is good because it is actually there are some very formidable competitors here in New York and nationally, but especially as you scale up, but yeah, that was part of the thinking.

And mostly though the truth is, that's all kind of a facade for the fact that I had been laid off in 2008, after Lehman and the CMBS mark. Really doing, I was flying out around the country and signing small limited service hotel years up, and they thought we were in New York and we would sign them up and then just forward emails from Midtown to Wall Street, and that worked great until it kind of imploded, so we, I found myself sort of at the epicenter of the CMBS great recession of 2009, I was a young guy getting married and stuff, and so I figured I'd better do

something else, and property management to me seemed like a good attractive concept for what I just described. Yeah, I guess it worked out.

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SR: I was wondering about that. 'cause you started your company in 2009, spring of 2009, necessity is the mother of invention. You're trying to figure out how to provide for your family, what was that like starting a property management company right after Lehman Brothers in New York City, and what was the growth trajectory? Obviously, the business is pretty substantial today, aboard 13 years later, it's rarely linear, at what point did you start gaining traction?

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MF: Great question. I mean, there were certain, certainly inflection points along the way. It's not linear like you said, but I think to your first question, one thing that happened in general, broadly speaking with the property management spaces, when I would go on proposals in 2010-2011, people would say 3%, 3%, obviously, the numbers are a little bit bigger here. So why would I pay 3%? Just all you do is deposit the checks, pay the bills, and I'll answer a few calls from tenants, there's nothing to it. Now, you never hear anyone say that because it's gotten so much more complex, so much more financially oriented, the expectations of the consumer are higher than ever as they should be, and just harkening back to the early years of the industry of property management sort of was born in the 1960s with the third party, it's really, It used to be the proverbial fat guy with some ketchup and mustard on his white t-shirt living in his mother's basement with a mop, and it just continued to from those early beginnings to becoming a more and more professional industry, technology certainly been a major enabler of that.

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MF: But yeah, in terms of the growth of our business. It was really tough. That's the short version, I guess I could expand, but really tough, but just kinda stuck with it, and a lot of times I think people quit too soon, whether it's personal or professional, and I just persevered and ups and downs, and sometimes you go two feet forward, some days, you go a step back. It was painful 'cause I hadn't had, I wouldn't necessarily endorse doing it the way we did it, where most people come from a large property management company, they have technical knowledge, I didn't even know how to bake the cake, and so that was hard, but positive on that is that you learn how to do

everything yourself. So you're done, and there's a certain kind of intercom that comes from knowing you didn't take any shortcuts and you kinda took a long way, but there's a comfort in that.

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SR: You take your lumps as they come, but sometimes naivete is helpful. I know you alluded to it earlier, it's helpful to not know what you don't know, you also don't come with pre-conceived notions, and property management has changed a lot over the last 13 years. I think it's gonna evolve even more over the next five as technology continues to integrate in. You mentioned something that I wanna touch on a little bit further. Persistence and perseverance, those are two really key attributes of any entrepreneur that's gonna be successful, because there's going to be difficulty, it's never gonna be a straight line from beginning to end, what do you attribute your persistence or company's success in overcoming those obstacles to. Are there habits that you have personally, is there ethos that as an organization you tried to foster? What led to that continued grind?

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MF: I think a lot of it is born, not bred to be candid, where I see it here with our staff and some ambitious people who worked here, and now I call them my boss 'cause they're doing real estate development, and it's great to see. It really takes a lot of pride in their growth. I don't even think you have to be passionate about what you do or really love what you do. To be candid, I've never loved real estate, but I love running a business and I'm passionate about being successful. And I think if you're passionate about being successful, that's where the perseverance comes from because otherwise, it's tough. I was getting up, I don't do this anymore, but for many years when the business was, there was a question whether it was even sustainable, I would say the first eight, nine years, 2015, we lost one. I mean so, I think, if you're getting up at 5 o'clock, 5:15 in the morning every single day. Sometimes I'd sleep in till 5:30 on my alarm so that when it goes off in the morning, the first thing I would see, it would say a message, so if I was stressed out about Sam, it would say "Solve Sam." And so, whatever the biggest problem was (inaudible), whatever the proverbial phrase you wanna apply, I just tried to attack the problems and start with the big problem, and I was about my competition and what they were doing, and if they were up earlier than me, those are the kinds of rumination that help compel you to, I trained my bladder to not

have to use the restroom for 12 hours straight. My wife would cut my food for breakfast, lunch, and dinner, she'd breakfast, lunch, and dinner, cut my food so I wouldn't have to spend time cutting it. It's Midtown Manhattan, New York City. I didn't have any money, I didn't have any relationships, I didn't have any experience. I didn't have any business plan other than to just provide great service, so how are you gonna make up for that? Everyone's smart, everyone's formidable, everyone's super well educated here, so it's kind of the major league, so you have to find a competitive edge, and for me, that was the property management side, first and foremost. I knew if I work longer than the other people, and I know that doesn't sound, you know, I just think there's a big gap between most entrepreneurs, real entrepreneurs, what it takes to be successful in what your sort of the national perspective is on what an entrepreneur is. The real entrepreneurs, people don't see those hours, they just see them out making a speed or talking on some podcasts, that's not where the rubber meets the road, I guess you could say, to me.

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MF: I think there's this idea from a lot of mainstream business literature that, hey, entrepreneurs live the best life, their freedom, flexible, all those things, and think even of books like Four-Hour Work Week and not diminishing the concepts that are in that book, but at the same time, it seems like there's almost a shift away from the valuing of just really hard work in many ways, there isn't a shortcut.

0:09:59.5 SR: I mean, it's obviously, those books have to be provocative, right? Otherwise, how are they gonna sell? So, if you call it the 40-hour workweek, it's not very sexy, and Tim is obviously, I've listened to the book, I've read the book, From Good to Great, there's always something I take from all those books, but from From Good to Great, it was like getting the not just the right person, the right person in the right seat, I've seen that play out multiple times where you have the right person, they're just not in the right job, and then you move them into the right scene and all of a sudden they go from floundering to flourishing. Four-Hour Work Week, his business was software. That's good for him. I'd love to have a software business, but it wasn't where I ended up, the property management business is a time-intensive business in general, and you throw it in New York real estate, third party, a lot of smaller buildings to start a growth company during a bad economy, doing multifamily, that's quite a cocktail for a lot of hours.

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SR: You mentioned that you've had multiple experiences with an employee that was in the wrong seat, you move them and they go from floundering to flourishing. Do you have a story that you could share that dives into that a little bit?

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MF: I remember this woman call, she ended up going marketing for one of our clients for many years, which worked out nicely for both parties, but she was struggling and then all of a sudden, within a very short period of time, two or three weeks, she seemed like a different person, and we had moved her laterally, and you also hear the same thing, people say, "Oh, Nicole can solve that problem." That's something I always tell them, particularly, people, can't say young people, but people earlier on in their career is you don't have to worry about getting credit, the recognition. If you put your head down and focus on that, what will happen, invariably is the following. First, you'll know you're kicking butt because who's gonna know quicker than you will, then people you work with closely, we'll start noticing. Sooner or later, the cream always rises to the top. You may not be on your timeline if you're an ambitious young buck or doe, so to speak, but it will happen. When I was in the movie business, we meet people, they would say, you know, I just need one break. I've been acting for 20 years, and I can't catch a break, and then I'd see them audition and be like, oh gosh, they're a total dearth of talent that the reason they can't catch a break is 'cause they're not good, and then you'd meet someone and they'd be humble, and they would have just gotten off the boat, so to speak, and I turn on the TV now and I see them on TV or see them on Netflix, and it's because they were really good. You know, Hollywood, it's not a matter of luck. It really isn't. To me, it sounds nice, a lot of people in similar positions to maybe you and me are very successful with people will say it's luck, that's like a humblebrag, it's an easy way to kind of, people don't wanna share their secrets of how they got so successful, so it's not luck that the people on TV or the people you're seeing, it's not chance, they're the most talented people, and the Hollywood is very good at finding that talent, it's the same thing that's an industry that's known for the opposite, that there's this like, oh, it's so hard. You have to know someone. It really isn't, if you look at most of the ALS starts. They didn't know people. Some of them did, but some of them didn't. That's the ultimate industry of saying, oh well, it's luck, and I'm saying it's not luck in that industry where I was in, and so it's certainly not luck in property management and real estate, whether you make it or not. If you think it is, that's just an easy excuse for your lack of

success.

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SR: Part of building an organization like yours is identifying that talent, and that's one of your main roles that your company is building out teams, and really, property management is about the people, so how do you, what are some things that you found through your career through building this business that were helpful in identifying talent, acquiring talent, retaining talent?

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MF: Yeah, well, I mean, you said it, I was just at Brookfield Office, one of the biggest institutional real estate companies in the world, and this is probably a 3000 suit. Ask me to summarize your service and one word, it's the easiest possible question, 'cause I just said, "People." It might sound cheesy, it might sound cliché, the numbers back it up, 87 cents of every dollar we spend is on people. Payroll, employer burden, 68 cents of every dollar we make is on employee burden, just told the whole listenership my profit margin. But I spend half a day, at least two or three hours every single week interviewing people, and I do that regardless of whether we're looking to hire someone or not, I think it's the single most important thing I do. When you're talking about, I first buy for a hustle and a business, you're a real estate agent and you need to, everyone needs the hustle, so semantics, not understanding, but you're a real estate agent, you need to make the phone ring, and you wake up and you don't know where your next commission is coming from, that's a hustle. When you're a real estate agent and you know you've got so many deals in the hopper, you know they're, some will close, some might fall through. That's the business. Where you're not waking up saying, "How am I gonna make money?" You're waking up saying, "How much money am I gonna make?" So, for me, I always try to look at it that way. Even when it was hard on that it didn't exist, it really became the kind of thing where I got a call yesterday morning and the developer called and she said, I heard you guys are the best for these 421-A tax abatement, new construction, multifamily rentals and I said, "Where'd you get our name from it?" She said "Multiple people." My marketing cost was zero, my sales costs was zero, my PR was zero. It was a service, if you have great people, I mean, look, systems and processes, software is all-important. I'm not saying it's not. It is important, but ultimately, especially on any business, but any professional service business, doing asset management and construction management or plumbing company or a mortgage brokerage or whatever side of the world you are in real estate.

It really does come down to the people, and so we try to hire the best people. You obviously, the biggest component of that is the pay, is the compensation, why people spend so much time talking about other things, that stuff does matter, but they kind of gloss over the most important part which is the comp. And then yeah, a culture definitely, I think, matters more from the retention standpoint than the recruitment standpoint, but yeah, I guess I view it as more important than any proposal for new business because if you hire great people, they just make everything so easy.

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SR: You're interviewing people on a very regular basis. Do you have a specific trait or two that you really hone in on trying to identify? I know that some of that is rule-dependent, but is there anything in particular that you're trying to smooth out?

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MF: I actually have a first, we have in-house recruiters, two of them, they happen to be very nice people to me, presentation-wise, their job really is just to ask very generic questions, and the only thing I ask them to, I said Just Google generic interview questions if you like them, put them to the second round if you don't like them, don't. And so that's really what I'm looking for is, do they like them? And do I like them? Because if three or four of us meet the person, we all like the person, probably the clients will like them, their colleagues will like them. So, I look for number one, likability. Number two, I look for intelligence. It's the kind of industry where you have to choose between experience and intelligence, and obviously without, certainly, there's a value to experience, and I wanna say we're not looking higher, very experienced people either, but often the budget provides that we have to choose between intelligence and experience, and to me, that's an easy decision. I'd always take smarts, it's like in sports, they say you can't teach size or speed or whatever, you can't teach someone how to be smart, if you get someone who is likeable and smart, they can gain experience.

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SR: I'm curious, at what point did you bring on an in-house recruiter, what headcount, where you guys at?

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MF: I think it was when we spent about \$200,000 on outsource recruiters, so I don't know, it was a headcount. I was just started making financial sense, relatively recently within the last few years, but we found it effective 'cause it just saves, interviewing, it is time-consuming, so it does sort of streamlining it for us, it's cost-effective to have them in-house, and I think we probably were around 200 people, and when we did that, now we're around 300 I think.

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SR: You can spend a boatload of money on recruiters, you've been talking to a couple and getting proposals, and it doesn't take long before you can pay somebody a very healthy salary to go out and find talent for you.

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MF: There's pros and cons. Without saying anything on about our staff who I adore. You know, an outsource can be very effective too for certain types of engagements.

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SR: Certainly. Well, Michael, as we're getting ready to wrap up, what's the number one thing that's contributed to your success, it may be something we've already touched on, but just curious if you were to distill it down.

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MF: I think just looking in the mirror, and want to be successful really badly. I didn't have any, I certainly had some benefits, I want to iterate, lottery and penny, but being born in this country, when I was born in certain qualities of the most part is just drive.

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SR: Awesome. Well, if folks wanna get in touch to learn more about what you're doing in real estate and where you're headed next where can folks contact you?

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MF: michael.feldman@choicenewyork.com, sort of a mouthful. michael.feldman@choice like you choose New York spelled out, you know, like acronyms, dot com and or my direct office line,

646-402-6412.

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SR: Fantastic. Well, Michael, thanks for giving us your time and some of your expertise. Thank you to our listeners for joining us. It's been another episode of the real estate syndication show. I'm your host, Sam Rust, signing off.

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Whitney Sewell: Thank you for being a loyal listener of the Real Estate Syndication Show, please subscribe and like the show, share it with your friends so we can help them as well. Don't forget, go to LifeBridgeCapital.com, where you can sign up and start investing in real estate today. Have a blessed day.

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