

## EPISODE 1426

[INTRODUCTION]

**Craig Coppola (CC):** If you're going to be really good at this, know what you're buying, know the marketplace, you have to learn the market. What's the difference between an amateur and a professional? Are you going to be an amateur in this and dabble in it? Or you're going to be professional and learn the business?

[INTERVIEW]

**Sam Rust (SR):** This is your daily Real Estate Syndication Show. I'm your host Sam Rust. Joining us today is Craig Coppola, who is the founding principal of Lee and Associates, Arizona, the CEO of CRE One Source, and a longtime real estate investor and author of five books, three of his books on commercial real estate where Craig shares his lessons after living in the commercial real estate world for almost 40 years. Craig, thanks for lending some wisdom and gray hair to the podcast today. Thanks for joining me.

**CC:** Yeah, I know. I'm feeling old today. You're a young man and it's a young man's game. I'm excited to still be in it, though.

**SR:** It's interesting times, you know. This is, some would say, our first real cycle or my first real cycle. I'm not sure that COVID really counted; it was such a small blip on the radar screen. But you've been in for nearly 40 years. I read the lesson that you've learned through longevity.

**CC:** This is three recessions, Sam. You have to look forward to this if you stay in our commercial real estate sector for the next 40 years. That's what happens to you. And you know, quite frankly, on the funny side, it is funny, but our business is a crazy one. And I have met with four people who are millennials in your age group in the last two weeks that have been in the business, you know, since 2009 and '10 and they're freaked out. They have no idea what's going on because the deals they've been underwriting and doing are now not working.

And so you can do really well on our business, you can make the sale. You make nine great deals, the 10th deal can take you down because you keep growing the investment amounts that you do. Most people start out with a small amount and over time start putting bigger and bigger dollar amounts into it. And so you have to really watch yourself, especially now as the market gets a little tricky to have a plan and make sure that plan that you stick to the plan and not go all in on some funky deal.

**SR:** Yeah, I think that's a really interesting point, Greg. You said, essentially, the deals that we've been doing for the last five years aren't working anymore; we're definitely seeing that. We do a lot of value add multifamily. And, you know, for a long time it was, you know, can you find capital or equity for your deals? And then over the last 18 months, that's really changed. And then in the last six months, it's been more about cap rates rising a little bit; that's been a lot harder to come by. The cycle has certainly shifted. How long do you stick with the plan? Specifically, you know, here's the business plan for investing in multifamily versus reevaluating market conditions and looking for adjacent opportunities.

**CC:** Well, the plan, if you say I have a plan, the plan isn't, you don't stick to any plan. The plan is we evaluate every transaction all the time. Whether we own it, or whether we are going to acquire it and what segments we're in. There is no set and forget at all in commercial real estate. I remember at the beginning of COVID, I thought, wow, great opportunity; industrial real estate is going to take a dump. I put together a fund of \$25 million from my pals, and it went exactly the opposite. So the plan was to go invest in industrial real estate and I didn't put a dime out. And so we're now looking at, you know, kind of like I went to them and I said that's not going anywhere. You have to really be flexible and you have to test your own hypotheses all the time.

What you thought was true yesterday, I got off the phone literally three minutes ago with a client. And we have a full-price offer on a property, this is a lease deal, but a full-price offer. And last week, the market was a bump in rent every five years, and my clients are not doing it. I said well, let's do 2% increases annually, says, inflation is 10%, I'm getting hammered. So I've got him convinced the CPI or 3% annual increases to try and help make the deal but that's

literally a live change happening in the marketplace today. I'm negotiating on a purchase of a deal, I was telling you before that we just got a deal. I was looking at it 30 days ago at \$9.6 million. Today, I made an offer at \$8 million. And I think I'm gonna get it at \$8 million. And so, that's literally 30 days. What happened? The change in the marketplace is that repricing is occurring and you have to move. So, your plan has to be flexible.

**SR:** Now flexibility in something that we try to build in is also optionality especially as we've gone a little bit more towards development, doing a lot of kind of the build-to-rent style community where, if you need to, you can sell it off in individual lots or rent it as an entire product.

**CC:** I love it. And one of the challenges you said here's what we're missing, but I think one of the things you missed was costs. I mean if you're building now, you have to plan in what six to seven, eight months additional time to actually get to CFO and you have to increase your bid price 25%. I own part of a construction company and I can tell you that we've just been wrecking in California and we've been, it's been incredibly difficult because everybody wants a growth maximum price; nobody's gonna give it to you. They've got a 10% contingency now where it used to be 3%. And costs are going up 25% a year; it's insane. So you have to really look at this. And if you're developing stuff that's going to take 24 to 36 months, what's the market gonna look like that there's a lot of uncertainty in the marketplace right now?

**SR:** Yeah. Take us back to the beginning, Craig. You played baseball in college, you were drafted by the Twins. At least as I was looking through your LinkedIn profile, you went straight into commercial real estate and stuck ever since. Was there family heritage? What intrigued you about commercial real estate?

**CC:** No, great question. I got released by the Twins after the season. And Major League Baseball, Minor League Baseball, I thought I've been telling the story for 30 years; I'll tell it one more time. You know, there was this guy in the Twins organization, he had married into the family. He had never played; he was a big man, 300-pound guy. And he was the minor league director. And so they had a saying when George Brophy, his name is George Brophy, when he

came to town, he had never left alone. He would release somebody because he had this ego even though he never played and I swore at that time, I would never, never be beholden to somebody else.

**CC:** And so I got into commercial real estate right away because I wanted to be commissioned sales guy. I haven't had a paycheck since 1983. Not one single paycheck. And the reason is, is I want to bet on myself. And that's why your listeners are listening. Look, we're syndicating real estate so we can bet on ourselves. And we're in the real estate business to do what we think is the right thing. And I can tell you, I've lost money for people. And I've been acquiring on my own account without any syndication for the last four or five years. And it's way easier to lose my own money than it is to lose other people's money, if you're an honorable guy.

**CC:** Yeah, I got into real estate and I never left and I love it. It's been a joy in my life. At 38 years, I've been a commercial real estate broker and buyer and I see the next 30 years being the same as long as you're in growth markets. I really love it. In fact, even if you're not, there's opportunities. We've been looking outside of Indianapolis, which is a slow-growth market, and you can buy homes for \$30,000 and rent them out for \$1,000 a month. It's like \$12,000 on a \$30,000 investment, you know, it's crazy.

**SR:** Wow. Yeah, the 2% rule that became the 1% rule that became the half a percent rule, right? All in the span of like 36 months. It's pretty amazing how fast that compressed across the country. So you mentioned betting on yourself. I wonder if maybe you could share a favorite story of yours where that bet totally paid off. And what's one of your favorite projects that you could share with our audience?

**CC:** So, this is public. I was telling you that Robert Kiyosaki and Kim Kiyosaki are investors and co-investors with me on deals. The best deal they've ever done is a deal that I did, the deal I bet on myself. I had tied up a property -this is now 18, 19 years ago - I tied up a property but I didn't have the money to close it. I knew Robert and Kim. I've done some deals but I tied up this property in Phoenix, Arizona, and I went to them and I said, I really like this deal. I really liked the location. And Kim and Robert came back and said we want to own it. And I said well, I

own it, and I want to be in it. And so I just don't have enough money to close it. So, Robert says to me, I will buy the property with 100% investment of my money and I'll give you 10% after I get my money back, money in 10%. And I said, okay, so I own 10% of this property, no money out of my pocket. I got a commission on the deal, and we've owned it, had a 15-year triple net lease at annual increases. After 15 years, the tenant vacated and we did a 99-year unsubordinated ground lease and they're just finished.

**CC:** We got our first payment last month and we're going to get 99-year unsubordinated ground lease. They put a five-story senior living property on it. The property is now worth, I think, they have \$130 million in equity and another \$80 million in debt on it. So, we're in first place over that. So, we're getting, you know, seven-figure annual rent. I get 10% of it, they get 90% for the next 99 years. And so that's just the homerun deal. I mean, I wish I could do more of those. But it was all because I bet on myself right? Back to your original point - I tied it up, I knew it, I believed in it. Nobody else did at the time. And I convinced them and they bought into the vision and here we are 20 years later and every time they see me it's like and anytime Robert speaks, he'll say it's the best deal he's ever done, the return is insane.

**SR:** That's fascinating. A lot of moving parts there. What was the property originally?

**CC:** It was a fitness center, 40,000-foot Q Club which became LA Fitness over the years.

**SR:** Wow.

**CC:** Yeah, I wish I had five of those, you know?

**SR:** Don't we all? Don't we all?

**CC:** But the point of it, that is to your point, is exactly what you're doing, right? If you do your homework, and you could pick up good clients, if you pick up good clients, and you buy exceptional properties, you know, you have to take risk on it. And like this property, we're gonna, they're probably going to be my partner. And it's like, you know, I was talking to him,

they were interested at \$9.6 million, and I'm like, okay, now we got the deal. It's a million and six less, and, you know, we just have to move quick on it. And I think that makes the deal what I call an exceptional deal. You know, Bill Lee, Billy told me, look, there are four kinds of deals - Billy was the founder of our company - he passed away last year and was really one of my, like a second father, certainly a mentor for the last 30 years - he said, there are four kinds of properties. There are on-market properties, off-market properties, good properties and exceptional properties. We're in the business of buying exceptional properties. And that's what we should be buying. If you think it's just an okay deal. And I've had to tell the guy, that guy is in our own opposites bringing me the deal is, this is not exceptional. It's okay. Until today, he said, what would make an exception? I said, \$8 million. And he said, we go sell it. And he is, because the market is changing.

**SR:** Yeah. As environments change, really important to keep that standard high. And I see a lot of folks that right now are just focused on doing deals for the deal's sake. And they're, you know, maybe not even intentionally lowering their standards. But that's how you get into trouble, right? That's how you find the one deal out of ten that ends up sinking you because your snowball can't turn over that one more time.

**CC:** I did. I was I used to travel with Robert and speak with his advisor group. And after one of the talks, I know, there were a couple of thousand people in the audience then this guy came up to me and he says, "I flipped, bought, fixed and flipped 230 homes, and I've made a total of \$300,000."

**SR:** Oh my gosh.

**CC:** And I'm like, dude, you're in the wrong business, the amount of risk that you're taking. He's like, I know, I need to get out of it. I go, I love your tenacity but you're not pricing these right. Do less deals priced better. And one of the challenges we have in our business, one of the challenges for young folks like you is patience. So I haven't acquired on my own account, commercial real estate for the last 36 months. I've been just waiting. I've been investing as a limited but I haven't acquired anything on my own account. And that's because for my own

account, I'm looking for exceptional. I'm not looking for, you know, five cap and get 3% on my money; I can do that any other place. I gotta get double-digit returns and feel good about it and feel really good about the upside of the property.

**SR:** Now, well, that makes a ton of sense. One of the questions that we ask guests in our podcast before they come on board so that I can get a little bit of insight on what might make a good interview, as you know, what's your unique ability that will bring value to our listeners and your response intrigued me. You put in there, "I see around corners. I lead from the front. I connect the dots." So, I've got to riff on that for a minute; I've got to park there. When you look to the future, where do you see the opportunity? Because you're kind of a generalist, you've done a lot in commercial real estate, from true commercial, you've chased industrial, some multifamily all over the place. What excites you now, and it could be regional, it could be product type. What gets you out of bed and excited in the morning?

**CC:** Yeah, so I don't invest outside my own market unless it's somebody that I've done business with and I trust. So, a lot of people are buying all over the country, flying and looking at deals. I've never figured out that and I wrote a book called "How to Win in Commercial Real Estate" and one of the things I say in there is, "Look, if you're going to be really good at this, know what you're buying, know the marketplace, you have to learn the market. And when I say learn the market, these syndication deals where guys, "I got a deal; I'm looking at Miami". "Well, have you seen it?" "No, somebody sent it to me." That to me, I can't figure that out. I know my marketplace. Now. I also have people like in Southern California industrial, I have two guys I've been investing with for the last decade and I invest side by side with them and they kick ass right? I have a guy that does multifamily in Miami in Dade County in Florida which I would never invest in but I've known him 30 years, and I always invest with them.

**CC:** And so, I do that because I invest with people who I trust side by side or myself. So I would say, learn, and so, how do I see around the corners? I see around the corners because I watch exactly what I was telling you today. When a client tells me the inflation is going, we have to change rents going up. It's like, okay, I immediately have now said to myself, every deal I buy has to have, every lease has to have annual increases in it or I'm out of the game. If

they don't, now, I may not get 10% of what inflation is. But if I have somebody real-time market information telling me that, then I'm doing that. And so when I see around corners is like spending the time, look, I've written you know, I have a blog called LIFEies.com (l-i-f-e-i-e-s dot com), LIFEies.com, I've been writing weekly for the last, I don't know, nine or ten years, pretty big following, 30-40,000 people a week. But one of the ones I wrote is, "What's the difference between an amateur and a professional? Are you going to be an amateur in this and dabble in it? Or you're going to be professional and learn the business?" And so that's one of the things, the reasons why people invest with me, because I'm like, I'm all in, 38 years, 70 hours a week. This is what I do.

**SR:** What fuels you to put that amount of time into that level of consistency? I mean, you've been with Lee and Associates since 1991. You're embedded into the culture. I would imagine in Phoenix commercial real estate, I would imagine everybody knows who you are.

**CC:** I just won, I won this award, which is called Lifetime Cheers. It's basically the commercial Hall of Fame for Metro Arizona. You know what? My number one thing is, I'm relentless. I always view, like, if I'm going to do this, I'm going to do it right. And I always look back to my Minnesota roots and go and I didn't want George Brophy to release me in my real estate career, and you know what? He didn't, right? So I look back and so like, what fuels me is, I now am and growing young people. We have people who come to us because of my reputation. We just had a young kid start with us; he's 28 years old. And he started this week, and he moved from LA to come work for our team. Why? Because he's, you know, he's gonna get an MBA in commercial real estate over the next 24 or 36 months as he works for us.

**SR:** That's fantastic, best training you could ask for.

**CC:** You gotta have somebody, yeah. Unless you...if you have family money, you can afford to lose it, great, but most of us don't. And, so you've got to really find a mentor. In our business, finding the right person to learn from is powerful.



**SR:** Now, you said earlier talking about this transaction, where you had to get the seller to accept a million and a half dollar price cut, you know, that turned it into an extraordinary deal that time is the killer. So you guys are moving swiftly. You're the CEO of CRE One Source, which is really all about reducing the time that it takes to walk through a commercial real estate transaction. How did that come about? You've been the CEO for a little over a year. It's definitely adjacent to what you've been doing, but it's also somewhat of a unique opportunity. Tell the story a little bit about CRE One Source.

**CC:** You know, you were talking about what fuels you, I had been writing down because I just turned 61 last week, and I'm at the end of my career, and I, you know, I have plenty of money and I thought, I've been writing down, what's my next step? What am I going to do? And I've been, I have been, you know, in the philanthropy. Most people my age would go into philanthropy and do that. And I have a 30-year philanthropy resume that I would stack up against anybody. So I've been writing and one more shot at it. I never left brokerage, and I've been really under the cover because acquiring real estate clients get a little touchy. So I've been under the cover about how much real estate I have acquired and amassed. And so I don't want to clients thinking that I'm competing with them.

**CC:** And so I had this opportunity. I had been a small investor in this company called CRE Simple. There was a divorce bankruptcy of the company. And I actually acquired the assets out of bankruptcy; I just bought it. And I bought it because I looked at how we had done transactions over the last 25 years, nothing had changed. The biggest change in how we handle commercial real estate transactions in the last 37 years since I've been a broker has been the advent of email. Before email, it was phone calls, and then you had regular mail, then you had FedEx come in the business. Emails allowed it to go faster. If we have not changed since email, email has been around 25 years. So, people are doing transactions the same way.

**CC:** And there are technology that allows you to do things way better now, and we have it one source; CRE One Source and we have it. And so we have the software and so I acquired it. Our team is on it, they're kicking ass, we've become more, way more effective, way more efficient. We save a bunch of time, we'd like to say we give you 25% of your week back if you're in the

business of transactions every day. But it also does other things, not just saving time, it's really an encrypted, suit-to-compliance, securitized format that allows multiple people because you know in any transaction you have, Sam, 10 and 12 people are involved in it. So we have permissions but people get in there all open the email boxes. So, your team all can see it. They don't have to call, Sam, hey, where's that email or you know, your assistant or whatever's going on. And so it's pretty cool. We're really excited about it. It is a whole new ballgame, running a tech company. And building a tech team is a whole different ballgame than buying commercial real estate. I'm in a huge growth mode, personally.

**SR:** I love that you touched on what's my next act. What's my goal? What is the goal for CRE One Source?

**CC:** A lot of people want to be a marketplace, we just want all real estate transaction practitioners, whether you're a broker, a buyer, a direct lender, a mortgage broker, a bank. We have a bank, a title company, we have a title company, anybody who's handling transactions. We want them to be more effective. You know, I just opened an escrow, a lien associate. And that was like, on the escrows, in the email, look, here's your opening letter, and there were 25 people. And it's like, nobody's talking to anybody. There are five attorneys involved in it. This is the craziest thing, literally, no one knows what's going on. And so our system, we think we can do it. And then and then what comes out of that, Sam, is the analytic piece of it is crazy, how much time it takes you to do transactions, where are your bottlenecks internal internally in the organization. Those are the things that are on our roadmap, but right now we're just, we're just making people more effective.

**SR:** Now, who can drive the ship in that regard? Because when you're buying a piece of real estate, there are a lot of different parties involved. You've got your lender, your buyer, your seller, usually two sets of counsel plus the title company, and that's just to get things started. You know, we're typically buying right now. So that's usually where we fit in. If we're using a platform like this, are people resistant to getting on board? Because it really works if everybody's using it, right? It isn't as effective if it's not everybody in the chain of that individual transaction is on board.

**CC:** Yeah, it's not as effective when everybody's not on board. And when we acquired it, it didn't have the features. We literally launched this feature, because to your point, great insight, Sam, I can tell you're in the business. We thought everybody would just sign it. So it's, you know, you get invited, you don't have to sign up. So, if I did a deal with you, and you were part of the deal, it would send you an email and you sign up your name, your email and a password; boom you're in. And then you get permissions to whatever you do. So we just thought people would do that. It's like, literally a 90-second signup.

**CC:** But because the world doesn't do what Craig wants it to do, like, I'm not signing up for that. So we just created - we have, every deal has a unique email. And so you just put carbon copy this email, and you can reply back to me, don't go into my system, but it goes right into into our One Source platform. Every deal has its own deal room, it goes right into it. So we've solved the problem. And if you don't want to join us, great, just copy this email and go right into your system. You can still be super organized and you're going to be great. You're gonna have all the documents in one place, and you're gonna know exactly where to do it. The email gets separated. If there's an attachment, the email and the attachment are separate. It's really, it's really cool; it saves you a ton of time. If kids are way organized but if there's some, you know, some old guy out there like me who's gonna, I'll just email you, just put the cc on it. And if he doesn't, then you just put the cc on yourself and you send it to yourself and it's in the email. So we've had to work around the lagging indicators, commercial real estate and fintech.

**SR:** Yeah, because you've got the young generation like myself that we're all about leveraging technology, we want to go further using less human resources. But there's a lot of folks that are more in your generation that haven't seen the light; they want to do it the way they've always done it. Unfortunately, the way they've always done it is by these huge email chains seemingly never-ending and have everybody in their mother bcc or cc.

**CC:** Somebody replies, got it, reply all, then the next guy got it, you get 15 emails like that. So and to your point. Look, we had a little campaign we were running. Like, hey, how about a personal assistant for 130 bucks a month? Because our system is 130 bucks a month per seat.

And then somebody emails, how can I hire somebody for 130 bucks a month? I'm like, it's our system, dummy. And they thought they literally can hire somebody, like, I have three full-time assistants, but one of them is in the Philippines. And you know, even those are expensive, \$130 a month. So, we do get pushback. People go, that's \$130 a month. I'm going, what's your time worth? I'm going to give you two to four hours a week, every single week, that's eight hours a month minimum on any transaction you do. You're telling me your hourly wage is not 15 bucks an hour? How much do you value? I've got our young guys out there and we're selling and I'm like, call them out. So, you don't value your time? Oh no, this is expensive. I'm like, what's your time worth?

**SR:** You have to do that calculation and realize that, I mean, for most people who are running a real estate transaction from a buyer or seller side which is probably who you're selling to, or brokers, you're making probably a quarter million a year, if you've been doing it any length of time, that's probably on the low side. I mean, your hourly rate is easily 500 bucks. And if you can save one hour a month, it's worth it.

**CC:** We looked at our team, the email feature is saving our team 15 hours a week. We get all these emails that we have to flag; our team runs, we're running 162 transactions in our brokerage team right now. We're doing a deal every three days. And so we're having all these files. We have 162 files in five different people's emails. We have a bigger team so people go, wait, wait. So, that's your team, you're busy, you crank, I get it. But just on our team alone, at 15 hours a week, I knew you may be doing one deal a month, it doesn't matter. It's like it's in the same spot. We know where it is. It's organized. It's \$130 personal assistant, that you don't go hey - my sister's name is Chelsea - Chelsea, where's that file? How many times do you say that?

**SR:** A thousand times.

**CC:** Anyway, I'm pretty stoked about it. It's a really cool software. We've just launched the email thing, we just launched this really cool people analytics, and we're calling to your point,

Sam, it's called return on value. It's like not just your time; it's not return on time, not ROI but its return on the value that you get.

**SR:** Well, Craig, we could talk for hours. I really enjoyed this. But as we get ready to wrap up here, how do you like to give back to the community or to folks that work with you?

**CC:** Yeah, so I've been on a minimum of five nonprofit boards for 30 years. I'm down, I'm kind of cutting back now as I get older so I'm on two right now. In the nonprofit side, I'll tell you what really turns me on today is building teams of young people and setting them free. I was telling you about this, this gentleman who moved from LA. On our One Source team, we have 11 full-time people now; three of them have just come out of college. We're building this. So, I view, this idea of giving back and building; one of my goals is to, you know, have a large number of multimillionaires that I have kind of mentored and grown. And I've been doing that over some time and it gives me great joy to see these folks to kind of buy-in, commit, and then grow their business over time. And so, that's my biggest joy right now is doing that.

**SR:** That's fantastic. Well, Craig, again, thankful for you coming by and sharing some knowledge on the show. If folks want to learn more about what you're doing over at One Source, how can they reach out and get in touch and maybe get a demo?

**CC:** Yeah, I'm all over the internet obviously. Coppola, it's Craig Coppola. There are a few others out there, some guy did a few good movies. But CRE One Source and there, you can contact us on it. I brought my son; I have a son who's 28 years old. He's our COO so, Charlie and I are running the company together. So, if you just go on CREOneSource.com and then you can contact us through that. We're happy to set up a 20-minute demo or do whatever it is. It's pretty exciting. Pretty exciting software.

**SR:** And for folks who want to check out probably the book that Craig is best well-known for is "How to Win in Commercial Real Estate Investing: Find, Evaluate & Purchase Your First Commercial Property in 9 Weeks Or Less". That's available on Amazon. We'll throw a link to that in the show notes as well.

**CC:** Thanks, Sam, for having me. It's been awesome.

**SR:** Yeah, thank you to our listeners for joining us. This is your host, Sam Rust, signing off.

[END OF INTERVIEW]

[OUTRO]

**Whitney Sewell:** Thank you for being with us again today, I hope that you have learned a lot from the show. Don't forget to like and subscribe. I hope you're telling your friends about the Real Estate Syndication Show and how they can also build wealth in real estate. You can also go to [LifeBridgeCapital.com](https://LifeBridgeCapital.com) and start investing today.

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