

**EPISODE 1539****[INTRODUCTION]**

**Whitney Sewell (WS):** This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today we packed a number of shows together to give you some highlights. I know you're gonna enjoy this show. Thank you for being with us today!

**[INTERVIEW]**

**WS:** Our guest is Kevin McGrath. Thanks for being on the show, Kevin.

**Kevin McGrath (KM):** Yeah, thanks for having me, Whitney. Glad to be here.

**WS:** Yeah. Kevin began his commercial real estate career in 2007. And in that time, he's been involved in leasing, acquisition and disposition of more than \$1 billion in industrial real estate throughout the United States. Kevin had a successful 12-year career as a Senior Vice President with CBRE specializing in industrial brokerage. And in 2019, switched to investing full-time as he became a Principal with Cardinal Industrial and owner and operator of 12 million square feet of industrial property. He is deeply passionate about investing in real estate as he sees it as a vehicle to produce passive income, thus creating time freedom.

Kevin, welcome to the show and you have a great background and I know you're going to be a great guest. Looking forward to this conversation. I just want to hear a little bit about your background, how you transitioned from CBRE to getting in as even passive and also active. But then just your specialized niche to an industrial, and how it's been working right now through COVID, pre versus post-COVID. Get us started a little bit with your background and your movement into the active space.

**KM:** Yeah. Well, thanks for having me on again, Whitney. I got started in real estate, and commercial real estate in 2007, like you said. In brokerage in Columbus, Ohio where I'm from originally. My niche at the time was — still is — was industrial real estate. When I got into it, Whitney, I didn't know anything about industrial. It just so happened that the team I interviewed with, I got along with them well. Our personalities meshed and they had a spot on their team for a junior broker. So, in a way, I just kind of fell into industrial.

I'm sitting here where I am today, I'm glad I did. There were certainly some bumpy times getting started because I started in 2007. Had a one year of salary then came off salary in the fall of 2008, which if you remember, was when the market collapsed and the start of the great recession. It was not a great time to get started in real estate, especially coming off a salary going to 100% commission. But was able to fight through it, to persist. And it was really helpful

to have two senior-level partners who helped me a lot, and were great mentors for me. And continued with a successful brokerage career.

Fast forward to about 2018, I got the bug to start investing passively in real estate. I was tired of my money not doing much in the stock market. I was investing conservatively in index funds and it really wasn't going anywhere. I wanted some passive income that I could really provide kind of a safety net or a cushion because of the grind of brokerage. Where you're starting every year at zero. I got started like I said in 2018. Had some friends who are syndicators full-time. Started learning more about what they're doing, all the tax advantages that were involved. I knew that this was something I wanted to get into full-time. I made the leap about, really, the spring of 2019 when I left CBRE and joined Cardinal Industrial, which owns about 12 million square feet of industrial across the country. Mainly in the Midwest and the southeast. It's been a great ride since.

**WS:** Nice. Well, grateful just to hear some of your stories. I find that most of us didn't have a direct path to becoming an operator or buying large commercial real estate. There are something else we were doing or something that led us there. It wasn't like you're five years old, typically thinking, "You know what, I'm going to be a syndicator." So it's interesting just to hear your story. Definitely a great background to become an operator and get into the space. No doubt about it.

Let's dive into just the industrial world a little bit. I know you said you fell into it as a junior broker. But even at that point, obviously, that's post-COVID and all that stuff. Why industrial versus multifamily or senior living, or anything else, all the other asset classes that you could have gotten into?

**KM:** Well, I think what industrial has done, and I'll talk about it post-COVID kind of where we are today. Not to pit one against the other because I still invest passively in multifamily. There are several great vehicles to invest in throughout the different sectors of commercial real estate. But I think what industrial has proved over the last really six, eight months since COVID how resilient it is. Supposedly right now we're in a recession, but in my world, it's anything but. I mean, it's probably as active or competitive today as it's ever been anytime over the last 20 years. A lot of that is because of e-commerce. You've probably read a lot about it or heard a lot about e-commerce and I'm sure you had a lot of hands-on experience buying goods and services over the internet. That's been the absolute game changer for industrial.

We can talk more about that in some of the stats and research that have come out since COVID. At the end of 2019, e-commerce accounted for roughly about 15% of all retail sales and was growing at about a 15% clip year over year over the last 10 years, so it was really steady growth. What COVID has done is really accelerated that. This year, in the 12 months

since, e-commerce now is going to count for about 25% of all retail sales. There's a huge job because of COVID because people couldn't get out to shop. And they were forced to buy products online.

I think what we're going to see through the holidays, this holiday season is even more of a jump. It's going to be absolutely going gangbusters for these retailers and the amount of — they call it adoption. How many new users are coming and buying things online? There's a stat that recently came out that e-commerce sales are projected to hit about \$700 billion this year. By 2025, that number is going to go up to \$1.5 trillion. What that means, Whitney, is that the \$800 million delta is going to create a demand of one billion square feet of industrial space that's going to be needed. It's such a huge significant number because it doesn't matter if it's industrial, multifamily or office. What drives investors in what we do is tenant demand. You need tenant demand. That's what e-commerce is giving industrial real estate, is just significant tenant demand that the developers really can't keep up building enough warehouse space before it gets absorbed.

**WS:** Can you talk about that tenant just a little bit? Maybe just how that's changed over the last year or two, and then through COVID or maybe how you see that changing over the next years as there is such a demand? Is it more just warehouse space now or are there other types of tenants that you're looking for?

**KM:** The biggest driver again is e-commerce and e-commerce users. Again, this could be Amazon, Walmarts, any retailer that has an online presence could be considered an e-commerce user or occupier. That they account for about 25% of the overall industrial base or industrial users. It's only about a fourth of all industrial users. What we're seeing is, it's really the rising tide lifts all boat theory — that these e-commerce users are growing at such a clip. It's creating such demand that these other industrial tenants such as manufacturers. It could be retailers but retailers that are distributing to stores. It could be third-party logistics companies, which are if you're not familiar, they are basically when a company outsources the warehousing or their logistics. They are having to go out and find spacing, and compete with these e-commerce companies. What it's doing, it's raising rental rates and it's causing these other users to go out and lease space that the e-commerce companies are not. They're being driven down to the class B product and e-commerce users, a lot of them are occupying only class A products.

**WS:** What's the biggest risk right now? Let's say for a passive investor when investing with an operator that's purchasing industrial property?

**KM:** I would say, the biggest risk is, a lot of the industrial buildings — I shouldn't say a lot. It just depends on which type of product, but what we acquire mainly, Whitney is single-tenant

assets. Leased long-term to creditworthy tenants. And sometimes when the lease expires, tenants don't renew. I would say that probably the biggest downside is if you're investing in a single-tenant asset and the tenant does not renew and moves out. Having said that, we go into a deal when we acquire it, knowing that this could happen. We set aside a significant amount of reserves. And then also the tenant must give us notice, typically six to nine months before the lease expires if they're going to renew or not. That six or nine month is kind of a buffer where it kind of allows us to go out and try to lease the property out to another tenant.

[INTERVIEW 2]

**WS:** Our guest is Yishai Breslauer. Thanks for being on the show, sir. Thank you for having me. I really appreciate it.

At the age of 36, he made a radical career change from a teacher to become the CEO of a real estate development investment company. He had led several acquisitions both on the GP and as well as on the LP into deals ranging between 3 million to 300 million from condo development to student housing to office and retail recently started a new commercial real estate podcast called CRS shark I show so each I thanks for being on this show, grateful to have you and get to know you and be able to share your shore and encourage the listeners and myself. But I get us started a little bit, maybe with a little bit of your background, but it's a massive decision, right move from this career, you know, you've probably been in for many years, and then take just a massive pivot. But let's get into that give us some background, and let's dive in.

**Yishai Breslauer (YB):** Right. So basically, just as you say, being for many, many years as a teacher, especially loving, being a teacher, until today was one of the best things I've ever done. The meaning was really fun being a teacher, but at a certain point, and that was already at the age of 35. At the time, you know, you realize that your finances need to change something needs to change in your life.

And I started looking around then a friend of mine, it's all started really with a friend just bumping into me and he said, hey, do you want to join? I started taking this course, you know, would you like to join me? And I was like, what is it? And he said, Listen, it's about doing the right thing with your money, and about investing. And I was like what, you know, a teacher would you know, what is that about? And it sort of flew out of my head that he started talking to me about Rich Dad Poor Dad, meaning that was the first I would say thing that I've ever heard of just a week and a half later, I'm playing basketball and I landed on my I don't play basketball anymore. Just full disclosure, meaning too old already, meaning shooting hoops with my son, that's it. But at the time, I just landed on my foot and I tore my ligaments was

pretty bad and lying down and bad leg up, you know, can't do anything. And I saw watching YouTube videos at the time was a new thing, by the way. And I started getting introduced to it.

So anyways, to make the story short, I started getting into this whole thing called real estate. I started falling in love with the idea of real estate. I started taking and once I got better, I started taking courses and courses of basic stuff like single-family homes, and you know, the regular stuff that pretty much everybody does. I had always that dream that I want bigger. I wanted like big real estate I didn't even know it's called commercial real estate, I knew that I want the bigger thing.

So I got into that. And eventually, I started investing on my own a little bit. It started with again, my own house, the second floor I built and I got into the construction, the whole thing and I said I want this career. I don't know how I'm going to do this. I was already 36 like you said, and I said how am I going to change that? And I went to a consultant. And I said to him, listen, this is the guy, you know, from the Academy, this informal Academy that I took the real estate courses.

And so listen, I don't want only to invest on my own, I really want to career in real estate. I want to all in, that's what I want to do. I want to be online in this whole thing. So he says to me, Listen, he shy you know, with all due respect, you have a beautiful resume as a teacher. And as an educator stated, just do that. Don't do anything else. Just stay there. Because he has zero chance to make it you have zero experience in business, no training in business. Nothing, nothing to do with real estate, obviously, except of your own investing. And that's it. And you burned me up. So he told you not to do it. That seems horrible. He said he said listen it with all due respect, you know, just, quote-unquote, give up. I was burned up, you know? And I said, I'm going to prove him wrong. Start calling everybody I know who can introduce me. I had in mind few big real estate companies. And someone actually knew someone who knew someone you know how it works.

And I got a meeting with that very large development company. And I said, Can you get me a went with a guy into the meeting to the vice president of the company was the vice president marketing and sales and I said Listen, I'll start from the bottom. Just give me a chance. Let me start. And he says to me, you have zero experience no business experience zero experience in sales. You don't know anything about real estate meaning except for your courses and your own investing but in terms of the corporate world and being a part of it, you have no idea and you want to work here And I said, Yeah, I'm not going to let you down, just give me a chance to.

And he says, Let me see your resume again, it looks at my resume said, you know, something you're hired, like what? And he said, I'll look at your resume, you've been to every because my

previous job required students basically from all over North America, she said he have the connections to the type of clients that we need here. So I'm going to teach you everything you need to know about real estate and construction and planning and this and sales, etc.

And I got in there. And that was my I would say, the first dip into the world of real estate. Did that mean leaving your teaching career right down? I mean, like, by getting hired that man, I am leaving this career that you've probably been doing for, what, 10 or 15 years at that point? 13 years? Yes. And I left, I just walked out, it was pretty weird. And I got some emails from colleagues saying, like, you're leaving, you know, you're nuts. Yeah, but that was it. That was the start. That's how it all started. Yeah. What about pushback from family or spouse?

Or, you know, like, what, how did you manage that and them to be behind you in this? I was there one time, and most people have to make that leap. You know, it's sometimes it's difficult if you don't have support, you know, especially in the home or family or close friends. What was that like for you? In my case, it was pretty much a no-brainer. Why? Because our situation was screaming change. And the way I had the change coming was that that's it. That was the answer.

So everybody said, do it, you know, go for it. Except for the people. Of course, it works for me. Yeah, so how did you know who to listen to and who not to, I guess your situation was a screaming chain. So it was like anything, we just have to try something right? Simple answer, I listened to myself, meaning it was at that point already. It was an inner, sometimes the inner voice is weak.

At that point, my inner voice was screaming in my head in a way that it was like, everything else, everybody else was saying, what are you going to do? We're going to do you have no experience, etc., all those things. It was already noise, its noise, cancel the noise, mute Goodbye, and go forward. And that was it. From that point, it was not a picnic, I can tell you that meaning from there to get to where I became a CEO and to lead all these deals that I led, that was already a different business.

**WS:** Was that a good option to say, you know, get hired by this other company? How did that work out? Is that something you would recommend? You know, for somebody that's like brand new getting in real estate? Was that a good option?

**YB:** No, it's a great question. The answer is no, I did the wrong thing by not knowing how to do it. Okay. That's why today I coach and preach differently. Because I went to the only thing I knew, meaning everybody said big company goes, can I sell a sales job would put you in the place where if you want it, that's great? If you want to be a broker, or you want to be in a

marketer of condo developments, or single-family homes, all that good stuff for residential, the residential side of things, great, do it. But that was not my passion.

And it took me about two and a half years to realize, oh, my gosh, this is wrong. Because at a certain point, I went into sales, meaning I had a week with moguls, people who had a lot of money, and I had to sell those penthouses, and luxury condos and was set up all in Manhattan. And I'm sitting down with those guys. And that week changed my life because I sat with the first guy. And he's telling me he's not interested in all that stuff. And I was okay, what do you do? So he's telling me, I do m&a. Okay.

Second day, a guy who does, you know, buys lots and builds buildings and builds, you know, a kind of development and office buildings. And he tells me about that. And the last day I met a guy until today I'm in touch with was the coolest thing comes the young guy just a little all the me with the suit is like has the swag and walks in. And I'm trying to sell him this apartment. And he's like telling me after five minutes, is that okay? Stop talking. Like what? He says stop. So I'm buying it. I told him Okay, its a million dollar condo. So you say, cool, I got it. It's a good deal finished. So I'm like, what do you do for a living? So I said you really want to know what I do. So come to my office, I came to his office a couple of days after he shows me all these pictures you know, in this is a fund.

That was the first time I got introduced to this concept called OPM other people's money and syndication. And how you can actually get investors to come in and how you make mega million dollar deals, or even smaller deals doesn't matter. And he has multifamily all across the US. And that's how I said that's it. That's what I want to do to start a new journey. So to answer your question back, what I would tell people to do is not that the starter point would be to get a job at a corporation or medium size doesn't have to be a huge size because they will hire only Ivy League people but to start with a medium-sized company and to say I can go and to be an expediter if it comes to development or big be a part of management to get introduced to this concept to go and visit sites, visit properties, see how it works?

Be a part of the organization. That would be the first dip that I should have done. But that's what I would tell people. No, either way, you didn't let it stop you and you kept going, you found the next thing, you know, and he kept pushing through, tell me about you know, okay, you met this group, you learned about, you know, this thing called syndication, right in commercial real estate, and just their scale, you know, in the US, I just let the listeners know, you know, you're in Israel right now, you know, as we do the interview, and but you're doing deals in the US? Correct? Is that right? Yes.

So, you know, speak to the next few steps that you took to develop your own business and start doing deals in the US, even though you're in Israel. So I think that the next phase was

educating myself, the second I found out, this is what I want to do, I realized that, okay, I know, we're a little real estate, I know, construction and all that stuff. But you got to know your numbers. And I remember reading that article at the time with all those real estate moguls. And that was this article said, you know, with a guy who never went to school never did this. And he's like, he owns a huge company. And he wrote there, you got to know your numbers. That's the first thing you have to do. There are many other things that you have to know. But that's the benchmark.

And that drove me basically to learn that, and how did you educate yourself? How did you learn the numbers? Amongst other things? You know what the hard way at the time there wasn't any meaning you're talking about 10 years ago, not 10 years ago, talking about eight years ago, online courses, were not that available. And I went to a family friend, they said, hey, go to NYU shack, great school. And I'm like, I know it's a great school, but it costs a lot of money. And I'm flying back and forth. I work in America, I live in Israel and go back and forth. I used to live, by the way in New York, prior to that, but by that time, have five kids, and I'm flying back and forth. How in the world am I going to do this? So I couldn't find any other way. So to answer your question, what I did, one of the guys that I was dealing with actually said, Listen, do you want to help us raise capital? You know, people, you know, helped me connect, and you know, you'll get a cut and all that stuff. So I said, cool. Send me what you got. I'll show it. So I'm getting this PDF. And I'm like, how do you read this thing? Damn. So the analyst said, Listen, I'm going to send you the Excel sheet. Tell me if you have any questions.

So I took the Excel sheet during the day and spoke to people, at nighttime, I just went to the computer. And I started looking from each box in the Excel where this is coming from, where's this coming from an X question and put a questions mark, what is this? What is that? That's how I learned the hard way. But once I knew that, then I created relationships. That was the next step of my career, and I became a head of real estate investment banking, one of the biggest finance firms here. And, you know, it's basically a global firm. But I started dealing with our deals and started, you know, being exposed to all asset classes. And I would say that was the real step. And from that point, I just went for it.

[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 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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