

Episode #28  
Commercial Real Estate Acquisition Strategies  
& the Sperry Van Ness Difference  
April 23, 2008

Mosca: Real estate, if purchased well continues to be the single best investment one can make. Welcome to Income Property Investment Talk, a program dedicated to providing investors, eager to invest well in real estate, with the knowledge, the resources and the tools to generate increased wealth. Each week we bring the powerhouses of commercial and residential real estate to our program for you to learn from and to call at 1-866-472-5790. My name is Peter Mosca and my co-host just happens to be one of those commercial real estate powerhouses, Dean Essa. Good morning Dean.

Mosca: Commercial real estate covers a diverse group of property types and uses as well as vacant land. Today we will examine the specifics of each property type with a focus on the advantages of multifamily and apartment buildings with our guest Walter Helm.

Walter is managing director of Sperry Van Ness in Sacramento, California. He's here to share his practical advice on finding great properties, determining worth, finding sellers, financing investments, protecting assets and increasing a property's value after the purchase. For a complete bio on Walter because if I tried to explain all of his accomplishments right now we would take up the full hour of the program, go to [incomepropertyinvestmenttalk.com](http://incomepropertyinvestmenttalk.com). Walter, welcome to the show.

Helm: Thank you Peter.

Mosca: Walter, before we get into the nuts and bolts of commercial real estate investing, I think it's important to start out with a focus on your company, Sperry Van Ness. I want you to describe in detail for us what you call and what the company calls and really anyone who's familiar with your company, the Sperry Van Ness difference. What is it and why should our investor listening audience take note of it?

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Helm: Well, thank you. I appreciate the opportunity to explain that. Sperry Van Ness was founded 20 years ago on a premise that the general commercial brokerage market and the way brokerage was done was not to the best interest of the sellers. The normal way of brokering a property is a commercial firm would take a listing and they would try and sell it in house. The individual agent would often try to sell it to his clients or try to sell it to clients of the agents with him and most the deals were completed in the same house, in the same brokerage firm without giving the outside brokers or other buyers an opportunity to bid or even know that the property was for sale. I had one instance when I was in a large commercial firm other than Sperry Van Ness when a gentleman in a cubicle next to me had a 4 million building listed for sale. He ended up closing escrow on it. I never knew it was on the market. I had a buyer that would have paid much more than his buyer. So by having the normal practice of double ending real estate sales transactions it does a serious disservice to the sellers.

Mosca: Because you're not opening up that property to all the potential buyers because there's really not one firm that can possibly know the extent of buyers that are out there and especially today, this global environment that everyone is dealing in.

Helm: Definitely, the global environment with the exchange rate that we have now, we have many foreign buyers that are coming in. United States real estate is on sale. We also have people that are crossing over that are not the usual buyers, people that are really concerned about retail as they should be and want to get out of that into the more stable apartments. So the Sperry Van Ness approach is very unique. We are the only national company that does this and our approach is to put the property on the market available to

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all brokers, all buyers within a week of having the property listed and it goes out to every possible buyer. They can get the information online, they can get it through a LoopNet ad, or through direct e-mails that we send out to all the commercial brokers we've able to get an e-mail address for. There is a very significant difference in the way we do this in that we allow the other brokers to bring their buyers in and we give them full access to all the information and we also pay them half of the commission. Nobody else does this.

Dean: That's wonderful. What can a person who wants to turn over their commercial investment to you, what can they expect to see in the actual ad? What do you do to enhance that property? What do you provide other than, for example the financial statement of the property or profit and loss, what do you provide?

Helm: Probably the most important thing is that we provide everything we have available on the property. We do not do teaser information without having the backup information available online right away. They can look at the actual performance of the property, the actual numbers of where the property has been performing. They can really look at the property and compare it to another property. The performance of property are all well and good but you really need to buy a property on the way it actually performing. What has it done in the last year, what's it doing today. So we have those actual numbers, the complete numbers that give all the buyers and their agents a full opportunity to really analyze a property and see how it stacks up against the other properties that are on the market.

Mosca: Walter, as you know combining innovation with experience offers real estate investors the unique business model in an industry that many consider to be a

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commodity. Can you tell us about your broker-marketing program? I think this is the next step, the broker-marketing program. You have an investor marketing program, you have an internal marketing program, how did those all come together to help a commercial real estate investor?

Helm: Well, our internal marketing program is that we present the property internally. We have a Monday morning sales call that goes out to all of our local Sperry Van Ness folks nationwide, 960 advisors that we have and that's a videoconference. They get a presentation and a short verbal presentation and visual presentation on the property that allows them to see what the highlights are. Then a week after that we send out an e-mail blast and this is probably our most effective marketing tool is that we send out an e-mail to every broker that we possibly have an e-mail from and potential buyers just direct. We don't discriminate; we send it to everybody and all of our competition. The competition does not operate with us we want them to come and work with us. After we do that we do another thing that's very unique in the industry is that we put on brokeral forums. So we have a luncheon, we put over a hundred of these on a year, a luncheon. We bring in outside brokers, we invite them to come in and present their properties, we present our properties and an audio/visual presentation that allows properties to be spotlighted and gives the local market real good idea of what the market is, what's available for sale, and when properties can be sold right then.

Dean: If a broker or agent wants to be number one on your e-mail list and if they want to be invited to one of those forums, how do they go about doing that?

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Helm: Well, the best way would be to go to our website. It's Sperry Van Ness website, it's just SVN.com or they could send an e-mail to me on Walter@SVN.com because I've been there for quite awhile and we would make sure we put them on the list. Anytime someone inquires into our company we automatically, unless they don't want to, we automatically will put them on our e-mail list so they can be able to receive our e-mail blasts.

Mosca: Now Walter, you just said you're with Sperry Van Ness a long time and that means you have a lot of knowledge to share with our listening audience. Give Walter a call, 1-866-472-5790. Let's talk a little bit about market analysis, Walter. What are some of the resources and data that you use to analyze and market then the commercial property?

Helm: One of the things that we use is Reese Reports and Real Capital Analytics are both two services that we use, institutional services that most institutional investors use. They keep an update on the market on a monthly basis, give us national trends and compile statistics for us. We're out in the market ourselves, we talk to sellers and buyers and management companies but we can't cover the market as well as these folks can. It's a very, very valuable resource and we share this information with our clients.

Mosca: So really, this concept that you have is not only, we focus a lot on the buyer it's good for the buyer, but really the seller is also benefiting from the Sperry Van Ness concept.

Helm: Sperry Van Ness probably concentrates a little bit more on the seller. Buying the property is very important and I'd like to go into how I think the best way to buy a little

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bit later but once you buy you really set the basis for what the property can perform as far as financially for you. Then when you sell it you realize that gain and most other companies' methods of marketing property leads you to the point where you would leave a lot of money on the table. At Sperry Van Ness we believe in maximizing your return, maximizing the sales price and it's a fairer sales price, it's a top market price but it's because the buyers are competing and it's not a closed-end deal. You buy when it's not really on the open market; you buy when it's a limited marketing but when you sell you want everybody to have it. The same as if you were to sell your house, you would not think of selling your house without putting it on the MLS where everybody could know about it.

Dean: Exactly. Now, I noticed that you're based out of Sacramento. Sperry Van Ness has a presence all over the country?

Helm: Yes they do. We have 150 markets that we're in. We're in almost all states; we miss a couple of them like North Dakota, South Dakota, and Wyoming but other than that we are in almost every state. We're in Panama and Costa Rica. We have 960 agents right now. Most of the agents unlike a lot of the other companies are seasoned veterans with 20 years of experience. I've had 29 years.

Dean: Before we go to break I just want to say that Sacramento, I was there for the first time last summer and I was really upset at my friends for not telling me how beautiful it was. I was down in old town, we were sitting on the patio eating seafood overlooking the Sac River with that old tower bridge and the cobblestone streets and the boardwalk

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sidewalks and drawn carriages going by and the steamship locomotive and the riverboat, I felt like I was taken back in time.

Helm: Sacramento has come a long way in the last 10 years. They have done a wonderful, wonderful job in improving the downtown and making it a tourist and a convention attraction, which has also helped the economy in Sacramento.

Mosca: Walter, what we're going to do, we're coming up on a short break so when we get back I want to get into maybe a little bit more about the Internet, how that tool is helping you at Sperry Van Ness and helping sellers and investors and then switch gears and talk a little bit about the economy; what's happening not only in California but across the country, what your experience and your knowledge tells you and how that relates to some of the other property types. Then maybe we'll talk more about multifamily and apartment rental buildings. We are talking with Walter Helm, Sperry Van Ness. When we get back from this short break, remember he's a wealth of knowledge, take advantage of that knowledge. Give him a call at 1-866-472-5790. We'll be right back.

**BREAK**

Thanks for tuning in today to Income Property Investment Talk. If you have a question for Mosca or Dean call now, listener lines are open. The toll free number is 1-866-472-5790. That number again is 1-866-472-5790. Now back to Mosca and Dean.

Mosca: Walter, as you know the term commercial investment property refers to any type of improved real estate other than residential investment property where some form of business or commerce is conducted. Investing in real estate is a complex process. We've outlined that numerous times on this program especially commercial real estate. There is

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a lot more to it than just finding a property and securing financing although, of course, those are two obvious integral steps. On this show we consider multifamily investments the best properties to invest in. Our thought being that they can be recession proof if you buy the property or properties in the right market at the right time. We like to call that location investing. We feel that would be the number one tip for multifamily investors. What are some of the other tips that you can share with investors who are regarding or thinking about multifamily investing as a property type of choice?

Helm: I can't agree with you more on having multifamily being the very best investment and the current investment market is really showing how apartments are shining. We've had apartments in this last month, the sales have actually increased over January and that's an amazing thing with a declining single-family market with the economy still declining. We are seeing an increase in sales in multifamily and that is because most investors that have been looking to purchase things in the office and the retail have decided they need to get into something more stable. As a result, in February the office and retail sales have dropped, 95% for office sales and 88% for retail sales compared to a year earlier.

Mosca: Now Walter, just if I can you're talking about national statistics now correct?

Helm: Yes, national statistics.

Mosca: Okay, I'm sorry I didn't mean to stop the train of knowledge there but I just wanted to make sure that everyone understood that you're talking about national numbers.

Go ahead.

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Helm: Yes, and I was looking at that from what goes on overall and what we're doing. We've had still a pretty good volume of things. Apartments are off a bit from the same month a year ago, apartments are off 27% from prior year but considering that offices are off 95% and you still are having some vacancies in office and in retail that had not been anticipated by the lease terms. So it can come and take you by real surprise if you have an office or retail. For the investor that does not do this full time, there is not a sophisticated investor that does not want to manage his office on a long-term range or a retail purchase, apartments are so much easier to do and we see that a lot of the reits are buying apartments. Other companies are doing, tenants in common I think are the ones that are doing the very best, are the ones that are buying apartments.

Mosca: Okay, before we flip over into the tenant in common, I just wanted to tap your brain a little bit more as it applies to multifamily. What are some of the considerations that an investor should look into before dropping down their investment on multifamily properties? In other words, we all know that in order to get the loan you have to prove that you're going to have the cash flow to cover the loan amount, but what are some of the other considerations? Fix ups, flip it, that type of thing, what are some of the considerations of multifamily?

Helm: The first thing that I see people making a mistake on all the time and you mentioned it is the location. It's something that has been beat to death in real estate location, location, location but there is a real strong reason for that. If you don't have a property well situated that if there's any downturn you'll be in trouble and you can have some problems. If your property is well situated then you need to look at it very carefully

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with an agent that really understands what's going on in the local area as to where the path of growth is, what jobs are coming in, what demand generators are there going to be for this apartment, and what it's going to look like for 10 years. Even if you're looking for a three year hold you have to look 10 years out to make sure that there's a very strong market for the apartment when you want to go to sell it.

Mosca: You know Walter, I couldn't agree with you more about the location aspect because I was listening to an economist just yesterday, Britain Ebert, from a company called RealSource that's an advertising sponsor of our program and he was talking about how while on a national level we keep hearing media accounts and depending on which one you watch, listen to, or read you might feel as if the country is going to fall off the map but he did indicate that there are markets across this country that are performing and really didn't bubble up like some of the other markets. You couldn't be more accurate about location, location, location. So I just wanted to jump on that.

Helm: I want to get a little more specific on that and talk about two clients that I have that have gotten caught in a location problem. Not having specific local knowledge, they subscribed to a service that told them that a certain city was going to be a very good investment when in fact that city was a good investment if you picked the right area in that city. All cities have good and bad areas; all cities have areas that are growing faster than others. Both of these clients ended up purchasing their property on their own without having any reliable, local assistance. One of them is losing the property; the other one is losing half of their investment. Getting a local representative there, whether it's a Sperry

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Van Ness agent or another agent that is referred to you by somebody you have some reference from is the second most important thing in getting a real estate.

Dean: Now we're really singing from the same hymnal. We've been preaching that for years. People, and it just frankly drives us crazy, when we see some of the national news like in the Wall Street Journal, real estate's up, real estate's down. Well, yes real estate is up in some places, real estate is down in some places. Even within the market there are so many different sub markets within the market even from neighborhood to neighborhood. There are some neighborhoods we wouldn't invest in but we could go two blocks over and because two blocks over happened to be right next to a hospital and there was no available housing for all of the staff of the hospital it became a wonderful investment. That's just a matter of blocks so you're exactly right. It's extremely important to be able to have a professional that really understands the dynamics of that market especially if you're living in one state and investing in another. One of the other big advantages that we found over the years doing multifamily, especially in the B and C grade sectors in appreciating markets is not being tied into long-term leases, which we typically use in industrial and office. Although in industrial and office we're putting in those small, automatic annual escalations; in multifamily, especially when a tenant leaves and we do a rent ready, sometimes in a moving market we can raise the rents far and above the previous year. In some cases, we've even raised the rents 25% in a given year as opposed to maybe perhaps the two to 5% in industrial and office that we've built in in a three or five or even longer lease. So I just want to get your thoughts on that.

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Helm: Yes, I am a purporter of the short-term lease. If you have to lock into a long-term lease unless it's a student housing where you go year to year and you're vacant during the summer, I really prefer the short-term lease. Most people that are the conservative folks are saying they want to have a long-term, stable lease and a long-term lease with fixed increases but in a rising market, and you should be buying in a rising market, you're right Dean, you really lose tremendous increases you can get. It can be 10 to 15% increase and if you have a stable tenant there it's very hard to increase the rent that much and the tenant that went in at a certain level. For the new tenants that are looking for a place to rent definitely that can happen. I have a property that I'm working on in Raleigh, North Carolina and were running it 97, 98% occupancy. Well, when you have that kind of occupancy there is a fairly strong direct demand for rentals and you can get some significant rent increases.

Mosca: I think what we preach here on the program is how important it is to reach out to the professionals in the market, the relationships. That's the key word that keeps coming over and over and over. That's what we try to stress on this program is listen, we understand that the majority of the country is a do-it-yourselfer type country whether it's your putting on an addition to your home, you like to do your self-stock investing online, whatever the case may be. With real estate and especially this type of investing in commercial real estate it's so important to reach out to the Walter Helms and the Dean Essas and all the other professional players out there that know this business and understand this business.

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Helm: Mosca, that is so important and more so now than it was in the past with the Internet because people are shopping online, they are looking for apartments, they're looking for office or retail and they say okay well here's a good one. I compare this information and this set of information, they believe what they read that is on the performing information and make a decision based on that and it's very, very dangerous. I've seen a lot of clients have problems with that. I'm working with three clients right now where I'm their exclusive representative to help them buy property in other states. I am an expert in Sacramento, I know Sacramento, but when I take them to another state I could do it myself by looking through LoopNet and I could do it and I could keep all the fee for myself but that's not the way it should be done. I bring in a local Sperry Van Ness expert who knows that market to make sure that my client is well represented. Part of our company philosophy is that we give up half of our fee to make sure our clients are well taking care of and to make sure that our clients get the best investment possible because our clients will come back to us again and again and again.

Mosca: Walter, what about that client? What is he looking for? We know we have a lot of brokers out there across the country listening to the program; we've got about a minute before you come up on break. Is there anything you'd like to share what he is looking for in particular?

Helm: Yes, specifically a **multi-tivet** retail with some credit **tivet** in the \$5 million range. He can put down 30 to 40%, somewhere on the east of the Mississippi. He's not real particular; he wants to be in a good growth area. That is a requirement. He is in an exchange. We'll be having the funds come out of the exchange in probably two weeks.

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Mosca: Okay.

Dean: We have a lot of CCIMs on the East Coast listening to our program so I know they're tuned up.

Helm: I would love to have any submissions from anybody that whether they're on the market or not on the market we can work out a commission agreement and make sure that they are protected. We can see if we can get a good deal for all of us.

Mosca: That would be fantastic. Walter, if you happen to hear from anyone we would like to know about it as we move forward. When we get back from this short break Helm, maybe we could switch gears and get into what you mentioned earlier about tenant in common or TIC offerings, why they are popular today, what are some of the benefits and features of TIC ownership. So when we get back, remember give Walter a call, 1-866-472-5790. We'll be right back.

**BREAK**

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Mosca: Welcome back to Income Property Investment Talk. We're here with Walter Helm, managing director, Sperry Van Ness. Walter, before we left on break we were talking about the multifamily investment and how it could be recession proof if you pick the right location within the correct sub markets and analyzing all of the different data that's available to you. It's important to work with the professionals who understand that, reach out, have relationships and one aspect that Dean mentioned on the break that we

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didn't really talk in the detail that it deserves is property management. We know you have over 20 plus years of experience with property management. Talk about property management and its importance. One of the mantras of ours here on this program is you should live where you want and you mentioned it earlier for your client. You know the Sacramento market but right now your client's saying I might want to live here but I'm trying to look for an opportunity somewhere else, the best market to invest in. So, how important is property management to that investor who understands that mantra?

Helm: That's second to location and it's a very close second. The property management can make or break your property. You can have two properties side-by-side, if one's managed properly, it can do terrific. If you have a lousy management company it can destroy your property and it can go downhill very, very quickly. I got into property management very reluctantly because I was selling apartments to my clients and I'm telling them that it can do this, it can do this, and they weren't getting the performance. I started my own management company, started managing their apartments so I could prove them that we could get the performance on there because I was managing my own apartments. When you go to out-of-state areas it is critical to have a management company that you have some clout with whether it's some association that has some other people that are using them, comes well with good references, and it's probably the most critical thing after you find the right property. If it isn't managed right and they start putting some less desirable tenants in, your entire complex could go down in a matter of months. You get in some loud, obnoxious tenants, you can imagine having neighbors like

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that and you could have all your good tenants decide to move out in a few months before you even realize that you had a problem.

Dean: A lot of our clients over the years have complained about management costs eating up their profits. I've always looked at it from a different angle. I have always felt that good managers are extremely difficult to find, they are worth gold. I think in many cases they are underpaid. In fact, we over the years have bonused our managers. Say for example we take over a B and C grade property that's 75% occupied at the time that we closed escrow, when they got to 85% we bonus them. Then they get to 95% and we bonus them again. Now if they get to 100% we fire them because we felt they weren't raising the rents, I'm just kidding.

Helm: It's a very strong point. I agree 100% Dean. It really makes no sense at all when you have an investor that wants to buy a 5 million, 10 million-dollar property and they look down the expenses and say where can we cut expenses. Let's take the management from 6% to 5% and from 5% to 4%.

Dean: That's like taking a surgeon of the surgery room.

Helm: Yeah, and putting in an intern.

Dean: Exactly.

Helm: It's ludicrous and having them incenterized like you're talking about with bonuses and getting them a bonus on performance is very, very important. You need to do that with your managers. You need to treat them well, you need to pay them well and give them bonuses and make them a team player in the success of the property and not go in and say we need to cut your expenses. A couple percent in what you're paying in the

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management fee you lose many times over if they don't manage it to the best of their ability.

Mosca: Let's take this all the way through Walter in terms of property managers. If you can come up with, I'm a big believer in threes so, is there a way that you can come up with a quick three things that you should look for in a property manager?

Helm: One is references. One is that they have good references and you can talk to some of the clients that they are working with. The second one, if you can get it, is to talk to some of their clients so that you're working together to have some clout with that property manager so that you have three or four people or three or four properties that are together with that management firm whether it's a small firm or large firm. Then the third thing is to make sure they get a good incentive. Go in there and ask them what they want and then take what they want and say well what if we gave you a bonus on top of that so that you would perform better for us than you would for anybody else. You better believe they are going to pay attention to your property and make sure that your property outperforms anything else.

Dean: I hope everyone who is involved in multifamily or management in general at all is listening to what Walter is saying because this is absolutely brilliant stuff. We have one of the sponsors of our program has invented this thing called MaxCap. It's really phenomenal Walter. I'm not sure if you had a chance to look at this but it's a way that you can live in one state and buy a multifamily project in another state through the use of technology and web cams. We set up web cams of course you can't set them up on the inside of the unit but all the common areas. We have a web cam pointing down at the

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property management office so we can see what kind of activity is coming in and out, make sure that the management office staff is actually in there. When it comes to repairs, there's been times when we say the pool guy supposed to be there at nine o'clock fixing the pool and we're looking at him. He doesn't realize it but we are on the web and we're looking at the web cam seeing that there's nobody there working on the pool. So we call up the pool guy and say how's it going, oh good I got my crew out here, oh really because I'm looking right at the pool and I don't see anybody.

Helm: The MaxCap program, I am familiar with it. It's an outstanding program and they also have affiliations with local management companies to make sure that the management companies are doing what they need to do but yes, it's really, really dollars well spent. You'll cut your expenses and you will keep the property operating a top efficiency.

Mosca: Well, speaking about properties, let's switch gears a little bit and talk about how investors can get into properties that perhaps they couldn't afford on their own but because they go into tenant in common type investments they are able to purchase properties that with other investors can offer them better returns, better cost efficiencies, better property management perhaps. So, Walter, what are some of the benefits or features of the tenant in common type investment? Maybe you can start out by simply explaining what it is in a quick fashion because I believe we focus on this for so many shows that most of our listeners know what it is but in your opinion, what are the benefits of TIC ownership?

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Walter: A TIC is a tenant in common so that you own your own sellable part of the real estate. You have a fractional interest whether it's 2%, 4%, or 10% and you can sell that without talking to any of your other members. You have autonomy and you can exchange into a tenant in common ownership, which is very, very important. I recommend that all of my clients that are doing their small apartments that are tired of the management go into a TIC investment. I think that is one of the best ways to get economy of scale. They don't have to do anything, they get some professional folks to run it but I'm very, very careful about what TIC they choose. This is a very serious commercial but it's 100% from the heart as there is only one TIC that I can recommend and that is RealSource. I'll tell you why, it's real simple. RealSource goes out and looks at properties, does analysis, has the right location, but most importantly, just like when you have a property manager that you've incenterized, they make money if the TIC does well. They get an investment in the TIC, so when it sells they make their money. There are a number of TICs out there that have given the industry a terrible name where the company that is sponsoring the TIC will purchase the property for 10 million, then flip it, sell it to their own TIC for 11 million. They take a million profit out the top then they sell an inflated property to the TIC investors that have to stay in for three or four years before they can even break even. It's almost criminal what they are doing. They should not be allowed to do that type of thing. RealSource does not do that. They spend a lot of time and effort finding the right property at the right location and when they buy it, they get a carried interest and when they sell the property which is sold by a majority interest of the partners, so they don't want to sell until they make a profit then that's when RealSource makes their money on it.

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Mosca: In fact, just like you just said and I can verify that, because I'm actually speaking to you, I talked to you about this on the break, I'm speaking to you from Honolulu and they were just at a conference here with some Hawaiian investors talking about the fact that they are TIC providers and that they have a couple of investment opportunities. What they do is they put their money where their mouth is. They invest in the same TICs that the investor/clients invest in as well. Then in terms of selling the TIC properties, what they do is they insert triggers into the TIC and when you reach those triggers, then it opens up. The decision is made by all the joint owners or the fractional owners in the property and that's an important part of the TIC ownership process, isn't it Walter? Understanding that what you're going to own is a fractional part of the actual project.

Helm: Yes, you just have a small interest and you can be outvoted. You can decide that you want to hold it for three years and the ownership can say well we're going to hold it for 10 years so you do lose some control. That is counterbalanced by not having to worry about it, you can go on vacation, you can go to Hawaii and you can stay there. Your checks come in, the management is handled and the management is handled very well. They have a very strong group that watches very, very closely to make sure that it's done properly.

Dean: One of the things I really like about the way RealSource handles their TICs and amen to what you said about the way they run their TICs, is how they outline everything prior to. There is very little room for dissension and I think that's one of the biggest problems that have happened in the past with people who enter into general and limited type partnerships. Those things have fallen apart when decisions have to be made. The

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way they do it is they outline everything ahead of time. For example, they'll say something like we're going to hold this property for three years and then sell it or when it hits a 40% net equity position, whatever comes first and then they outline every possible scenario that could come up. Say the roof needs work on it, it needs a \$50,000 roof, everybody pitches in their share of the percentage of ownership they have in order to replace that roof. If one person doesn't happen to have the money at that particular time then someone else can step in, pay that portion and then reduce their net equity position in the property. Everything is outlined; it takes all the guesswork out of it so that you can go to Hawaii like Mosca does.

Helm: It's a good thing. The other thing, in any TIC purchase is the integrity of the sponsors. I can personally vouch for the integrity of the sponsors of RealSource. I know of only one other TIC that I can recommend and it's closed to new investor that a Sperry Van Ness TIC. I do not have another second choice if you say well I have to have a second choice to compare, I can't give you one. It's because I can vouch for who the people are that run this property and run the company and run the TICs. When anybody is looking to invest, you have to really make sure your partners and the people...

Mosca: Hold that thought Walter; we're going to take a short break. When we get back, we'll talk more about TICs and what's happening in the national economy.

**BREAK**

Thanks for tuning in today to Income Property Investment Talk. If you have a question for Mosca or Dean call now, listener lines are open. The toll free number is 1-866-472-5790. That number again is 1-866-472-5790. Now back to Mosca and Dean.

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Mosca: Welcome back. With the few minutes left we have, Walter I would like to talk to a little bit about the economy. We've talked about the media reports, people are a little bit alarmed, up in arms and scared and rightfully so with everything that's going on in terms of the reports, what they're reading, seeing, hearing. Let's hear from an expert like yourself, what do you see happening with the economy? I know we do have the presidential race that's going on, so what do you see happening in the next six to 12 and then maybe a further look at what might happen to the economy. I know I'm asking you to break out your crystal ball here but do your best with it.

Helm: That was a very dangerous thing because I always come with my biases and what I see in the past but fortunately I have been doing commercial real estate for almost 30 years and I've seen the different cycles. I've been in the best, some government induced, some not. The current market and the downturn in the housing meltdown has caused trouble for all sectors and the retail has really suffered. Office has really suffered with the high vacancies but I see it as something that is going to be relatively short-lived. What people fail and really realize to take a look at is that the values are going up much faster than anything supporting them, any factual reason and people were just speculating on things and forcing prices up in the homes. Things are kind of back down to normal, back where they should be, back to where they make sense, whether it is economic sense in buying a house if you're going to keep it as an investment or an apartment and not overpaying for things. The other thing is we are coming into an election-year. The folks in Congress want to get reelected. They want the economy to be as stable as possible and they are going to do everything they can to help the economy. I think it's going to be a

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roughly soft landing for this recession and we should be getting back before too long and I see one thing that I expect to be very serious is the future of inflation. Inflation, I think we're going to get back in to where we were back in the early '80s where we had some very serious inflation and that is the best friend for real estate. If you have leverage real estate and it has some inflation, your rates of return on your equity invested are going to be really, really good, much better than almost any other sector.

Mosca: Okay, did everybody here that. I hope everyone heard that which means that if you were considering, now's the time to jump off the fence.

Helm: I definitely agree because there's not going to be any fire sales on apartments and some of the shopping centers. They have a few vacancies; they're going to fill them back up again and the interest rates are low enough to where we're not going to see a big dip in values. We have more sellers than buyers but they seem to be holding prices pretty stable just nationwide. They're not forcing things out so if you can get into something. With the debt that we have with the cost of oil, the cost of different construction, everything is going up, competition for goods from China, we're going to see some inflation. I can't see how we can stay with what the government says 3%. That's the official figure but I don't believe it. It's going to be much higher and housing will go up and the value of your leverage real estate will go up quite a bit.

Mosca: Walter, we just got a text message from one of the listeners and the question is and I think you already touched on this, but maybe you can just reiterate your feelings on it. Do you think an investment in apartment structures is a safe investment?

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Helm: Very safe. We're seeing that now when people thought there'd be a serious problem with the housing market where everybody was going out and buying a house that could, we still had good occupancy in apartments. The growth of the apartment sector of people that cannot afford a house is very strong. With the interest rates now it's going to be stronger when it's harder to get loans, you had to have more down, we are going to have much higher occupancy. This would be a very, very good time to get into apartments.

Dean: On the multifamily sector, if we're going to jump in what's the best way to find out where? If I'm living in an area where the markets not that good, what do you think is the best first step for our listeners to say, okay I'm living in California, I'm living in New York and I want to invest but where I'm living right now the properties may not make sense in the multifamily sector. I know that there's tremendous opportunities somewhere else in the country, what do you think should be their first step?

Helm: I think that the only choice in that and the choice that I recommend to all my clients is they talk to a company called RealSource out of Salt Lake that considers themselves a research company, that finds the location down to the zip code of where they should invest. They look at the markets very closely and they find it before it's published in Fortune or in the USA Today that causes a big fervor of people going in to buy things in areas they shouldn't purchase. RealSource takes a look at the specific markets, all the different things, the school formations and potential businesses going in to help choose the right location and the right town, the right location in the right town.

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Mosca: Walter, I want to jump on that too. One of the other areas I think that's important because we've had past presidents of this institute on numerous times and Dean mentioned the designation earlier is the CCIM designation. It stands for Certified Commercial Investment Member. When you see that designation, it tells anyone who sees it that anyone holding that designation and they have a saying that goes with it, the Ph.D. for commercial real estate.

Helm: Yes, and so if someone is looking for a broker and they haven't been able to find one, you go to the CCIM organization. The integrity level there is very, very high and that's probably the most important thing.

Mosca: Let's talk a little bit more about the economy. We have about 2 1/2 minutes left. What else do you see? What is your advice for an investor who might be considering, maybe somebody who just has just enough money right now to put down a down payment on a piece of property for the first time. What's your advice Walter?

Helm: I go back to the TICs in the first time, then you can watch how it's done and see how it's managed. You can get an idea of what's going on and what's happening. That would be the first choice. The second choice is if you were going to buy something small to do it in your own neighborhood. That's counter to investing in the better markets but if you don't have the proper management on the small property, you could lose everything. So you could get one in your own neighborhood that is a small property, manage it yourself, make sure it's running well, keep it better than anybody else in the neighborhood then you can sell it and move to a bigger property in another location.

Mosca: Walter Helm, Dean did you have one?

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Dean: I'm sorry, I was going to say that another thing that we've used to help our investors out with TIC investments is especially if they're on 1031 and their identifying properties, you know they have to identify three, and of course there's other rules but we won't get into that now, that's another show, but we've always recommended to our clients to have one of those three properties a TIC because it's a nice safety feature in case the other to blow up.

Helm: It's a great safety feature because if you can't finalize a deal in one of your other properties, especially in an exchange because the seller knows that you have to do something, having a TIC as a background can be a great thing to get you into a good property but, once you get into a TIC you may not ever want to change. It may be the best investment you've ever made.

Dean: We get a lot of people who get in a TIC and say yeah it sounds like a fantastic idea. I'm going to have professional management, I'm going to get economies of scale, I'm going to get good cash flow, I'm going to hopefully get appreciation if the TIC knows where to go but I had to pay the manager to do that. I have to pay somebody a fee for that but my thought has always been that even with the management fee if it's a good TIC, it's even outperforming what you can do on your own.

Helm: The people that focus on the management fee and the details will lose on the big picture. It's the same with the brokerage company.

Mosca: Walter, I need to stop you. I apologize but we're running up on the end of the show. I thank you for coming on. Walter Helm is the managing director for Sperry Van Ness. Walter@SVN.com. Next week on Income Property Investment Talk we have

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William Carter, first vice president of the National Association of the Remodeling Industry. In following weeks on May 7th we will talk about self-directing IRAs and on May 21st we have Chicago Deferred Exchange Corporation coming on talking 1031 exchanges.