



PROFILES OF SURVIVAL

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IN THE WORLD OF COVID-19

IN THE WORLD OF COVID-19, things have changed for property owners. At a time of suddenly shuttered restaurants and stores, as well as sky-high jobless rates, tenants and owners must navigate uncharted waters. As an essential service and business, multi-family housing management has had challenges of its own.

LION REAL ESTATE GROUP



As the co-founder and managing principal of Lion Real Estate Group, LLC, **Jeff Weller** is involved in sourcing transactions, raising investment capital, and managing the firm's investment

portfolio. Jeff recently shared with me, the company's approach and success during the COVID times as well as his outlook for the year ahead.

Roxana: Tell me about your life before Lion Real Estate and how you and Mory came to own and operate your current portfolio.

Jeff: I grew up in San Marino, east of Los Angeles. In high school I lived in Australia, then graduated from Southern Methodist University. After school, I started working in brokerage for Cushman Realty - a Tenant Rep shop which did big relocations in the US. I was an analyst doing site visits and figuring build-to-suit sites, then as a tenant representation broker. I've always been investing my money in apartment deals and spec home developments and interested in the investing side of things. I met Mory Barak through a mutual friend and we ended up partnering and raising capital through a group of wealthy individuals in Los Angeles to buy value add multi-family properties which was the safest way for the best risk adjusted return. When the recession hit in 2008, we ended up raising more capital, and started buying financial instruments like non-performing loans. In 2009, we turned the corner as we were brought into a bankrupt company to acquire affordable

housing. We bought that on the courthouse steps for \$12mil. A few years later, we were able to sell out our interests for about five times more than we made, which really taught us how important it is to have a management platform. We ended up moving in different markets and now we own and operate 5,205 multi-family units in Dallas, Austin, Nashville, Durham, Denver, Salt Lake City and Los Angeles. Our strategy is still to go into high growth markets and create a diversified portfolio.

Roxana: What are some of the things that have affected your business during COVID?

Jeff: We've been very blessed in the multi-family space to not be affected like other companies and businesses, but it has been a challenging year just to keep corporate morale and culture and to keep everyone paddling in the same direction. Early on we decided to give some financial incentives even with the company not doing well financially - or as well as it has done - to make sure that everyone knew that we appreciated them, so we gave out gift cards on a regular basis. We were also compassionate to our tenant base and said that we were not going to chase people for rent. We took a very calm approach of this in the early days of this and let people pay what they can pay so there is buy-in. It was a great time to build brand loyalty and build loyalty with our tenant base. I think because we were empathetic to the people working at the properties, they were able to carry that forward to the tenants. Mory and I are happy with what we do. We're in a business we really like, and we're creating nice housing. We're in the investment business, and we're creating returns for the investors, so if we have to take a little bit of a hit and do the right thing, it will be better long term.

Roxana: Have any of your properties been affected by the evictions halt?

Jeff: All of them. Based on our experience it seems that our residents in southern California are less able or willing to pay rent. This may be due to a variety of factors, including reduced income, the current political environment, and other associated effects. We tried to be compassionate, but we're frustrated. In the

other parts of the country, people have been unbelievably good about paying their rent. When this hit in March, I thought by April we would be out of business because people didn't have much in savings. I was surprised at the resilience of the American people. I do believe the next couple months will be tough, but I think at the end of this thing we will come out stronger.

Roxana: Have you had any other particular limitations or challenges in operations?

Jeff: In addition to some restrictions and some delinquencies, I thought expenses would go up and we would have more payroll, but expenses have gone down and construction cost per unit on renovations stayed flat. Those are the things that initially brought pause.

Roxana: Now that there is vaccine that will get to the American people in the next 6-12 months, how do you start looking towards the future and continue to grow your business?

Jeff: We have unbelievable investor demand for syndication investment opportunities. Because the stock market is very expensive to buy into, and the fixed income market is very dislocated, our investor base is desperate for yield, so we have a ton of dry powder. I would predict we buy somewhere around eight properties next year. We will probably spend 125 million in equity and up to 400 million in value while we strategically sell a couple of properties. Our money is definitely focused on long term and our deals are done through high net worth and family offices who are looking to hold deals over five years. Biggest challenge ahead will be finding investment opportunities that fit our investment criteria. We can still buy lower cash on cash return because when getting into a deal to be in the long run we will focus on where the property is located and pick a good location. The thing to look out for is that the interest rates may go up faster than people think. We are always able to hedge that risk by putting fixed long-term financing in and put in more capital, so we don't have a capital call. Then, if the property performs, we can take out additional supplemental debt, but if it doesn't perform, we know we have fixed financing so we can ride out any storm that comes our way.

Are people born with photographic memories, or does it take time to develop?

Roxana: Tell me about your new Dallas office.

Jeff: We are moving our operations to Dallas. While there are certainly tax advantages, our main reason for this is the talent pool and being in the middle of the country. Dallas, Austin and Texas have really good talent pools and Dallas has such a great airport centrally located that gives us the ability to make day trips to our portfolio. It was a good move for us this December. I am a big fan of Dallas and our team is excited to go there and keep more money in their pocket by saving in taxes and having a better cost of living and better lifestyle. We're excited.

Roxana: Will Lion Real Estate continue in multi-family?

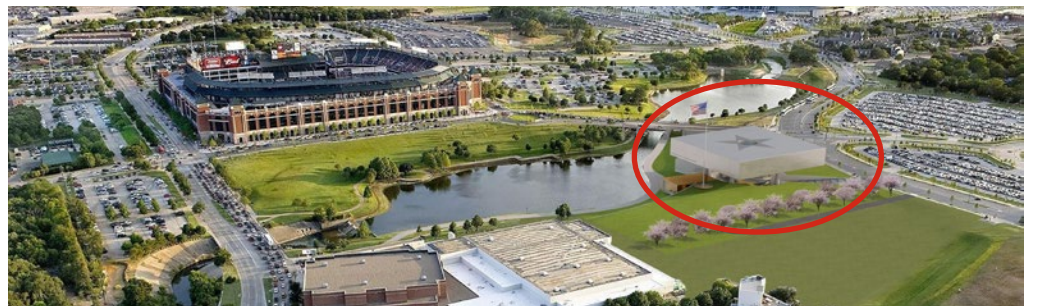
Jeff: I firmly believe that multi-family properties and strong growth cities will outperform any investments people make over the next ten years. It will have the best risk adjusted returns. People always need a place to live and the rent-to-own gap has been exaggerated in these cities, so even in cities where it's realistic to own, the rent-to-own gap is still massive - and it is getting bigger. If you look at the diversification of an apartment community, say a 300-unit property, and if you have a dislocation like COVID you might have a 10-20% swing downward in occupancy and delinquency in the worst-case scenario. But because of Fannie Mae and Freddie Mac, you're able to still pay your mortgage and still pay distributions to your investors. I don't know one other investment that gives you that kind of comfort. It used to be that multi-family was a family run business -high worth individuals. Now the institutions have come in because they figured out that the yield is so much better than in fixed income. This has added a lot of liquidity and security to the business. People who are buying multi-family don't have to hold it for the term of the loan because exits can also be to institutions or company pension funds. It has become an institutional asset class over the last twenty years. We'll stay in multi-family and will continue to have a lot of success raising capital from high worth individuals. We usually get capital for deals within two weeks which has been testimonial to our management team, our criteria and to the fact that this is a safe investment.

In a multi-family world that is becoming more competitive all the time, Lion Real Estate will continue to succeed because of their knowledge, expertise and approach to business. They believe in doing what they said they were going to do, having great relationships with investors and the seller community, and taking care of their team and residents while providing great homes for the residents and solids returns for their investments. ■

'By the time a man is wise enough to watch his step he's too old to go anywhere.' (Billy Crystal)

THE **WOW** FACTOR

NATIONAL MEDAL OF HONOR MUSEUM IN ARLINGTON



The leadership team of the National Medal of Honor Museum Foundation (NMOHMF) and Rafael Viñoly Architects (see page 20) released the first architectural renderings of the Museum's new home in Arlington. It is dedicated to honoring the more than 3,500 brave Americans who received the nation's highest award for valor in combat.

The Museum will sit amidst a five-acre tranquil landscape in the Arlington Entertainment District. The 101,000-square-foot footprint will encompass 25,000 square feet of exhibition galleries, a state-of-the-art Education Center, conference and event space, and an outdoor amphitheater for ceremonies. The Museum will provide an unrivaled visitor

experience with state-of-the-art permanent, interactive experiences and rotating exhibitions. Serving as a national landmark, the Museum will illustrate the historical thread of sacrifice, patriotism and courage that runs through all U.S. military service members, past and present. It will also include an education center aimed at character development in our nation's youth. A critical part of the museum's mission will be to use the stories of Medal of Honor recipients to inspire and motivate young people.

More hi-resolution images of the museum can be found here: spaces.hightail.com/receive/xpm8oLDoJ1 ■

