

The Weekly Take

Patience: The key to raising investment capital today

Spencer Levy

Investing in commercial real estate is, of course, a lot more complicated than buying and selling properties. You can invest in individual assets, investment funds, REITs and many other vehicles. There's lots of different ways to invest in real estate, and the complexities of volatile capital markets don't make things any simpler. On this episode, we explore the world of real estate investment funds, and we follow the money.

Jeff Toporec

It all comes down to what is the right fit for what you're trying to do and what is your investment strategy and who do you want your investors to be?

Spencer Levy

That's Jeff Toporec, co-founder and principal at FD Stonewater, a Washington, DC-based firm that's active across multiple sectors and lines of business, with a total of more than 10 billion dollars of assets under management. Jeff co-leads the firm's investment and asset management group.

JM Schapiro

It's really hard to raise equity, right? It's hard to get somebody to give you money once they've given you that money. The most important thing you want to do is make them comfortable that you know what you're doing, that you're communicating clearly, that there's never any surprises.

Spencer Levy

And that's JM Schapiro, the CEO of Continental Realty Corporation, a Baltimore-based firm founded in 1960, which focuses on multifamily and shopping centers. In the interest of full disclosure, I'm an investor in Continental, and its overall portfolio has about 8 million square feet of shopping centers nationwide and roughly 10,000 apartments in the Mid-Atlantic and Southeast regions. We'll dive deep into the details of these firms and the investing industry at large. We'll start with a primer on real estate funds and close with perspectives of getting into the game of raising money in commercial real estate. Coming up, a conversation about funds and fund raising. Capital ideas. I'm Spencer Levy and that's right now on The Weekly Take.

Spencer Levy

Welcome to The Weekly Take. And this week, we're going to talk about funds and fund raising with Jeff Toporec, principal at FD Stonewater. Jeff, thanks for joining the show.

Jeff Toporec

Thanks for having me, Spencer.

Spencer Levy

And then we have JM Schapiro, CEO of Continental Realty Corporation. JM, thank you for joining the show.

JM Schapiro

Glad to be on the show. Looking forward to it.

Spencer Levy

So, folks, we could talk about all the different types of fund structures, fund names. There's a lot of terms out there. Maybe we'll start with you, JM. Just give us the funds 101. What are the different types of real estate funds out there?

JM Schapiro

When I think about the fund landscape, right, I think about deal by deal, right. So that's not even a fund, that's where you go raise money on an individual deal basis, right. And what that means is you're not cross collateralized. Then I think you start to get into a fund, right. A fund is where you go raise money and the money's given to you and you're investing it. And those are cross collateralized, right. And that can be a closed end-fund, meaning it has an end date that is known; or it can be an open in fund, meaning it does not have an end date and you're valuing those properties in a annual or quarterly basis. And then you can get another side, which is the other side of direct, but is programmatic or some large joint venture partner will give you equity and you're in a box and as long as they quote, approve it, then you can go invest and split the fees from there.

Spencer Levy

And I think there's one word you didn't use, which is discretionary versus not. And how does that nuance come into play, JM?

JM Schapiro

Well, I mean, for us, we're always discretionary. It's the way we've built our fund business. So discretionary means we make the investment decisions. Non-discretionary means either you can't make those decisions at all, or you need somebody to sign off on those. That is not the end of the world, because frankly, if you're in a partnership or a relationship with somebody who's giving you equity, they should understand the kind of deals you're going to want to do and it should be relatively easy sign-off.

Spencer Levy

So, Jeff, anything to add there on different fund types or otherwise?

Jeff Toporec

No, I mean, there are always little nuances here or there, whether it's in an open ended structure or whether it's a non-traded rates. Obviously, how the public rates and, you know, it all comes down to what is the right fit for what you're trying to do and what is your investment strategy and who do you want your investors to be?

Spencer Levy

Got it, so let's ask a big picture question right now. The question we've been asking on every one of these podcasts, which is what's going on out there? The market is — there's a lot of adjectives we can use — choppy, capital markets frozen in certain places. How's it going? Starting with you, Jeff.

Jeff Toporec

So I got to say, eight years where, you know, rising market, everything looks great – those are much harder times for us because it's so much more difficult to differentiate yourself where you are working hard, you do have a niche strategy and everybody looks great. We love volatility. We love choppy markets because then you get to show your true DNA and the fabric of who you are as a firm in the capital raising landscape. We constantly hear, Oh, it's difficult to raise money, it's difficult to raise money. Candidly, if you have a differentiated product and a differentiated company and you approach your strategy different than other things that they're seeing, you will get meetings. Some of those meetings may not be, oh, we're going to write you a check right now because we love it. But you're building a relationship that at some point, they're going to remember that and they are going to want to write you a check at some point in the future. It's a long game of capital raising where if they're hearing a niche strategy and they're hearing a differentiated firm, you will stand out. I guarantee that. In the last 90 days, we've had 65 meetings on the capital raising side. And believe me, people have other stuff that they could be doing. They're only being set up because they're interested to hear that niche strategy, that niche story that you know what is - You're different than most other firms, and those have led to second and third meetings. And so - while the world is volatile, we kind of like that because we can then actually stand out.

Spencer Levy

JM, what's your state of the world and how are you handling it?

JM Schapiro

I would agree with Jeff there. I mean, we raised last year 350 million dollars, plus or minus. It was a great year for us. We created some products that investors were interested in. And I think what we are going to see and by the way, and it's just not an easy fundraising environment because certainly when you get to the institutions, there's a denominator effect, right. There want public securities or public equities, those are down in value. So their real estate portfolio is a larger percentage. So you really need to create something that resonates with them. You need to, I think Jeff's word, differentiate yourself. But I think what you're also starting to see is, in the world that we're in today, there will be some distress for some people who have not structured their deals appropriately and are going to feel some pain, and that creates opportunities for groups like Jeff and I on the buy side. And so we are sort of excited about seeing that part of it, in terms of being able to take advantage of those opportunities.

Spencer Levy

Now, you both obviously were well into your businesses during the global financial crisis. So from your perspective, starting with you, Jeff, opportunities coming out of where we are today or maybe where we are today: better, worse, the same than we saw during the GFC?

Jeff Toporec

I think the issues are different, right? But I would say it's a 12 to 18 month capital markets opportunity where you'll be able to buy assets that have debt maturities on them. Or sellers that are under pressure to sell. Or companies are trying to raise capital that they need to dispose of their real estate. But then you have systemic shifts in use and primarily, you know, just think CBD office, Class B, I think that is what the suburban mall went through over a long period of time. That's a much longer opportunity set that's going to play out. But as far as a capital markets opportunity, I think this is only 12 to 18 months at best.

Spencer Levy

JM, what's your perspective?

JM Schapiro

We would say definitively better. Like, we just finished raising an opportunistic shopping center fund just because there are very few people were looking to buy that asset class and we've had such a long history of that. And then if you flip over to the multifamily side, and I'm talking about predominantly investing in the southeast of the US, where it's just a ton of growth, you're going to see distress on those groups that have used floating rate debt. That's going to be the story of the next six months are the groups that use floating rate debt, including for multifamily. And as those caps and those escrows escalate dramatically, it's going to create opportunities for groups like us and others who have fresh powder and have integrated owner operator teams to take advantage of those.

Spencer Levy

JM, we've had a lot of shows on every asset class, but what we really haven't had a show on is how do you structure your vehicles to buy them? And so, JM, since you've been around since 1960, your company has, it's gone through an evolution of raising money. So why don't you just briefly walk us through that evolution of where you started from a certain type of capital raise strategy to where you are today?

JM Schapiro

We started in 1972 when we bought our first apartment community in Brooklyn, Maryland for 3,000 dollars a door, when rents were 59 dollars, including utilities. And in that case, we were using pretty much our own equity. The entire deal was about 600,000 dollars. And then we bought our first shopping center in 1978 in Fairfax, Virginia, for 26 dollars a foot, and that it once again was us using our own internal equity. And so we built the company from there, basically using our own equity. It was our family and a gentleman named Jack Luetkemeyer's' family. And so as that company grew, it was really predominantly our own equity until about 2010 or 11. And then in 2011/12, we started to look at transitioning to a different way to basically leverage our equity and provide more opportunity for our people and that's what I think the conversation we're going to have today is, okay, how do you make that transition from using your own equity to using other people's equity with your own? And so we've raised over the past ten years, we've raised almost a billion dollars from a value add and multifamily fund where those sat together in 2012, 2015 and 2018 to today, where we raised a separate fund that invested just in core multifamily and then a separate fund that raised just focused on opportunistic shopping centers that we just closed.

Spencer Levy

And those investors you mentioned, are you also branching into institutional capital?

JM Schapiro

Yes, we have institutional investors and some of those would be large registered investment advisors. Some of those could look like endowments, foundations, or groups like that.

Spencer Levy

Jeff, we met a long, long time ago in a land far, far away when my father was, I believe, your lawyer representing you on some transactions, and you were using large institutional capital at the time as one of your primary sources. So why don't you walk us through that journey, Jeff?

Jeff Toporec

That's actually how we started. We had a joint venture with Fortress, and then we had a private capital fund that invested side by side with them, and we actually did two joint ventures with them. And then that sort of evolved over time. And some of the folks that left Fortress went to Garrison. We did another adventure with them and then in 2010 we actually did a fund, but it was a sole investor fund with a corporate pension fund so that it was the DuPont pension. And that was focused mostly on federal government at the time. And then after all, those funds had kind of liquidated and had their successes, we actually did almost all of our deals through private capital. So it was our own money as well as people that we know. We never outwardly marketed, we never really needed to. And then ultimately, as we took a step back, we started to realize, you know, we're basically raising a fund for each individual deal from a transaction cost basis and really not giving our investors the benefits of being part of a fund. And so we launched an Evergreen fund in December for our single tenant strategy that really allows our investors to get the benefits of portfolio financing, getting one K-1, being able to do 1031 exchanges and things like that. So it's been an evolution over 20 years and I think the capital markets change and you've got to figure out what your business plan is and what's the right fit for you at that moment.

Spencer Levy

You know what's interesting, I'm not saying that you and JM have opposite stories, but they took different paths. You started institutionally and went high net worth or individual capital. JM started individual and now is branching into institutions. Now there are pros and cons to both types of capital. How would you respond to that, JM?

JM Schapiro

Yeah, I mean, look, there are pros and cons to any type of capital. Anywhere you think about it, right? And so what you start to do is think about your company and you look at your company and you look at how you think about the world and you think about, okay, is - it was very important to us. We had had a successful investing career for, let's call it 45 or 50 years before we raised our first fund and we felt like we really knew how to invest. And so in that case, we wanted a fund. We wanted to continue to be able to make those decisions because we had done it successfully. There are so many different ways to invest and to raise money, and I don't think any of them is better than any others, right? They all have their pros and cons. I think Jeff would agree with me, having been on one side and going to the other.

Jeff Toporec

Yeah, the theory is that you raise a fund so that you can have discretion and you can have control over all decisions. And I tell people all the time, if you don't think you have a boss, then you're sorely mistaken. Because it doesn't matter what structure you're in. You need to have transparency. You need to be communicating to your investors whether you have discretion or not. So that's one of the myths out there that I always kind of laugh at, is it should matter how you operate in terms of communicating with your investors.

JM Schapiro

By the way, Jeff hits on a good point, over communication is the key to all of this. Regardless of how you raise your equity, making sure that there are never any surprises, that you overcommunicate everything that's going on, you explain everything that's going on. I think Jeff is right. That if you're going to build a relationship with whatever that equity source is, because it's really hard to raise equity, right? It's hard to get somebody to give you money. Once they've given you that money, the most important thing you want to do is

make them comfortable that you know what you're doing, that you're communicating clearly, that there's never any surprises.

Jeff Toporec

Well, the other thing I would just say is that wherever your capital is coming from, if you run your operation as if your capital is always institutional, you're going to be fine.

Spencer Levy

Let's talk about something you mentioned a moment ago, Jeff, which is the distinction between running each deal individually versus putting them co-mingled into a sole vehicle. And you said, well, the commingling has great advantages to it for diversification. You get the full company. But at the same time, I know many developers, big developers who have never moved away from the deal by deal approach because unfortunately sometimes you have a bad deal and it could drag down the rest. How do you respond to that, Jeff?

Jeff Toporec

On a development structure, I think that does make sense, kind of doing deal by deal. But if there is something thematic where you can have something programmatic and it doesn't necessarily have to be a fund, then sometimes it makes sense to do that. Every investor and every developer would prefer to have their deals be one off so that they can earn their promotes. So it really depends on what the mission is and what the strategy is and to see whether that makes sense. But I think if you could do deals one off, I think everybody would do that solely because their promotes aren't crossed.

Spencer Levy

Sure. So for the purposes of our audience, you may not be familiar with carried interest or what a promote is. I'll just give it generally and then you guys can go from there. Generally speaking, what it is, is after you hit a certain designated return and those returns are different depending upon the asset type, the sponsor would get a higher percentage of the return than the investor. Is that a fair way to put it, JM?

JM Schapiro

Yeah. I mean, I think the simple way to think about it is that it's a pref, right? And so for us that spanned from as low as six to as high as nine. And what that means is that pref accrues and to the extent that we get, we were able to earn above that on the investment. We get, in essence, historically, standard is 20%. There are waterfalls where you can get more based on doing a larger IRR return. But yes, that's really the way it works. And then there's also a discussion of, okay, do you get an asset management fee, right? Which means a fee on the invested or committed capital. Are you taking fees on acquisition dispositions? We do not, but plenty of people do. There's so many different ways to structure it, and everybody has their own way.

Spencer Levy

The phrase you hear over and over again is alignment of interests, and you want to be absolutely aligned with your investors. Some people might suggest that they're in it for the fees, they're not in it for the overall performance of the assets, and maybe it's better to be smaller. Jeff, what do you think?

Jeff Toporec

Oh, I have some real opinions on that one. We put that into a couple of different categories. So if you raise a lot of money, you're a money mover and you need to make macro level bets. There are some groups that are excellent at making macro level bets

where they're making big bets on companies and things like that. For us, everything starts at the asset level and each asset has its own business plan and we are solely focused on executing that business plan for that asset. Now, does that fit into a larger portfolio and how we manage the portfolio and prune it based on credit and industry and lease expiration? Sure, but the business plan is at that asset.

JM Schapiro

It's not about how much money you can raise, whether you're raising 200 million or a billion. To us, it's about how much you can invest doing the same thing that you've been doing, because that's why people are giving you money. So if you think about our first fund in 2012, which was 100 million dollars, and it took us a very, very, very long time to raise like 14, 15, 18 months, we came back to our second, which we would call fund four in 2018, and we had so much money chasing us and it was like in four months we said we were going to raise 150. We could have easily been at two in a quarter, easily. And so we said no, that we feel comfortable at the 1 and a 50. We took it up to 165 because there were a few people you just can't leave out. But we left 50 million dollars on the table because that's what we felt comfortable we could invest. And I think that's really important.

Jeff Toporec

I think that's exactly right. And for us, what we said to investors is we want enough money to continue to do smart deals. We do not want money that we have to feel pressured to get out.

Spencer Levy

So let's talk about that pressure to get our concept, which is the open end versus the closed end fund. JM, how do you try to structure your fund?

JM Schapiro

From a shelf life perspective, you want to give yourself long enough to invest in that asset class that you're not pushed. So we always say run our office, patience will be rewarded. So we think about it as saying, okay, most times we're looking at three year investment period and probably a third - a third of those three years. But we've been in situations we raised a fund in 2011, we were buying real estate tax certificates in Florida. Right, it's on paid real estate taxes. So what that means is you have to show up at those sales with the cash. So we raised 90 million dollars. It was the second year we did it and we showed up at the sales. And there's 2.2 billion dollars of sales in that year and the cap rates had compressed so much or the yields that we ended up buying 3 million dollars. So we have 90 million in the bank, we buy 3 million dollars. It was sort of armageddon. We just couldn't chase the yield down because we suggested we'd get a better yield. So what we did is we wrote our investors a letter and said, we are giving you back all your money. Like we can't run a 3 million dollar fund, you will make zero. And so that built us more goodwill than maybe anything we've done in terms of returning that. And we ate all those costs. So we ate a fair number of costs to sort of put that whole thing together because it's not what people should understand is there is a lot of work that goes into setting up a fund. There's a lot of time, there's a lot of energy, there's a lot of time with lawyers, especially when you're talking about institutional funds, right. It's just a lot of work.

Spencer Levy

It's also a lot of money. I mean, you know, ballpark, if you're raising, say, a 100 million to 200 billion dollar fund. Is it fair to say that just setting up a fund from scratch is easily a seven figure endeavor?

Jeff Toporec

It can be. You're investing in infrastructure, you're investing in technology, you're investing in people. You've got to make sure that you're really ready to do it and your firm is ready to do it. You know, training people to do the right things. You've got compliance. You kind of got to go all in. And that includes legal, accounting, whatever, registration filings that need to happen. There's a lot of thought behind it and you have to create a roadmap and a plan and set yourself up with milestones of how you're going to hit them in addition to dollars. And it takes a huge amount of time. You know, the cost is one thing, but the amount of time that it takes to actually capital raise, I mean, I was home for a total of six days in the month of February. It just takes time.

Spencer Levy

Jeff, how do you see the market today and when do you see it improving?

Jeff Toporec

Oh, it's really interesting with the economy, where it is with inflation and interest rates and we have two exogenous events that we're dealing with. You still are dealing with the pandemic and you're dealing with a war in Russia and Ukraine. And those are two massive things that have had an impact on the world economy. You have the regionalization of the global economy, partially in response to that, but that was sort of coming along the way. And so you have this fundamental shift in the US economy that's happening where we could in the next five years actually be a net exporter. In our Southeast logistics business, we're just seeing company after company announcing manufacturing moving to the US. These aren't US companies coming back. It's in addition to that. So you've got the cumulative effect there where you've got a real engine for economic growth, transformative economic growth. But you do have these pressures of inflation. The labor part of the economy is super, super tight. So those two things are just fighting against each other and it's going to be interesting to see how it plays out. My bet is that the economic growth engine actually wins because those are 50 year bets. They're not reactive to where interest rates are today, in this moment in time.

Spencer Levy

Well JM, I like your point of view, and I note that you've actually added additional vehicles maybe to take advantage of that. I note I'm personally an investor in one of your earlier shopping center and multifamily funds, but one of your more recent funds is saying we are going to opportunistically look for distressed shopping centers. Is that one of the ways you're dealing with the market conditions we have today, JM?

JM Schapiro

Yeah, I mean, when we raised that opportunistic shopping center fund, our view was having done it for 40, 50 years, that we felt like it was an opportune time to go buy shopping centers. There are clearly less people looking to buy those centers today. We've had a long track record of doing it successfully. I do believe actually institutions are going to start to come back to that asset class. But when we really think about the economy, we think about interest rates, Right? Because that's a lot of what controls what happens with cap rates. And so our view and it's been set up based on — in 1983, 84, 85, we were buying apartment units and borrowing at 18%, 18 and those by the way, those ended up being very good multifamily properties, some of which we still own. So our view has always been clouded by that. We know that interest rates can go up. We've seen in the past and it's one of the reasons why we're just fixed rate borrowers across the board, because it allows — that's the thing that we know we can't control interest rates, but we

know that if a deal looks good at a point in time when we're buying it and we can fix that interest rate for X number of years, we feel good about that.

Jeff Toporec

I could not agree more with JM. You have to have conviction over the asset that you're buying. And real estate is a slower moving asset class and at any point in time you could claim the value goes wildly up or wildly down. But unless you're transacting, it doesn't really matter. You need to be really evaluating when you're purchasing it based on interest rates today, am I hitting my targeted returns? And that means you should be able to buy in pretty much any market.

JM Schapiro

But it's interesting because being in a fund business does change the way you think about that, right? So if you think about us buying historically for our own portfolio, we could put 15 year debt on everything the day we bought it, right? Because we were going to hold those assets for a very, very, very long time, right? When you're in a fund business, you're investors expect to get back more than just their dividend. And you need to sort of think about when you are going to sell that asset and you're starting to try to match up the length of the maturity of your debt with when you think you may exit. So for us, sometimes what we're able to do is we might put on a loan that's ten years, but it's flexible prepay after five. So it —

Jeff Toporec

So JM, your fund is a closed end fund right?

JM Schapiro

Our fund is a closed end fund.

Jeff Toporec

Yeah, so I think that's a huge difference where you're right. You have to manage toward when that vehicle comes at the end of its cycle and make sure that you're not hanging out there with debt maturity.

JM Schapiro

Correct, now in our open end fund because we have an open end vehicle or a partnership on multifamily. The last property we purchased was in Charlotte, North Carolina in sort of mid-February, and that had fixed rate debt on it at 3.2% for 40 years. It was a HUD assume loan, right? So in that case, because it's in essence, evergreen, you can take that kind of debt and you can pay it off. Ten, nine, eight, seven, six. So at some point, if you want to, you can execute new debt.

Jeff Toporec

I think that's right. And the evergreen structure actually allows you to go to shorter term. Longer term, you're really just making a decision of how long do I actually want to own the asset.

Spencer Levy

So for purposes of our listeners who don't understand what the term evergreen means, Jeff, why don't you define it for us?

Jeff Toporec

Sure, so an evergreen fund or an open ended vehicle is really a perpetual life vehicle. You're constantly raising capital and the fund grows by investable capital that's available for us to put into deals. And so it's a perpetual life vehicle. And investors after a lockout period have the right to redeem in and out of the vehicle. And we have gates that are on the front end and also coming in as well as redemption. It gives investors a little bit more liquidity. It's not meant to be a trading vehicle where you trade in and out, but it's meant for if you have estate planning issues or whatever it is you need to redeem out. You don't have to wait for an asset to be sold or for the fund to be fully liquidated.

Spencer Levy

JM, you and your company have had a long history and have used a variety of strategies are certainly moving more into the fund business today. What's next? If you could do something five years from now, what do you think might be in the capital raising strategy?

JM Schapiro

We're just going to continue to do what we've been doing, right? So I think we will continue to raise funds on the shopping center side and on the multifamily side of our business. Look, we've owned office, we've owned industrial, we owned the largest movie theater chain in Maryland. So we are entrepreneurs. But when you start to think about taking other people's money, I wanted to make sure we were doing it in only what I thought we were the best at, right? And so I think that we can compete with anybody who's in the multifamily as an integrated owner operator, which I think is very important in the Southeast, where we spend a ton of our time is extremely important. I mean, we've been in the Southeast since 1983 investing, and so it's areas we know. So I think we're just going to continue to do what we've been doing. I think one of the things that people should understand is it is really not easy to raise money. It takes a lot of effort. It takes a lot of time. It will take you just much, much, much longer than you think. For those of you who are thinking about doing it as your first fund, just put in a year and then you're probably at 18 months, it just is what it is. The deck like everybody does not think about how long that deck takes to put together because you really want to make sure you get your story right and then you got to have your attorney read it and make sure you got all the right disclaimers in there. And you got to be really careful about what you say. Like, we're very careful what we say even today, right? It's just there's a lot to think about. Getting your attorney to write the documents is the relatively easy part, right? They're going to have a boilerplate document. They're going to put some risks in there. That's going to be a long, long, long, long, list that, frankly, I don't think most people even read. But it's then getting back to that deck and then building those relationships or taking your existing relationships to the next level.

Spencer Levy

Jeff. Do you echo JM's point of view of just how tough it is?

Jeff Toporec

Yeah, I mean, your firm has to be ready. I said that before, and it's beyond just the pitch deck, right? You've got to prove to people that you've got a verifiable track record. That means if they do due diligence on you and really start going into the weeds, you know, you've got to verify every single deal and what their track record was. Well, that takes a lot of time. If you've been around for 20 years and you haven't been doing it right at the outset, I mean good luck trying to recreate that. It's really, really tough. It took us probably seven months before we even hired an attorney where we were writing the pitch deck and putting together all the materials, refining the message. You've got to be able to tell the

story in a way that's conscience and meaningful to differentiate you from everybody else. And that's hard in real estate.

Spencer Levy

There's going to be a lot of listeners out there and say, You know, I really want to do what Jeff and JM do. What advice would you give them? Jeff Looking at yourself, even 25, 30 years ago?

Jeff Toporec

Boy, I had more hair back then. And I think that you've really got to look at what is your long term goal and mission and to bring the conversation kind of full circle. You know, we didn't have a 20 year plan of how we were going to raise capital. We were approached on our first business plan by Fortress. It made sense, and that's the way we did it. I kind of thought at the time that that would last 20 years and I would retire. But it does. The world moves, the world evolves, and you've just got to be really ready to see it, and react to it, and take advantage of it. I mean, you've mentioned crowdfunding before, like that's not going away. The retail investor is not going away. Private capital eclipsed institutional trades for the first time in - and like ever. And so you've got to just be conscious about where capital flows are coming from and really think about what is the best solution for me from an investor base, for my strategy for what I'm good at. I think the big lesson learned from the Great Recession was there were a lot of people who started doing things that they weren't good at and didn't have the expertise in doing that. You know, does multifamily really translate into starting a hotel brand? I'm not really sure, but I'm not going to go to start a hotel brand any time soon. I think stick to your knitting, find a niche, and be great at that niche and you will be able to find capital.

Spencer Levy

So JM, let's assume you were starting Continental today and somebody says, I want to be JM. What? What do you tell them?

JM Schapiro

Well, what I tell them is, you know, first off, it's all hard work. And I also say it's all people. Like, our whole business is people. It's all the people who work for us every day, the 300 of them. We talk about it a fair amount. We run our own university. We really think about that culture, right. We haven't talked at all about culture. We've talked about money raising, right. And we talk about buildings, but we should really talk about people because I'm lucky to have a really unbelievable team around me. So I think about if — when my father and his partner now, Jack Luetkemeyer for 50 years got together, it was because they had that relationship, right. They wanted to do something together. So if you're going to go start a business or you're going to go try to go raise capital, figure out what you're really good at, but figure out who you want to do it with, right? Figure out who you want to be your partner.

Jeff Toporec

JM is spot on. And I've had my partner — he and I worked together before even started the company. He and I have been together since 1998, that's a long time in this version of real estate.

Spencer Levy

That says it all. And that's — if you don't mind me naming David Stade, another long time friend of mine and longtime partner of yours. And so David, rock on and maybe we'll get you on the show next. So on behalf of The Weekly Take, I want to thank very much two

longtime friends of mine and clients, Jeff Toporec with FD Stonewater. Jeff, thanks so much for joining the show.

Jeff Toporec

Thanks for having me, Spencer.

Spencer Levy

And JM Schapiro, CEO of Continental Realty. JM, thank you as well.

JM Schapiro

Thank you, Spencer, for having me.

Spencer Levy

For more on our show, please visit our website, [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). We thank you for investing your time to listen to our program and we hope you'll share it with others in your network. Also, don't forget to subscribe, rate, and review us wherever you listen. We'll be back with an episode on wellness, specifically the wealth certification program and how wellness in the post-pandemic era is a differentiator for occupiers and how everything from clean air and water to yes, beekeeping can translate into productivity, talent, retention, and more. So tune in for that next week. For now, I'm Spencer Levy. Be smart. Be safe. Be well.