

Brock: Welcome! This is Brock Schermerhorn and I'm here with Martin Welk and David Rosenthal and Martin and I are representing the California Community Colleges Real Estate Education Center. And today, Mr. Rosenthal is - we're **going to be interviewing him** and he's a commercial real estate broker and the owner of Rosenthal Land Advocates, which is based in Southern California. And today Mr. Rosenthal will be talking about his real estate Land Advocacy Model and why he believes it will be the accepted real estate sales model of the future. Martin?

Martin: Okay, so thank you for being here today, David!

David: It's great to be here - thank you!

Martin: So, my first question is: What does Rosenthal Land Advocates do?

David: Well, I think in one word, it's transparency. **We do transparency** - real estate professionals can't hide anymore. We believe the traditional method of selling real estate is outdated. In the past, **real estate** agents have done a great job matching buyers and sellers.

Martin: That's a good thing though, right?

David: Yeah, it has actually, and they did a good service, a much-needed service; however, with the **advanced** technology, the Internet, social media - frankly, that does a much better job matching buyers and sellers - for free.

Martin: Okay. So, what do you mean? Can you elaborate a little bit on that?

David: Sure - I'm sure you all heard of Zillow, Trujillo. These are real estate sites that really do a wonderful job matching buyers and sellers; in fact, they do a better job often than the traditional real estate agent model

Martin: So, what does that mean in today's real... What does that mean for today's real estate agents, I guess, is the question?

David: Well, it means that real estate professionals, we need to find new ways to add - to create value for clients and if we don't will just be pushing paper fighting ever decreasing commissions in a commoditize - commoditized market. Eventually, many real estate careers might be at risk.

Martin: Alright – so, how did you come to this conclusion? Do you have in an “aha moment?”

David: Yeah, I actually did. I was working for a regional bank and my job, given I had a construction background, was to manage shopping center developments in Northern California - large shopping centers and also manage and sell the OREO commercial real estate assets. So, one day, I had a long day - I was interviewing a number of large national real estate firm brokerage firms to sell a commercial property, and they would all come - about four or five in smartly dressed, really well-educated. But they pretty much looked the same, said the same and one of the - they had nice presentations. They basically shared with me that they are the biggest and the best and it would be a mistake not to hire them. I said, "Well why should we hire you? How are you different? How do you create value for the bank?" And they looked at me - and I realized they all said pretty much the same thing. And they said, "Well, you know we're a national firm. We have offices across the country." And oftentimes they had international offices. I said, "Okay, great! What does that mean?" They said, "Well, we're better able to match buyers and sellers." And, you know, after a while, towards the end, I realized two things: one - they all said the same thing - they offered the same service, matching sellers and buyers. And I thought, I could get this for a reduced cost, because they're not offering anything different - unique. And then I said - then it dawned on me - I said, well...I asked the last one - I said "Well, wait a minute!" 'Cause they all said they had this national platform - I said, "Well, we have a national platform, too," and they're probably thinking, well, you're a regional bank in a few states - "What do you mean?" And they said, "What are you talking about?" I said, "You know, it's called the Internet. The Internet does a great job at matching buyers and sellers - why do I need you?"

Martin: Okay - so, how does the Land Advocacy Model create value? What advantages can the individual real estate agent bring to the table to help provide more creative and better results in the sales process?

David: Sure. Well, There's a few things... One, we have to understand that we need to be more than just matchmakers. We need to find ways - creativity to bring, perhaps our past experiences, with us to create value. I'll give you a - for an example, there is a gentleman that does some work for us. His son wanted to go in the real estate business. And I said - he says, "Well, would you talk to him?" I said, "Sure!" So, I talked to him for a while and he was a little older. I said, "What have you been doing?" He says, "Oh well, I graduated from the Culinary Institute of America in New York several years ago and he's worked at some very nice five-star restaurants. And I said, Well, what sort of real estate do you want to get into?" And he said, "Well, selling houses - that would be really great!" And I thought - well, you know - that sounds good. I said, "You know, with your past experience, maybe your selling upper-end houses - you help people with kitchens - great value - you could see what it would cost to renovate." I said, "But you know what - an even better idea. Just think - if you are selling commercial real estate - restaurants. All that experience you have - you know how a kitchen should be laid out in relation to the dining room. You would know how much it might be - the cost to, to renovate it. I said, "That's added value that no one else is going to bring to the table! Now if I was selling restaurants next to you and I didn't have that - guess what? You most likely are going to get the job - not me."

Martin: David, do you have any other examples of how the Land Advocacy Model creates additional value?

David: Yes, we do. I'll give you a real quick one. Just, just recently - because I know you focus oftentimes and, in your classes, probably more with selling houses - is that correct, or?

Martin: You know, it is, but all the commercial agents typically come through the same doors.

David: Oh, Okay.

Martin: So, it has been a biased or slant in the past, and we're still the same courses that they're required to sit before the state to get their personal broker's. But good insight, though.

David: Well, you know then - we'll just go to this - a larger commercial property. It's called Galway Downs and one could look it up www.GalwayDowns.com. It was a bank-owned property that we got back a number of years ago - a few years ago. And the story with this - we talk about creating value. One of the ways is we look to our personal experiences in the past - what can we bring to the table? The other way is look to the community and, and use those and their personal experiences and emotional attachments to properties. So, what we did with that property - it had gone back to the bank twice in a 13-year period. In the best of times - large equestrian center. So, I got it back. I visited the site - I met with the equestrian manager. And I said, "Robert, what's going on here? Why did they go back to the bank twice?" He said, "Oh well, the community really loves their equestrian center." I said "Okay, well, what's wrong?" He said, "It doesn't make any money - it hasn't made money - that's why it went back." I said, "Well, what did the two last buyers try to do - the developers?" He said, "Well, they wanted to put a bunch of houses, but the community didn't want that, so they chased them out." I said, "Well, there's got to be a way to make this work." And so, we sat down from that meeting, which then soon brought in the community, the county, the city of Temecula. And we said, "What can we do with this?" I said, "So, let's get this straight." And we got to the point where the community loved their equestrian center - they didn't want to see it go. I said, "Okay, well, what if we - 'cause we had almost 300 acres. Can we have some ancillary uses, which would make it be economically viable? And so that idea - so what we ended up with is restaurants - there's a restaurant, a hotel - it's a wonderful meeting space, they have flea markets, they even have an ice rink. They do weddings there. It's absolutely gorgeous - it has turned into this community treasure, if you will. And in fact, the value from that experience alone - and keep in mind, we did not seek and get entitlements. Entitlements are - you know, go through a legal process, a, a public hearings to allow someone to develop a site according to a specific plan. In this case, in all cases actually - we never take it that far. But we found we do enough work where we can

attract investors to this - that story, that new vision. And in fact, in this case we had three wealthy investors all vying for the property.

Martin: Outstanding!

David: In fact, we sold it for double what we had started with.

Martin: Nice! Wow, David - that that's a great story, but does the Land Advocacy Model really work for all asset types?

David: You know, here's the interesting thing. We started this and do - it really should be called the Real Estate Advocacy Model because we started more with land for banks doing this and a, a few national banks said, "Well David, that works so well - can you do the same model on these other assets?" So, we've actually done large industrial food processing, we've done retail, we've done commercial, we've done houses. And in fact, the most interesting thing is, we've done this remotely. There's a number of assets we've done - we've never even seen them! But we achieve the same exceptional results

Martin: Okay - so was there also something about a property in New Jersey that you, you could talk with us about for a moment?

David: That was a property actually, that we never set foot on. It was a property owned by a large national bank and so the gentleman (Of the bank) said, "David we can't get rid of this property. It's been on the market - it's in Vernon, New Jersey, which is about an hour and 15 minutes outside of New York City

Martin: I, I used to ski there - yes. (Laughter)

David: He said, "We've been trying to sell this with the local brokers for three years - no luck. In fact, we had a national auction house - absolute auction, which means if someone comes with a dollar - it's theirs. We couldn't sell it. What do you think?" And so, they are gonna' pay us a fee to go out there and, and to consult at first and then see what the story would be. I said, "Well, let me call - make a few phone calls." So, I called and spoke to the mayor. I spoke to the planning, the County planning, Chamber of Commerce. And I said to the mayor - I said, "You know, this is not just a bank problem -this is a community problem, but I've got an idea. Since - if we could get people in the community to focus on that - that, that, that have a stake in it - perhaps we come up with a new idea for this property and everyone wins!

Martin: So, what's your definition of a stakeholder, then?

David: Well, a stakeholder is any individual that could promote or hinder a development. The typical stakeholder is, you know, a seller, buyer, community, City,

Council, city, the County, the planning commission, etc. In, in, in, in that case, what we did - we did come up with a new vision very quickly, and the gentleman that could have bought it for a dollar paid a lot more a very short time later. In a nutshell, for lots of reasons, it, it could not be developed. It was a childcare center, but the idea we had – in just the interest of time, I won't go through why he couldn't, but we changed it. We turned it into a half senior care/half day care.

Martin: Nice!

David: The seniors were taking care of the kids. That was enough to get a grant from the state the buyer had thought. And so, he paid it nice price for it and we sold it in 10 days.

Martin: So, I think at a previous time, we talked a little bit about grow, to grow the pie. Did you want to talk a little bit more about that aspect or that concept of “growing the pie?”

David: Sure. Traditional real estate has always been seen as - for sales, anyway, as a, a fixed pie, a fixed... In other words, there's a value associated with it and, and therefore buyer and seller, although not said often, are really adversaries. It's an adversarial relationship, you know. It's only worth so much and I only want to pay you 'X.' But what we found is by working with the stakeholders, bringing in the community and the city, the mayor - whoever the stakeholders are - we can actually work together to cooperate. With all the information on the Internet, we can't hide anymore, so we might as well use that information - work together to actually grow the pie. And so, we are often able to increase value twice in a very relatively short period of time.

Martin: I think you've used the term also in prior conversations - to re-envision a property. What does it mean that you can share with our audience to re-envision a property?

David: Well, it's re-envisioning of property is when we have a property for sale or a bank contacts us or a private seller - they want to maximize the value for that property. And the best way to do it, we found, is we don't look at a property at what it is - and no matter what the property is, we always look at its potential – what it could be. And then we craft a story - build a story based on facts, analysis, all our contacts with the city, the community, the neighbors, and we say, “ Hey look - we believe you can do - it is this today, but we could believe you can do - it could be 'X' and these are all the reasons why it could be.

Martin: Okay. So, could you provide an elevator speech summary of the Land Advocacy Model, in just a few words?

David: Sure, I mean, I guess simply put, the Land Advocacy Model, you know, it quickly creates value by harnessing the power of technology via the Internet, social media and community. It's gathering community input from all those sources and you

know, how do we do that? I mean, our phones do it, our tablets, our computers, our laptops - that is the pool of information that everyone has access to. And it's good information, a lot of it - it's good and cheap. And then, we quickly gather that information - we bring the stakeholders together and say, "Hey look we've got this, this problem or maybe this opportunity." Let's collaborate, re-envision this property and obtain superior results for everyone.

Martin: Okay – so, in a nutshell, who does the Rosenthal Land Advocates work for?

David: Well, we represent buyers and sellers of commercial real estate, including special assets, large banks, national banks, regional banks, their special asset departments - we work closely with them, private owners of real estate and investment groups.

Martin: Okay, so it looks like our time is just about up. If our listeners have any questions that they wanted direct, could you please share again some of your contact information? And let's see what else... And we, we've also talked before this broadcast – there might be some sequels that we'll want to come back and talk about, such as Real Estate Professionals Can Create Value by Harnessing Past Experiences and Embracing Transparency and Technology. Was that, would that work for you?

David: You know, absolutely I would, I would love to be involved in any future podcasts and I would also, would love to share on the subject of, you know, "How to Sell Property By Crafting a Story," "How to Get Stakeholders to Work With Excitement," what is, "Why is it Important to Engage The Emotions in a Transaction?" "Why is it so Important to Create Sincere Conviction?" have sincere conviction when we sell things, and one that's kinda' dear to me too and I know it was brought up when I was at Columbia University, doing a talk there last year is "How to Garner Courage to Get The Deal Done." In real estate - especially commercial real estate, deals get done over a very few seconds at a time. And it's the one that can get in there, that can protect himself against the bully - usually the bully gets the deal, but how do the nice guys win? How do the people with the best ideas win? And so that's what we'll talk about there.

Martin: Okay. And again David, what's a good contact for students to touch base with you? A phone number and E-mail combination?

David: Sure. As David Rosenthal – it's Rosenthal Land Advocates. My best number to reach me would be my cell and you might text me as well - that's fine. 949-943-2926. 949-943-2926 And of course, they could E-mail me at david@rosenthallandadvocates (That's plural).com. Again, david@rosenthallandadvocates.com And they can always visit the website at www.rosenthallandadvocates.com

Martin: Fantastic, David, Brock - thank you for your time and we'll look forward to some sequel real estate topics on some of the items we talked about today

David: Thank you.

