

Voiceover: Welcome to the REI Diamonds Show with Dan Breslin. Your source for real estate investment, Jewels of Wisdom.

Dan Breslin: Welcome to the REI Diamond show. I'm your host, Dan Breslin, and this is episode 191 on how to become a real estate developer with Adam Gilbert.

If you're into building wealth through real estate investing, you are in the right place. My goal is to identify high-caliber real estate investors and other industry service providers, invite them on the show, and then draw out the jewels of wisdom, those tactics mindsets, and methods used to create millions of dollars and more in the business of the real estate.

Before we get started today, I have a quick announcement. Here at Diamond Equity Investments, my house flipping company, we are seeking new full-time acquisition managers interested in joining the team and quickly closing a large volume of deals. We have plenty of leads, plenty of capital, and a culture of growth training and support. Currently, we are looking to fill this position in the Philadelphia Market, Chicago, Atlanta, and the Phoenix Market as well. Full details about the position, responsibilities, and income expectations can be found at dealswithroi.com/careers.

Some of my best partners have come through listening this podcast. Maybe you're the next. Today's guest is Adam Gilbert, the president of The Firm Commercial, where he leads a team of agents specializing in commercial real estate sales, leasing, land acquisition, development, government relations, and value-added land entitlement development deals. Any real estate agent developer or investor will generate a consistent income through positioning themselves to receive a continuous flow of deals that are coming across their desk. Adam has a unique way of doing this in the realm of commercial real estate as discussed during this episode. And we also dive deep on how to become a real estate developer covering details of a few recent development deals and we also touch on the Palm Springs, California Real Estate market.

Let's begin. All right. Welcome to the REI Diamond Show, Adam. How are you doing today?

Adam Gilbert: I'm doing really good. It's a beautiful day here in Palm Springs. Thanks for having me.

Dan: Nice. I was going to ask the question of where in the world where you were tuning in but you've just location stamped yourself. My listeners know I'm in Chicago and we actually had snow here. We're talking about the end of April almost, but I love it. You know, I'm sure it was much warmer in Palm Springs.

Adam: A bit. At this point of the year, it could be very hot or pretty tempered and today was just one of those perfect... like 77 outside and just [crosstalk] perfect. So...

Dan: Oh, nice. Even in the summer, Palm Springs, kind of desert, not too humid, and still enjoyable or you talking like a buck ten, buck fifteen-

Adam: Oh, yeah. It's dry as hell but it's super hot. So, you pretty much survive the day, but at

night, it's like 95 and you get to wear shorts and go out.

Dan: 95 at night.

Adam: That's how we justify it in our heads, right? But I like it.

Dan: So, I was doing some research for our show here and I found that you've recently exited your vacation rental business. So, I'd like to begin right at that point if we could, and maybe you could touch on how you built the business, how it operated at scale, and then what was the ultimate reasoning that led you to selling and exiting.

Adam: Sure. So, quick background, I'm born and raised here in Palm Springs, and I left for school. I came back in about 2011, which was an interesting time in the market for a variety of reasons. But that summer, I had stayed in this new thing called an Airbnb in 2011, Washington, DC. We had spent the summer in New York and my wife was like, "We're going to spend the night in someone's room at their house? This is crazy." I'm like, "We did it. This is the future, honey. This is going to be amazing." And so, when I moved back to Palm Springs, there we have like a long history of vacation, rental properties for 50-60 years, but not on the platform of Airbnb. So, I was one of the ones who got just a couple of condos on the platform and they just started crushing. Absolutely amazing because this whole new marketplace of people were looking for properties on Airbnb. So, it kind of just grew organically. I was like, "Okay. Well, I've got a housekeeping service, I've got a handyman, I know how to do these reservations, and we just built this business." By the time 2018 came around, I had 35 full-time properties. We had like, 50 around the time Coachella came. It was a great business. It's a very labor-intensive business and it takes a lot of time, and it's holidays and all that kind of stuff. So, at that point in my real estate investing career, it was just a little bit too much. And so, I made a deal with TurnKey, who's a venture-backed vacation rental company out of Austin, Texas and they were acquiring small companies like mine at the time. I made an exit and focus my attention on other ventures.

Dan: Okay, so was it more of a freedom thing? Or was there some timing and pricing that also made it worthwhile?

Adam: There were a few factors in there. Just the perils of running a business, partners, all that kind of stuff. I think it was more timing. I had to decide. It was that point when I had 35 properties, I would have needed to invest in the business, in terms of employees. I did some calculations, I wasn't going to make any money again until I got 75 properties, and I'm like, "Okay. Is this what I want to spend my time doing?" So, it's kind of an 80/20 principle thing of "Where am I going to focus my time to have the best ROI?"

Dan: Got you. So, what's been the focus of your career? Since 2018, you exited, you jettisoned the responsibilities, which was kind of what I was expecting an answer there. So, what's been the focus since then?

Adam: Yeah. So, mostly since then, it's been building of my real estate brokerage, both commercial and residential, here. It's mostly commercial, but on the residential side, I do

specialize in short-term vacation rentals, which the Palm Springs Market is well known for and has been absolutely blasting since COVID. Palm Springs has been a great market since that's happened and then, I'm also working on my own deals and I have a little niche in value-add entitlement deals and zone changes. And so, I spent a lot of my time kind of doing that and entitlement work.

Dan: Got you. What is Coachella? For those of us who are not initiate.

Adam: So, Coachella is one of probably the most popular music festivals in the world. It started a little over 20 years ago on the Polo Fields in Indio California, out here in the Coachella Valley, and since then, it's been home to some of the biggest and most-watched concerts of all time, the Tupac hologram and bands getting back together. So, it's a huge economic boom for our desert in and around April.

Dan: Nice. How many days is that festival?

Adam: So, it's three days and it's two weekends back to back, and then following that is Stagecoach, which is the country music version. In October, Goldenvoice, who does these, also did a desert trip a couple of years back, also known as Oldchella, where they had a Paul McCartney, Rolling Stones, The Who, Neil Young so a lot of big concerts. So, it's become a pretty big outdoor concert venue, but it's about a billion dollars of economic impact each year, just in those Polo Fields.

Dan: Wow. What's the going rate for an Airbnb, two-bed condo, when Coachella's in town?

Adam: Yeah. So, a two-bed condo is typically like 250 a night. Around Coachella, it's about \$1,000 a night.

Dan: Nice.

Adam: We had some really nice homes in and around the Polo Fields that we rented out to Kings of Leon, Mighty Ducks, like big people. A typical house would go for \$1,000 a night, goes for \$10,000 a night in and around that time. So, there's big money and at 25% gross rents. It's a reason why that business was a little appealing at the time.

Dan: Yeah, it makes sense, and then, you probably offset that, some of your comments were like, "Okay, I wasn't going to make any money." So there's a certain percentage of the money that you're making from a 35 unit, TurnKey business that is this, you know, heavy lifting. It's the guys' gals who are partners in their sort of doing the management, sort of pulling some of the levers and I know that for me, when I was uninitiated a few years back in Airbnb, I heard about some of those peak weekends in Airbnb oh man, and I'm doing this with mine, at the end of the year it would cost me several thousand dollars to even own the unit and I wasn't the guy managing. I had outsourced the manager, I wasn't making, you know, it would have been a broke-even profit, I'm just going to rent this thing out. I didn't really distract myself for my main business, which is buying and selling houses and we do, several hundred a year at this point. But looking at the end of the year, I didn't make any money so it's like, I guess the shiny object is the

Kings of Leon paying \$10,000 for this nice. Oh my God, I gotta be in that business.

Adam: Exactly, and also it's just you have to do a spot check and make sure that property is not, you know, oh hey guys, how's it going? you get to meet them. So, that's really fun, but I thought I was a genius when I started the business because I was 25 years old, and I was like, wow, you can get 25 percent of gross rates, like I'll just manage four of them and have none of the risks of owning the real estate, which because of 2011, like we had just come in from a, you know, 2008 and so putting real estate was risky, not realizing that if I would have bought all these properties at the time I would have had so much equity growth. I probably wouldn't have to be slogging as much as I am now. So, it's just funny how your perspective changes in overtime.

Dan: So what was your reaction, what thought went through your head Adam when the booking came in on the Airbnb app and you saw that one for like one of the biggest first ones that came in from. What did that feel like?

Adam: Oh it's awesome. You're just like, "No way." It's somewhat like people are really willing to pay that much money and it's like, yeah, but a lot of times it's the booking agents or business manager, that's nothing to them and so it's just like, the perspective is crazy, but I was just like, wow, that's a \$50,000 booking that means I get 25% of that. Oh, great, like I'll get 12,500 for one booking, right? Like I wish every month was April so hey, yeah, it was pretty cool.

Dan: Yeah. I kind of was- I'm leaning into that, you're saying that the money comes in, you see his \$ 50,000-hour booking come in and there's probably, if you're doing real estate deals, 50 grand for like a house or a small condo, right? You're like putting it down payment down. So your kind of I guess where I'm going with is for people in real estate. I know for myself there was just like learning of how to do math with bigger dollar amounts as time goes on. I remember feeling like a celebration moment, the first flip that I did, I made like 22 thousand dollars or something like I'm retired. This is it, it's over now we've done them at hundred and a quarter million in profit with the partners and it's right back to work and we keep the nose to the grindstone. So, there is this graduation of dollar amounts, if you will, that we go through, did you have any of that? So, your minds blown, you look at this \$50,000 hour one in a weekend you're making 12 5, but were there in the other angles real estate is going to start talking about some commercial real estate development things. Was there a noticeable increase in the math of the dollar amounts for you personally, Adam?

Adam: 100% of those actually a pretty funny story of how I like really jumped into real estate. So I'm a lawyer by trade and I moved back to Palm Springs to jump. I went into my family's law firm and I was practicing law and so it's 2011 and my uncle was like "you should sit for your broker's exam" because you can as an attorney and we'll do a flip, and since 2011, the markets going up like 30% a year like nothing. Like we all thought we were geniuses at the time because it's so easy and so I don't know what I'm doing and my own broker. He finds this like eight hundred thousand dollar property in a new balls[?] Country Club and I fumble my way through my first deal and I got a check for \$20,000 for this real estate commission. I was like, that's like a fifth of my salary that I made in 10 hours like there's something to this and so that's what I'm like, my brain exploded. But then I remember. Yeah. like you have like the \$50,000 check and then you the hundred thousand one hundred I remember being my wife would like, go out to

dinner and celebrate and I was just like another deal, it's just dollars, it's just numbers on the screen, right? And so you have to keep doing new things to get that excitement going and so that's I guess that's what we're chasing that white rabbit for the rest of our lives, right? trying to get that thrill.

Dan: True enough, I don't know if to throw it away and I suddenly have this like sense of just the game and it's fun and like not to take away, I'm sure you and I both would agree like we're grateful for the position that we have in life and there are people listening are like, "I can't wait to get there." There's probably a few people tuning in on "God, these guys look like a joke, nobody's hard." That's nothing to me.

Adam: Yeah, some of my friends like you douche.

Dan: Yeah, right, but, it suddenly it's about the game, it's about putting the next deal together, finding it seeing it come together. Watching the closing happen, solving the problems and I'm doing on this like small single-family side, and we're not in California. We're in Atlanta, Chicago, and Philadelphia Market. We're talking, to 250-300 median home prices and that's kind of our specialty in our niche and we do a volume and we feel like we're leaving a wake of renovated houses, tail-like where we've been, there are transformations that occur and that's where I think the satisfaction comes from me, and one of the successes that I found that you had and I may be wrong in this, but you did the redevelopment, I think it was the Bump and Grind Plaza. Could you tell me more about that one or correct me if I'm wrong?

Adam: Yeah, definitely. So that's a shopping center that is one of those ones where like I pass by it every day for like five years and it was completely a hundred percent vacant. I was just like someone's got to do something with this So it wasn't available for lease, it wasn't on the market, it wasn't available for sale, 16,000 square foot retail shopping center and so I called the owner and I'm like "hey what's the deal with this? would you be interested in selling it?" and it's like, oh yeah. I have an offer and I'm like, yeah right. Like, of course, you do and so long story short on that I, put a deal in together. We got some seller financing and I was able to sign two leases on this property that hasn't been rented in seven years. While I was in escrow, it's like, wow, I can lease this thing, right? So that's a bit- buying retail in 2019 is always fun. So that's been, I'm still working on this deal as we go, but, I lease it up, and then covid happened and I lost a couple of tenants but I made it through. I got a bridge alone in November of 2020, and we're doing a full facade. I'm now at 93% lease I bought it for 1.5 in 2019. I got it appraised in November of 2020 for 3.2, I didn't do anything except sign some leases and once we're done with the facade it's going to be a great investment and I hope to hamagve it forever and refinance it at some point and buy some more buildings that's always the goal.

Dan: Nice. What do you think it is with the other owner that he sat there with this vacant property for seven years and then you signed two leases within a 45-90 day with him, I guess, right?

Adam: Yeah. So that particular owner was based out of Beverly Hills and it was probably the smallest property in his portfolio. It was his redheaded stepchild in the desert that he didn't care about, and he's just like, told these proper magic companies, like "Don't make it, I don't want to

pay TIs. I don't want to fix up the building to, do what I have to to make it a successful center." And so that's where I saw an opportunity, right? If I'm willing to put in the sweat equity of getting the leases signed, get the facade approved, pay for these TIs and I've just thrown dollars after dollars into this building but by doing that by doing the work, I'm able to create the value and that's what I love about value add is just, someone could look at it and see a defunct building. I just like this is a great opportunity, right? Like yes, I can make so much money with this type of property.

Dan: Yeah, for me I guess I'm such I'm so in the lane of the single family, like I know, what it cost to renovate them. I know what it cost to buy and I have a really good idea of what they're going to sell for when it's said and done. If I could sell it, as is, I know what it's going to sell for. I am probably so deep in the groove and we stay at the niche and we're good. But whenever I take a glance over at, like the shopping center deal, I can sort of underwrite it, but I know I'm a little bit out of my depth and man, if I see like 16 18, 20 thousand square feet of retail, I'm like Amazon? Nah I'm done, I'll stick to fucking family, so...

Adam: That's what's really funny is because I bought that when everyone was like, retail is dying and I mean, COVID happened, so it could still be the case, but I want that to be the dialogue, right? So I'm in escrow right now on another building. It's 20,000 square feet of office because everyone's like office is dead, right? Like no one's going back to the office ever, and I'm like, in two years, we're all going to probably be back in the office and forget about all of this and so I follow the trends of what people don't want and try to get that at great prices.

Dan: Yeah, and I think you're going to get some great prices now, and if you have the fortitude and the creativity to market those properties to sell those tenants and get them in there. I think you're going to stabilize the building. I mean, I don't know anything much about the market, but overall, I mean you're not buying a 600,000 square feet in the middle of a hundred, thousand-square-foot hundred thousand population area something some phenomenal things so there's a strong place. I know that you're in a good spot doing that stuff. It's just not the place. I'm confident to move to.

Adam: We all just got to feel confident in those specific spaces, but I'm in commercial brokerage, right? So I know, what calls I'm getting. I know what tenants want to see, I know what they're looking for, and so that's why I do what I do because I'm in my business, right? Just like, you know your business, I know exactly what's going on in the market and so I can follow that.

Dan: And to your point regarding office, our company is growing and like we just signed a lease we're moving in, on June 1st, like 11,000 square feet for our one location in Chicago and we're going to grow into that and we want to be in the office. So like yes, COVID happened, I think summer most of us have gotten vaccines already but we're looking back. Yeah, we're looking forward to being in the office, there's nothing like that camaraderie and that-like level of energy attention development, I think you're right. I think two years from now, this is a distant memory. So regarding development deals, I have heard of, and I've watched these sometimes decades-long developments where the developer requires and then assembles the parcels, then they like rezone them. Sometimes there's like public right away as they get rid of and they do a whole lot of legal

work in the background, to maybe entitle the property and then actually build it or just sell the entire package and project as it is to reap a humongous profit or so. I assume I don't get to take a look at their books. Have you ever done anything or been a part of anything like that, Adam?

Adam: Yeah, definitely and so that's kind of like, my real special niche I feel, because there's a lot of land and buildings that are just not zoned properly and everyone's like, oh, you see that the funk building or like, why is no one doing anything with that? and we all have those buildings in our individual towns and it's probably because it's zoned incorrectly or has some environmental issue or something along those lines. So I'll just give a quick story of a building. It was a 15,000 square foot warehouse in Cathedral City which is right next to Palm Springs and this is maybe like three or four years ago when it was the green rush in California. Everyone was getting into cannabis deals, right? And so what I did is I put an option on this building to control it for a year and did a zone change of the entire block out of sack because you can't do individual spot zoning. Can't just change one building. You have to change the entire block, and we change it to a higher industrial use which would allow for cannabis and I mean it's a long drawn-out process, it took me over a year. We got denied, a Planning Commission appealed to city council and so it's one of those kind of like you put all the money and time into it and if you get the zoning designation, you win and if you don't you lose. But I equate it to like playing poker where if I got two kings I'll play I might still lose but I know it's a good hand to play and so I go and I do my due diligence, I do my research. I talked with the council beforehand to know that I've got a good chance of getting this done before it happens.

Dan: So what were the actual numbers? Because I like the idea of it too. Right? Maybe it's 1,000 hours or so of course including the option fee but if you can get that thing done, pass, approved, entitled, then maybe you can sell that entire project without having to close on it in the first place. Maybe you have a two million dollar option to buy it for 2 million, you increase to zoning cost you a hundred grand and it's worth 3.2 you sell it as a newly entitled and you're walking off with \$900,000 into a million dollars in profit, you have a symmetric risk, right? I'm going to make 10 times my money on this, or I'm going to lose the whole hundred thousand, I know that going into it. That's kind of what you described. So I'm curious. What were the numbers like if you care to disclose them, if not that's fine, on the 15,000 square-foot building you described.

Adam: You're pretty much right on the money except I'll say the caveat. So, we put in the option for 2.1 million on the building, which is probably more than a little more than fair market value. But it allowed us to get the terms that we wanted and the time. We invested about a \$100,000 into the entitlement city fees, all the engineering and architectural costs the fair market value at that time I think we put on the market for 3.25 but it took us so long to get entitlement and this is one thing, everyone talks about location, real estate timing, and the amount of time that you have is the most important, we ran out of time for our option and our guy, he wasn't going to give us an extension because we just got the zone change. Like and so he's like I can sell it now at this higher and better use, right? So it was probably worth 3.2, we did a super quick sale double escrow at 2.6 after commissions to their agent, we ended up with 2.6 and we've added four hundred grand on that deal.

Dan: How long do you think it would have taken Adam to find the right buyer that would have paid, let's say, three million 3.1 is that like a one, two, three-year process? What else would have

had to happen for that thing to have been even better?

Adam: If we had about 90 to 120 days to get something that would allow someone to do their due diligence, to get there, their actual state cannabis licenses at the time. We could have done that, but we just ran out of time and so they just did a super quick close, 25 days but they got a steal, they got a screaming deal in the market at that time for the building. So it was a win-win for everyone but lessons learned on that is just get as much time as you can. I mean I'm I was still very happy. I used those profits to buy them up and grind and so that's just parlayed it to the next deal, and the next value at opportunity.

Dan: If you were doing it at deal all over again on day one, when you're getting the option. I mean getting a 12-month option for people who don't know the mountain that you're climbing with a seller who's got in a market for whatever and he wants his money now you're getting this option for a year to do a zoning change. It's not an easy sale to make. So, how much more time do you think you would have required, requested, dug your heels in? No, option going into that deal, knowing you were going to put that hundred grand up again, if you know what, you know, now.

Adam: I'm actually doing a similar deal for a zoning change right now and I asked for 12 months again but I think it's probably about 16 months is really what you want but it's really hard to get 16 months. No one really wants to tie but here's my advice and this is what I might still do prior to getting your actual entitlement so that the seller doesn't benefit from it say "hey, here's additional money. Here's another 50,000. non-refundable, give me another 120 days." or something like that. So that's probably what I'm going to do in this case. But usually, like tying it up for a year is like the furthest that a seller is going to like feel comfortable with letting you tie up their property.

Dan: Yeah, because these are million two million three million dollar pieces of land. These are business owners who had this property to properties. Now vacated, they are very savvy individuals who know what they're kind of dealing with. What a moment right, you're getting the entitlement but they're not officially awarded. So maybe you have like some kind of like zoning hearing and then they're like, we're going to issue this in 30 days like what is the magic moment that someone else taking notes right now wants to know like oh once I have this I go ask for more time because I know this is coming and it's going to become a little bit more public knowledge.

Adam: Each state I'm sure it's going to be a little bit different but for at least of where I'm at in California. So for my new one, like there's all these little fun steps, right? So we just did our new one is within the airport zone. So we just did our airport land. Use commission unanimous approval, super easy. Next we go to Planning Commission and then we go to city council and then even when you get your city council thing, it's two weeks later, they have a second reading, where people can come and comment it's on consent calendar, but you never really know. So as always, he's just like, yeah and then going back to being scared. Am I going to lose it? It's like some grandma, who's coming out of the woodwork who's going to complain about your project and the city council is going to take it back, but it's never really over until the money's in the bank I feel.

Dan: Hundred percent. You can't count on anything until it's into most closed and you've got the wire already.

Adam: Exactly.

Dan: Yeah. True enough. How much of that hundred thousand if somebody's listening and they're not an attorney, they're not trained. Like I'm curious how much of the work was done, kind of pro bono by you that wouldn't be done by an ordinary developer but you operate in a law capacity like on your own behalf there.

Adam: Yeah, I mean, if you are hiring like a development company to do it, it would probably be another like 50 grand of actual like development work, but I mean, I do have legal training. I learned most of this stuff through like Urban Land Institute like real estate development courses and they just kind of learning. It's mostly city and public processes. So it is learnable to a degree and who actually knows it is architects and engineers and they can kind of guide you through it. But always remember an architect and engineer is not a developer. They should not be the one presenting your project at council because they're not excited about it right there. They're not salesman and when the council like pushes back on something, they like Oh, we want you to widen this road. They're like yeah, we can do that. It's like, man, I'm your city. I watch these things and I'm like, that's going to cost you like, 250 grand, architect doesn't care. He's just like, oh yeah, I just want to get it approved, right? So like you have to it's like you have to be the advocate and you have to understand the impact of what certain things are going to have on your project.

Dan: Yeah. Yeah. So I mean hypothetically how can I become a real estate developer? What capital requirements connections and skillset should I have before even attempting or thinking about developing real estate?

Adam: So I even with my legal training, I went and worked for basically free until he felt bad and started paying me a nominal sum real estate developer and my local area for about two years. Just be like can I learn from you? and so that was like a great experience and that's where I learned most of the things that I learned and so it's really hard to find a real estate developer who's going to teach you because they're super busy but if you can provide some value to them or just watch City Council meetings if you need something to help you go to sleep, it's a great way to pass out. But, go to the planning desk, talk to them. Find out what you need. A lot of times they'll have checklists of what the applications require and then there are some development companies. So maybe you pay the first couple Development Associate but learn the process through it and then you'll have your education for life.

Dan: Yeah, it's a loaded question. I think that my listeners have heard me talk about my own experience with doing a rezoning deal here in Chicago, and I remember, we go into city council city, council's meeting, and they're voting on legalized recreational marijuana in Chicago Illinois. So it's like a big-time hot topic. The news reporters are there. Every alderman in the city is there. It's like an event, right? Not just like normal council. To me, it's like an event and my zoning attorney who came through a referral maybe as an architect or somebody like that. But we were there to get the ottoman support for our project and this is like it ends up. This conversation

happens in this like side closet of a copy room, it was like a total like it was very strange made it feel very political to get them huh? Okay we're on board will support the project and he did end up writing the letters and support and we got the zoning change and we're developing the two units. Additionally in there with no parking and it was a big hassle, I probably wouldn't have done it. Had I known what a long extended years, long process and all the expenses that I was going to incur, but I think to your point, my own education was worth it. So like maybe the deals, the two units aren't exactly penciling out right now. By the time I had factoring the construction, I probably lost money on it, but I am that much more well-versed in what it's going to take to get a zoning change or develop in the city of Chicago, which is as much of a process as I imagined it would be anywhere in the country.

Adam: Yeah, and when you do see that deal and you're like, wow, like there's this building and like I could put 50 townhomes on it, on this lot. But it's not zoned, right? Like I can do that and that's where the money's going to come in because you've gone through the experience and you've prepared yourself. So, yeah, it's just, you gotta learn by doing. There's no, there's no book that will tell you everything, there's definitely stuff that will help you get close.

Dan: The only other thing I would say is that what, scared me for, or even still would scare me, is going into a deal like that. I mean, I'm at a different place now, professionally, and my career got a little bit of money in the bank, so I could weather the storm of going through a difficult development, a hundred grand turns into a hundred twenty, hundred forty, hundred fifty more thousands for the option to be extended like we're in 200 grand. If I only borrowed a hundred from investors, I'm sort of in a jam there. So properly capitalizing the deal. Were you in a blessed position financially or did you actually have to do like a capital raise when you did your first deal and were there any like psychological mental barriers you had to like overcome as you were like saying yes to that. That first redevelopment deal.

Adam: Yeah, so the first deal I did have I took on partners because again you just start with this much capital and then you get that much but then it all goes out to different things and so your always kind of like, with this little capital, right? So I mean, it's always about how much cash that you can have to subsidize deals but I'm bumped and grind, COVID happened and I needed TI money and I wasn't getting anything. So I had to come in and get a loan and do that. And so you just kind of figure it out and you just have to have faith that you can get through it, but yeah, it's scary. But luckily, I mean everything's worked out like the thing is, if you just don't give, I mean, at least for me, I'm sure there are some points where the market changes to such a degree that like, you just left holding nothing. But I've been able to fight and just like claw, my way through every deal, to make sure that I have the capital to be able to do it, and if not, it's relationships and that work to be able to say, hey look here's the risk. Here's the upside, you want to jump in this deal with me? and a lot of people, who are doctors, lawyers and don't understand real estate development but have a lot of capital, they get it and they'll jump in.

Dan: Nice, and I, imagine the confidence is also developed the two years that you spent at the desk of the guy gal, whoever the real estate and all those already doing business. You get to see the moving parts of the deal. So you have a different level of comfort. Whereas, like, if I was going to before that rezoning that I did. I've never gotten to witness the numbers, the zoning, the process, none of that stuff. So I had no idea how much was going to go out is a very, very big

unknown. So the point of finding someone and being able to ride coattails on the deal even if you're not going to get paid, I found it's really hard to pay attention to deals for me, where there's not some of my own money or upside. Either my money is at risk or I have some upside and a deal. It's hard for me to pay attention all the way through the process like to sit in on City Council and watch John Smith's 15 unit condo development downtown Chicago like dude I'm busy I gotta get back to work so it's hard to follow them all the way through to see how the numbers show. Two years, three years later. Did they sell those out at the anticipated price like how did that workout? But your way of doing it, I think is beneficial and if anyone has a similar path in front of them like man you grab onto that and you go. Can you give me a little bit of background me and the listeners on the Palm Springs California market. So like California Market to most of us in the midwest or on the East Coast or in the Southeast. We're like these are like million-dollar twelve hundred square foot San Francisco houses, Is Palm Springs as overheated as that and moneyed as that. Or are you able to? I don't know. Fill me in on the background of how the Maya operates in Palm Springs.

Adam: Yeah, so Palm Springs has an interesting history. It's been, it was like the getaway for Hollywood back in the 50s and 60s and then kind of have like ups and downs throughout in about 2000. People really started falling in love with like mid-century modern architecture which like Palm Springs is known for, and so we've had this like whole modernism revival movement and so pretty much we've gone up and it's become cool again. Cool restaurants have opened up things to do but as soon as COVID hit, we've had a market here that we have never seen before, and it was a couple of different factors. One being that people stop, traveling internationally and we have a huge drive market. So we have San Diego, Orange County, LA and then we have direct flights or people sheltering in place from San Francisco, Chicago, New York, Seattle, huge, Pacific Northwest. So you have all these like super high money cities and they all want to get out of these dense populations, and basically when they come to Palm Springs and see what you can get for the money in California, it was like Disney dollars to them. They're like this isn't a joke, like I can for for a million dollars in Palm Springs. You can get a four-bedroom house with awesome pool, like big backyard and comparison to the million to the thousand square foot condo, right? and so unlike any time before, we now have 15 offers on a property sight, unseen \$400,000 over asking so our market is just like insanity right now because you can do short term rentals and make some profit back whether or not that's long-term sustainable, we'll just have to see, but it's been, it's been a silly market for the last few months.

Dan: Yeah. It's very interesting. So, I mean, I grew up in Philadelphia. I moved to Chicago like five years ago to be near my daughter and she went back to Philly for college this year or so here I am. But in Philly, we would head to the Jersey Shore. That was kind of the thing summertime comes and we like migrate toward the ocean and then in California, they're closer you guys are closer to the ocean so now we're going to go Inland to the desert area. What do people do when they're in there? Is it like camping backpacking? Like enjoying the desert dirt bikes?

Adam: There is part of that but I mean when people think about Palm Springs it's like martinis by the pool, right? It's like fancy like hotels and spas and like shoppings and in the 80s like Palm Springs was like famous for its spring break and you have people with motorcycles and girls in thongs and the council killed it at that time, because it's getting a little crazy and then we were pretty much dead but now, because of Coachella and because of the renewed interest in my kind

of Joshua Tree, you have a younger demographic from Los Angeles who find it cool again. There're LA Times articles; it's the capital of cool. People are falling in love, with the desert because they're coming for these arts, for the music, concerts things like that and just falling in love with the climate, especially during the winter and the quality of life.

Dan: That's pretty cool. What's population in the area? Do you know?

Adam: So the city of Palm Springs is a 45,000 full-time population with 5 million visitors a year. Wow! And so we've got an International Airport. We've got, all of these major hotels. But full-time populations is only 45,000.

Dan: So very vacation, second home market, driven type. Where and this I believe you're a member of the EO the entrepreneur's organization. I was curious and is probably ties into this complex question I'm in the midst of asking EO membership and you're doing this commercial real estate stuff and this is a relatively small town so is there that vibrant of a commercial real estate market in 45,000 where there's this different employment and business things that nature to really drive commercial, real estate prices may be as hot as or maybe not as hot as the residential market in that area? Do they kind of function two separately? And I guess how impactful have the relationships been with business owners from EO to drive your career, so far in commercial real estate?

Adam: Yeah, definitely. So good pointed in two parts. So, first of all, the commercial real estate market is definitely like in other areas there's specialist right like I specialize in industrial or I'm the hotel guy or I do like you have to do everything here like there is not enough of like as segregated market like you have to be very much a generalist and so that's why I sell residential homes. I sell boutique hotels, I sell industrial buildings, also an apartment couple. You give it to me. I'll sell it, and then, in regards to EO. So we actually don't have a chapter in Palm Springs because it is so small and we don't have a large kind of business community at the level that would get you into EO. So, the closest chapter for me is Inland Empire, which is like Riverside Ontario. So I drive about an hour and a half for my forums, and for my EO meetings and events to be able to go and connect with a different group outside of, I know, most of the people doing things in Palm Springs. So, I wanted to get out of the Coachella Valley out of Palm Springs to meet new people doing in different businesses.

Dan: So has that led too much real estate business looking at other markets or is it been more of a source of like inspiration business and marketing knowledge that you've been applied in the specific lane that you're already in?

Adam: Yeah, I mean, the greatest part about EO is that it's a non-solicitation network and so you don't have to deal with like, here's my card, like let's do business but these people become your friends and so you naturally do business with your friends. I'm doing three different deals right now, with three different EO members in terms of like investment projects, after I talk to them about my costs once and I'm helping a lot of my friends and colleagues find their commercial buildings and they're renting and I'm like, well have you thought about buying a commercial building and , there are the concepts and the principles of how it works and they're like, wow, and now they're getting into commercial real estate, which is great. So it naturally flows from it

and it really is just a great network of people who are really trying to elevate themselves and elevate their business.

Dan: Nice. So I repeat the topic of risk on many of my episodes here. It's a topic that I have thought a lot more about personally and last even three years compared to the other 14 or whatever it is that I've been in real estate. Obviously, we know we're taking risk and oh, yeah, we're risking, we're buying a house or a risk and we might run into more construction. Now, we're risking, we might not get the zoning approved. But I'm always interested in my guest perspective and perhaps a good question for you would be like, how do you view risk tolerance versus investor protections and just the broader topic of risk in general?

Adam: Yeah, a really good point. I was actually just talking with my friend yesterday about this because I was showing him up my performance. We're doing a deal together and he's like, wow, you really like understand risk, or you're more way more risk tolerant than I am because he's got a W-2 job and he wants to have that paycheck and I'm like, oh yeah. Like I do have, a higher risk tolerance than most, I would say. But then, I look at other people and I'm just like, wow, that's like, the riskiest guy on the planet, they don't know what the hell they're doing, I don't own any crypto and I'm just, like, that's risk to me because I don't understand it and I don't know, but when I look at a building I've worked out and I understand like I said, if I got the two kings I will make the bet, but I'm not just going to look at my cards and bet right? And so that's kind of how I look at risk is that for me and the deals that I see, I see so many deals, the ones I pick are like the most cherry because looking at deals every single day, so I'm just like no. I've looked at all the deals, I see what people are buying in like this thing is cherry. Let's raise some money and do this thing, right? this is the one, and so that's like how I evaluate the risk in my own head? But yeah, if you can't get off the like paycheck tray. This is not the business for you because I have sleepless nights. I wake up in a sweat, like am I going to lose everything? Luckily, at this stage in my career, I'm young enough or I feel like I can weather the storm and I've learned enough that I could build it all back if I want to but I think as I progressed, I will lower the risk just like a stock portfolio. As you get older, you go more in the bonds and less than equity.

Dan: Yeah, that makes sense, and I may I think of Warren Buffett and Charlie Munger talking about I think the circle of influence or that topic and essentially like is this or circle of competence is like what we're looking at inside my circle of competence like maybe crypto is not and maybe like a bunch of people are turning to millionaires and billionaires all-around investing in crypto that may not still be a good idea for me if I haven't gotten that from outside the circle of competence inside. What I know about I like my own earlier comment about single-family homes. I'm like bed smack in the middle of single-family homes or for in the cities down that I mentioned Atlanta, Chicago, Philly, I'm probably closer to the edge if we're talking about houses in the Inland Empire, Riverside, California, San Francisco, I could probably figure out how to underwrite that deal because it functions somewhat like this, the very center of my circle. But if we step out and we're going to do this like industrial warehouse development deal, I better find somebody who's got that in their circle of competence, and that's that's probably part of the risk, the risk profile that develops. But yeah, I'm just amazed at like, people's lack of understanding of risk sometimes that they take, and then on the flip side, is equally astounding to your point is somebody who will not take even a single solitary risk at all. Maybe it seems obvious to us because we're, center of the circle. and they're like outside here, but what are you gonna do? So

are there any topics, questions that I probably should have asked you? and I just didn't have the foresight to do so as we kind of get to our wrap up here, Adam?

Adam: no. I think we've covered a lot of like pretty fun stuff. It's a good mixture of what I'm doing and on a day-to-day basis and they have a lot of fun.

Dan: Nice. So, do you have a book recommendation or two that you might make to someone, like me or maybe even a friend that was just getting into real estate commercial or otherwise, who's like, outside the compass encircle what would they be if you could mention them?

Adam: Yeah, so I would say, this is a book that I get for any person who works for me, it is the book that inspired me to go into real estate and it's a Confessions of a Real Estate Entrepreneur by James Randall. The way that he thinks in that book is the way that I look at every deal and my family calls me Mr. Outside the Box because I'll just, find another way around it but that's exactly, the type of things that he talks about. It's also a really good precursor to terms within commercial real estate, if you haven't done that and then I'll just stick with that one. Read that book, trust me. That's my one recommendation. I like it.

Dan: So we end our shows with the crown jewel of wisdom. So if we were starting with like no money in the bank, 2021 middle or end of COVID Hopefully, we're wrapping up COVID here. But you do have, all of the experience, knowledge that you have now, but no contacts necessarily with the people. How would you get started in real estate? If this were day one for you?

Adam: Day one, again I would hitch myself to someone who knows what they're doing and learn as much as you can from them. There is no substitute for experience, and again, and just what we're talking about with the risk tolerance is Dunning-Kruger[?], right? The people who have the least amount of knowledge have the most confidence and then there's this parabola of as you get more through psycho, I don't know anything, and then you become an expert, and then you're just like, okay. Now I have the confidence again so it's like the people who are doing these crazy things they don't know what they're doing, but the further, you can get on that parabola and that curve of knowledge, and it has to be real deals. It can't be theoretical, it can't be in a book. Those can help supplement, but I would just hitch myself to the most successful person that I could find in town that will teach me what they're doing.

Dan: Yeah, I think that's great, man. It's something I didn't do intentionally. I didn't set out even though it sounds like a really great idea, the way you said it, I'll just find the right guy, work for him exclusively. I was foolish. I needed to be paid. I mean foolish because I was broke and I actually had to be paid to pay the child support and everything, so it's back against the wall. I really don't have the option at the time, but there were various people who I did over the years. We did a lot of deals together and one of the things that I always just like yourself and you mention was like, I got to bring something of value to the table. What is Dan Breslin, who is broke? You know bankrupt bad credit at the time, I had no job, no W2. I didn't even have a car in 2006 when I got in the business but like what could I bring to the table that was valuable and like for a lot of people in real estate at least what I thought was like I have tons of cash. I had to be like this rich guy and then that's what I would bring to the table. But the trickier thing and the thing that was in the lower supply than the cash was the deals and if I can look at 50 deals,

hundred deals and I can find the two cherries like you mentioned and then bring those to the table to The Fix and Flip investor, who was initially who's now a partner mine, that's what I brought. I brought deals and I was going to do a 50-50 split and here's how we were going to construct it and this is what's going to work and that that really worked out for me. Well, so I was just kind of underlying the jewel. This is kind of how I got here today and I did have to bring something of value. I wasn't able to just kind of like cold call show up at some developers office and like, hey, I'm not going away. You're gonna have to teach me the business. You got to find some angle. Some valuable things, some reasons. There's a buffet, you got to bring your potluck dinner if you want to sit at the table and eat even of the knowledge. So, cool Adam, I had a blast, do you have some contact information or an ask of a nod of the audience you'd like to make?

Adam: Yeah, you can find me on pretty much every social media channel on Adam Gilbert 13. That's Twitter, Instagram, Facebook, all of them, or you can just go to my website, adamgilbertesq.com and follow me there and jump on my mail list and I always have funny videos that I'm taking up properties and shooting around. So see you on the social webs, everyone.

Dan: All right cool. Hey Adam. Thanks again, I really had a blast. I got pages of notes here. I had a great time and I thank you for coming to the show.

Adam: Thank you so much for having me.

Dan: My favorite way to fund a Fix and Flip deal is by using private money. I did an episode on raising private money for a single-family flips, a little while back detailing my entire process with Joe Fairless. As a matter of fact, which you can find at reidiamonds.com by typing raising private money into the search bar .But what if you don't have access to private lenders and need money to get started?

Everyone usually talks about hard money and that's great. As long as you have some reserves or a nice chunk of cash in the bank, to show the hard money lender, in order to get the loan, they like to loan, money, to people who already have a little bit of money at least, to be able to cover the payments and any other in ciliary construction items that may come up. But one little known and little talked about option is Gap Funding and Gap Funding is a line of credit used to access the funds needed for reserves business startup costs. I mean there's really no restriction on how you use the funds and it's called Gap Funding because it's used to fill in the Gap. The team over at REI pathway funding can set you up with Gap Funding line of credit which has an initial interest rate of 0%, and in certain cases if you qualify it does not show up on your credit report as its structured as business loans. So to find out how much you might be pre-approved for go to www.reihalfwayfunding.com.

Thank you for tuning in to the REI Diamond show. Remember to review and subscribe on your podcasting app, just search REI Diamonds and click subscribe. Interested in receiving my weekly big idea email where I provide the most valuable jewel of wisdom that I discovered during the recording of the most recent episode sign up at, reidiamonds.com at that site, you can also access the 191 episode archive searchable by tag organized neatly there. Again, that's reidiamonds.com. So in 2020, my house flipping business Diamond, Equity, Investments, bought and sold 283 houses. And so far this year, we've done 112 mostly houses. A few were apartment

buildings and we currently have 160 more in our inventory. As I mentioned, at the beginning of the episode, we are hiring. You can go to deals with rei.com/careers. Check out the details on the positions. We have three other ways we can do business.

Number one, if you are interested in having access to the best real estate deals in your market, in other words, access to deals that you can buy at low enough price to actually profit after renovating and reselling go now, to accessrealestatedeals.com.

Number two, accredited investors who are seeking double-digit returns can sign up to receive private mortgage investment opportunity emails at fundrehabdeals.com.

And of course, number 3, I am always buying houses that I can flip and occupied apartment buildings with below-market rents, I have to have some room to make a profit here. If you have a deal that fits that description and either Atlanta, Chicago Philadelphia, or even Phoenix. Please send me an email with the details. We are at the conclusion, my friend.

Next up we have Chris Craddock joining us on the show to share his method on how real estate investors like us can add 5 10 or even 20 thousand dollars per month or more in additional revenue from their existing lead flow without any additional cost. I'll catch you and that topic on the next one signing off.

Announcer: Thank you for listening to this episode of the REI Diamonds Show with Dan Breslin. To receive email notifications of new weekly episodes sign up at www.reidiamonds.com.

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