Dan: Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment, jewels of wisdom. All right, James Nelson, welcome to the REI Diamond Show. How you doing today? Great. Thank you so much for having me. Looking forward to our conversation today.

Dan: Yeah, absolutely. First for me, we usually location stamp. I'm in Chicago, everybody knows that. Whereabouts are you dialing in from or your home market, if you will?

James: Sure. So New York City. So I'm here at the office on fifth Avenue, 45th Street, and I make the commute every day in from Greenwich, Connecticut.

Dan: Nice. I think this might be a first to have someone in the actual New York area on the show, believe or not. I guess we probably had maybe Joe Farris was like a New York guy or something like that, but I digress.

James: Well, hopefully I'll make a great impression. Not that I'm a born and bred New Yorker. In fact, I told you before, I grew up in Wisconsin, but new Yorkers sometimes get a reputation for being really tough and hard knows business people. So hopefully I'll give your audience a warm reception of what to expect here.

Dan: So I was going to make a little bit of a perception of the New York real estate market from around the country, right? Oh, it's overpriced, it's outrageous. The price of land in Manhattan and those kind of things that we all hear around the country, it's like, who could ever buy anything in New York, anywhere in the city and be successful at the way the prices are? So that was growing up in Philadelphia, James, so that's my perception, right? We would get the New York buyers who would come down and see Philadelphia as just like discount bargain just pay cash for it. Who needs a mortgage kind of a market. Well, when I got to Chicago, Chicago had a similar, very priced out type of feel to it coming from Philadelphia. And long behold, it does work and you can't make money.

Sometimes those high price points offer things like high commissions and high profit spreads and 8,9,10%, or even 3 or 4% appreciation on a larger number is larger numbers at the end of the day as well. So I've gotten more comfortable with the higher price points myself personally. And I'm curious, as we kind of get into today's show, I imagine cut your teeth in the New York market, and it's a high price point market we all know that. I'm excited to kind of hear today's show with that frame, if you will.

James: Sure, yeah. New York certainly is a place to live. It is very expensive. So a studio apartment here is $3,000 a month. The median apartment sells for, I think it's 1,000,00.

Dan: Wow.

James: So yes, it is certainly expensive. When you're looking to buy here on the commercial side yes, the barriers of entry are high because there is global demand looking to purchase properties here in New York, when we talk commercial, I'm talking multi-family with five or more units. I'm talking retail, office development, industrial, and there's only about in Manhattan about five or 600 of those sales that happen a year. So there's always this supply demand imbalance. And so the New York terms here are very challenging, especially for kind of the first time investor because most of our deals are signed with a 10% hard deposit due diligence done prior to contract signing. So that's pretty daunting to jump in and have to put in hard money day one, really tough when you're buyer, but when you're looking to turn around and sell again, the market is liquid. So there are challenges to break into this, but once you've been able to secure an investment, if your business plan is to resell, you're going to have a much easier time exiting when the time is right.

Dan: I like it. So we framed the market with your experience in some very daunting terms there. That's interesting. For the listeners, would you mind giving a little bit of the reader's digest of who you are, maybe what your career, sort of some of the highlights, and then what is your main business model today, James?

James: Sure. So I'm now 25 years in the business as an investment sales broker. So I head up sales here for Avis and Young in the New York City area. We handle, again, the sale of multi-family retail office land as well as industrial. So that's my brokerage history and over the 25 years we've brokered over 5 billion in sales. But my investing career, fortunately I started as an investor very early on, and we can talk about some of those investments, but mostly as a limited partner investing along the way. And then becoming a general partner taking down some of my own real estate investments with partners, and then was also a founder and general partner in two real estate funds that put out JV equity for value add deals in New York City. So as an investor, I've invested up and down the capital stack, and so have a real appreciation for that. So that's my really my investor story. And then the big thing that I've been working on recently having just launched my book, the Insider's Edge to Real Estate Investing is teaching aspiring investors, people who want to get into the business really how to succeed and outperform the market when investing in commercial real estate.

Dan: One of my recent mental shifts, if you will, over the last two years, and the listeners already know this because I've been mentioning and talking about on the show, and even the guests like yourself who come on all of a sudden, I'm sure they're noticing the commercial real estate flavor that's coming to the table. And everyone who knows Dan Breslin since 2006, Dan's a single family guy. It's buying and selling houses that need repairs, it's fix and flip renovations end of story blinders on focus period. And we do a lot of those deals. But I think it is my own evaluation long term of my personal real estate portfolio. And I think of that like my savings and I also LP and some deals and things of that nature. But as those LP investments were made, those are in the commercial real estate space.

Where the commercial real estate topic comes in as a theme for me is scaling the portfolio, right? I think I have 49 doors that I own, and the thought of adding another 49 of them at 800 to $1,500 per door, it's just not going to scale. It's not worth the time. So I'm like, I'm in the middle of this transition into the commercial real estate investment business, and I think a lot of people probably hit that. I'm like 43 years old now, and I see a lot of my friends who've been in the business about 8, 10, 15 years kind of making the same transition. I guess that's what everyone does. It's like start small buy some units, buy a few more. Suddenly we see that maybe it's better to have three, four, $5,000 per month per unit rents coming in off of a restaurant space than it is four or five apartment units with all the aggravation that comes along with that. So I guess that's a long lead in to my question, James, of how are you seeing, because you're on the brokerage side, and so you're seeing people walk through the door and you guys are closing deals for them. So like, how are your first time commercial clients making that transition from whatever it is they're doing before, maybe it is other investing, maybe it's coming from W2, but like they're landing on your doorstep and doing business. How did they get to that conclusion?

James: Right. I think it's an important first for everybody to be realistic with how much time they have to devote to this and also what their risk tolerance is. So what you do is clearly a full-time job. Once you get to that level and that size portfolio and you can actively manage there's others who like their day job, they want to keep it going, they want to get some real estate exposure on the side. So being a limited partner there's advantages and there's disadvantages. So once you start looking at larger assets, unless if you've got millions and millions of dollars in the bank, oftentimes you are starting off as a limited partner. And on one hand, again you don't have to deal with the day-to-day and everything that comes along with that.

But then you also don't have the decision making capabilities. Oftentimes you're along for the ride, but it's a great way to get exposure to it. So the question is how to break in, how do you start thinking about investing in larger assets? And I think there are advantages, again, you go by a 20 unit, 100 unit apartment building, having some retail at the base to diversify. The advantage is if you lose one or two tenants, you haven't lost your entire rent role, you've got a lot more stability. So I found for a lot of aspiring investors that the biggest thing that holding you back is fear that you don't have the ability as far as how to run the properties.

You don't have the capital are you able to raise the money? And I think that's what holds a lot of investors back. So what I talk about in my book is, first of all you have to decide what you want to invest in, where you want to invest in it, and then come up with a business plan, really a thesis, okay? And then study that market, become the expert. Once you become the expert, really understanding where these deals are trading for and what to look for, and creating the right relationships, especially with brokers, then you can find once you start uncovering some great opportunities. What the value add that you are bringing to the table is the deal. You find a great opportunity and then you can find a trusted partner, someone that you can go to and say, look I've seen that you've been very successful doing this type of investing.

I would love to partner with you. What I am bringing to the table is the opportunity. I have some capital and I'd like to raise some more, but clearly you've got a great track record, you have great equity and debt relationships, and let's partner together. And I think if you do that several times ultimately you'll develop your own track record. But this business is really about the people and the relationships you make, and having a good partner, especially out of the gate, is really helpful if you want to take on some of these larger investment opportunities.

Dan: So where are you seeing deals that are actually getting done, let's say in the last six months? New York City, everybody knows right now, it's April, 2023, as we record this, we're on the heels of a year of interest rate hikes, a historic year of interest rate hikes. We just had Silicon Valley Bank close down. I think there was one or two others. And so there's kind of this lack of confidence, and it feels a lot like 2008 feels like right after Bear Stearns, and everyone's wondering if it's going to happen again, is it going to occur in the office market? Is the counterparty risk on the other end of those office deals going to make everything come crashing down? And I think a lot of these things have put people into a holding pattern, James. And so I'm curious, are you seeing deals that were negotiated and closed within the last six months? And if you are, what type of product, what type of deals and why did they end up trading in a time like this?

James: Sure. So there's no doubt that sales volume has dropped dramatically, in fact, just even looking back at the fourth quarter, and we're going to release our first quarter numbers within the next couple days, but I have no doubt this quarter will also be well off what we were seeing before rates started to go up last June. So yes, there's no doubt that that rising interest rates, certainly these unprecedented levels is going to have downward pressure on pricing. But what is more or equally been a factor in chilling the market is the uncertainty. Buyers are on the sidelines because most of them will tell you, well, if interest rates keep going up and this is going to create distress, there are going to be better opportunities that are going to show up in six months in a year.

So I would say that most buyers are on the sidelines. At the same time, sellers are saying, well, I don't know if I want to sell into this market, unless of course they have to. So as a result, sales volume is way down. Now, I can make certainly a good case on why you should certainly be looking right now because there is less competition. There are sellers who need to sell and cannot afford to wait. I actually talk about that in my book. One of the most important things to look for when buying property is what is the seller's motivation? Why are they selling? If you're dealing with an estate sale that has to pay taxes, they might not have the luxury to wait six months or a year to see if the market rebounds.

So during the time, you'll have a lot less competition buying. So Daniel, you ask what is trading and look, the office market has immense challenges. In New York City right now, the availability rate is close to 20%, meaning there's a hundred million square feet of office space available here in New York.

Dan: Wow.

James: Hybrid work. I don't know if I'm saying it's here to stay forever, but for the foreseeable future. So I would be very surprised if your listeners out there would say, look, now is the time to jump into office certainly for an aspiring investor, someone new looking to jump in the game not only would that be an incredibly risky proposition right now, but it is incredibly capital intensive.

So it's not just acquiring that office building, but it's the base building work and all the concessions, the TI the tenant improvements, what it takes to get a lease signed. Today to sign a new 10 year lease you might have to give concessions where you don't even see rent for another three years. While you're paying the commissions and doing the work upfront. So I don't think I see anyone rushing into office right now, although a lot of investors and developers are talking about how to convert office to residential. Again, easier said than done. Zoning all the floor plates, whether or not it makes sense, and then do the economics even work? So I think for this audience and kind of for our discussion where are the viable opportunities where your listeners can jump on? When you mentioned, the failure of some of these community banks, and it's going to have major implications on current owners and borrowers ability to refinance.

It's not just as you know that the rates are going up, but what that is also doing is with the debt service coverage ratios, that's actually pushing down the amount that you can borrow. So a lot of these owners, and they may very well still have equity in the deal. They thought they had conservative leverage at 65%, but when they go to the bank not only are they finding that their loan that used to be three and a half percent is now going to cost them five and a half or 6%, but worse for them, they're being told, forget about the days of cash out refis, it's about the cash in refi. They're going to have to pay down their loan. Because the banks today are saying, especially with a lot of these deposits being pulled out of the community banks, regulators taking a closer look, these banks are going to even be more conservative. So you're going to see a lot of opportunities over the next year or two where you're going to have owners, borrowers who can't pay down the loan, or they have partners and they don't want to do the capital calls. And those are the opportunities to jump in and purchase.

Dan: So have you seen any of these deals trade in the last six months?

James: Yes. So our group does about 50 sales a year and year to date, I think we're at about seven or eight sales. So our sales volume is actually only off by about 20% so far. Although I will say the total dollar volume for us is substantially off. These might still sound like big numbers for some of your audience, but even New York, if we're talking about a 10 million in under deal a lot of those deals still get done with cash buyers. When we're talking about larger transactions those are really having challenges getting across the finish line because again, the financing is just not there. So yeah most of the deals that we're selling right now are the cash buyers. We see a lot of foreign buyers coming in. Again, there's no doubt challenges, but there are still buyers out there, but it's got to be at the right price, and it's got to make sense.

I think the other thing, just for those who want to understand kind of the New York market, and look for the first 20 years of my career, we were a three cap four cap market. Then what happened if we're talking about multi-family is we had a bunch of regulation come in. We've always had rent regulation, but they really, our current political environment has only strengthened those rules. We don't have the universal rent control yet that say a California has or in Oregon, but it's certainly been proposed. But nonetheless, the existing rent regulated units have been essentially frozen into that program as opposed to having the ability to take it out. So right away the investor's response to that is, look, a lot of my upside has been taken away, so now I'm going to need at least a five, five and a half percent return to justify that. So we had actually already shifted from a three four cap market to a five and a half cap market even before rates started to go up.

Dan: What time period did that shift occur, James?

James: 2019.

Dan: Okay.

James: Was when they passed these new rules.

Dan: Wow.

James: Again, in many ways because 2019, 2020, you were still borrowing money in the threes. And a lot of investors were going to the southeast and saying, Hey, I don't mind buying a multi-family deal at a three, three and a half cap because I can borrow money at the same rate. But now if you're having to go out and refinance at five and half, 6%, now you have negative leverage. And fortunately here in New York our caps who are at a certain level where at least that's not causing additional pressure.

Dan: So let's stay on the topic of the last six months again. The seven to eight sales that you guys are at, and you were mentioned some farm buyers coming in. Is the avatar buyer different this year? Who's coming in and buying in those seven or eight? Or is it still kind of the same crowd of these are the usual people that we normally expect, or have you not noticed any difference at all?

James: No, we've certainly noticed a difference. it's mostly high net worth. It's private individuals. It's foreign investors. Again, here in New York, and especially for larger investments, we see traditionally a lot more institutional capital. We've seen over the years, the REITs have been big, big buyers of real estate here in New York, and now they're net sellers.

Dan: Wow.

James: A lot of them are trying to kind of shore up their balance sheets have been sellers. The other thing is if you're really beholden to the public markets or for the institutions, the asset managers to say that you're out there aggressively buying in these uncertain times, I think is hard to get consensus where private investors can buck the trend. Most of the buyers we deal with, they are the decision makers. They don't have to take it to a committee they just say, look, I believe this is a good time to buy. I'm going to jump in. And so that's where the bulk of the activity is. Is with the individuals.

Dan: So are they trading in that five and a half cat range in the last six months?

James: They have, yeah. For the right opportunities, we see some sales still happening in the mid, the high four cap range. Again, it's not just about the going in cap, it's about the upside. What is the potential, and I talk about this in my book as well if you're just buying investment property based on today's going in cap and hoping that if you have to turn around and sell it in five years at a certain cap rate to make the deal work that's probably not the type of investing you want to be doing. I think it's really important to always look at how are you going to add value? Where's the opportunity? How are you going to grow that bottom line? Because look, we all hope that interest rates eventually level out or maybe even tighten again, but you can't bank on that. You have to stick with what's in your control and what's in your control is looking at properties that have been mismanaged or maybe there's potential there that the current owner hasn't seen that you can execute on and add value regardless of what's going on in a macro environment.

Dan: Can we pull apart, pick any one of those eight that did go to settlement this year, and can we pull apart maybe the asset type asset class and a couple of the highlights and maybe why that buyer felt like it was a good deal to move forward?

James: Sure. I'll think of one of the top sales we did this year was in Soho. Most people know the neighborhood or at least have heard of it. This was a really prime corner property on the corner of Broadway and Broom Street. It was a mix use loft building, and you had Madewell, which is a brand of J Crew who was on the corner, and J Crew actually had the inline, and then there were 12 lofts above, which was a real mix of residential, commercial, and then rent regulated tenants. So it was a typical New York deal that had a lot of different tenancy and a lot of stuff going on. But this was just a spectacular corner architecturally distinct historic building. And again, a lot of the institutional investors looked at that and just said, Hey, this isn't the time to buy. Upstairs you had tenants who had been there for a long time who were only paying 10, 12 bucks a foot when the market was 50, right?

Dan: Wow.

James: Those tenants had the rights to stay there, but that was the opportunity. It was actually a Swiss buyer who ended up coming and paying all equity 25 million and said I'm going to buy this for the long term and look one day those units will vacate up top and I'll be able to charge a market rent four or five times what was there before. And here's the other thing that's amazing, and why I like retail also, retail has been very volatile and kind of bouncing up and down. So for a while, right after COVID Soho emptied out the retail rents had had dropped to 20, 25 cents on the dollar.

Dan: Wow.

James: And this J Crew had done a short term lease, and they were only paying $150 a foot. I say only in air quotes because for most people out there might say, James, that $150 a square foot, and yes we're talking annually, but still that's probably more than triple what you'd see in most other markets. But still historically where Soho had reached as high as $1000 a foot, 150 was actually a pretty [inaudible].

Dan: In rent?

James: Yeah.

Dan: Wow,

James: Yeah. Well again, you have to understand for these companies, it's not just about the utility of the space, but it's branding to be down there, at least it used

Dan: Yeah.

James: So this buyer bought it for a five cap and J Crew just extended with the new lease for

$300 a foot. So not only did they buy this at a five cap, one of the retail tenants just doubled their rent. And then there's huge upside in the units above. For me, that was such an incredible corner with that kind of upside. Look if I wasn't the broker and if I had a bunch of money sitting at the bank, that would be the kind of deal that I certainly would've loved to acquire.

Dan: What was that one listed at where they paid 25 million?

James: I think we were asking probably 28 and a half, 29 million. We had valued it in that 24-25 million range, but it was just such a special location and such a special asset that I got a little overly as optimistic. And I wanted to push the asking price up, but generally speaking, we try to price things right above where we think it's going to trade about 5% above. Investors are very disciplined, if you put too high of an asking price on it, typically you just won't get any interest. It's better to really price it where you think it's going to sell.

Dan: Yeah. if I see something overpriced, I'm not going to look at the rent rolls and things. I'm not going to take and see what the market is for the comparable rents, see if there's any up, it's a waste of time. So 28, 25 million. Now that five cap, is that like a real five cap or is that like they actually inspect the financials on the building closing five cap?

James: No, I would say it's a broker's five cap because it's a vacancy there as well. So we project that out. But look we were using actual expenses. When I say a broker's setup we don't use pie in the sky projections. We try to get actual expenses when we can. We're not doing anybody a service if we're just inflating the numbers. But it always costs more to run a building than what you see on a broker's setup. So we put in the major expense categories, but there's always going to be additional stuff. So again, whether it was a five cap or really it was a four cap after you put in all the expenses, there was no doubt tremendous upside for the future. By the way if you look at this asset historically, if this had sold five years ago, it probably would've gone for 50 million.

Dan: Wow.

James: You could really talk about an opportunity to buy a trophy property at a time in the market when again, a lot of the buyers were just on the sidelines and wouldn't even they just said, Hey, appreciate it incredible looking asset. I'm sitting out of the market right now, which I think is a mistake. I don't think you can ever time the market and say, okay, I'm going to jump in now, I'm going to jump in later. you just always have to be out there looking.

Dan: So one of the themes I hear a lot throughout the commercial real estate industry right now is to flight to quality. And it sounds like the deal you and I just pulled apart, there is a flight to quality. It's a trophy asset, it's a a national credit tenant on the the first floor there I assume. It's a great property and a great location, and that's kind of what sort of is expected to trade. How important is that? Or are there other opportunities that one might want to look for in the market other than just the a grade quality properties we're paying up for them, but it's not like paying up for them three or four years ago would've been

James: Right. You could make the case, and again, one of the benefits of investing in New York City is for the most part you're investing here and it kind of has that global appeal to it where investors understand that it's a competitive market to get into. It's tough to find a location that's not highly trafficked and desirable. So I think as far as quality of the building it's interesting because on one hand you would think that a beautiful building that's meticulously maintained and renovated would be more desirable. But we actually find that most investors prefer, again when it's a tired asset, where you've got maybe absentee ownership where the building, the units need to be improved because that's where the upside is. So if you can buy a building at a 5% return, but you really think that you can improve the building most investors really prefer that upside story than trying to buy something that's turnkey condition where you're just hoping that the market continues to appreciate.

Dan: Are there some Mary's[?] in New York, we have Soho, that's an obvious one. Are there some other neighborhoods that are similar to that that would be worth kind of just making bullet points on this discussion?

James: Well certainly for retail you've got fifth Avenue, upper East Side Madison Avenue, those are very strong markets. Again, they had a huge run up in values and then came crashing down after COVID and are now working their way up. But look for most of the aspiring investors, those looking to get in the game they're not buying on Fifth Avenue. And so I think if you're interested in retailer buying a mixed use property, think about retailers who are, we used to say e-commerce proof, now you could say COVID proof too, but I think tenants where you do have to go there in person, so think about certainly restaurants, bars have been a huge occupiers of space and walk-in. Medical clinics you see a lot of those pop up.

Again, you can't do that online. You have to go there in person. There's even retailers like whether it's AutoZone where you can't ship a lot of the car parts, you have to go there in person, even Sherwin-Williams paint store, you can't send paint in the mail. So what are the retailers, what are the uses that you have to go in person. That's kind of something good to think about if you're looking to build a retail portfolio or at least have that as part of it. The other thing that obviously is a huge demand and driver is logistics, distribution, especially on the last mile. Your listeners know how many Amazon boxes that they're getting every week. Figuring out how micro fulfilment and we're still in a big city like New York trying to figure out how do you get goods into the city. so there's that. You're really looking to target uses where you see growth potential.

Dan: James, in a New York market that you guys operate, is it going to be a handful of buyers you guys have cultivated through phone calls and relationships and things of that nature that are buying these six or seven or eight deals this year? Are these broad marketing strategy meaning like LoopNet, CoStar, that kind of thing? Like where are the buyers hunting these days for New York City properties?

James: Yeah, great question. Everything we last unless if the client says don't do it because of confidentiality reasons we always advocate for a broad marketing campaign. We certainly put it out on co-star LoopNet proxy and do a lot of digital marketing. We do broad campaign email blast, social social media's been a huge driver. But look, there's no substitute for picking up the phone and calling investors. So we certainly know who are the active buyers in the market. And so yes, if someone's already bought a half a dozen or more properties in New York typically they know the process and they know how to move quickly. But in the same breath, we also are always out there looking for the new buyers who are looking to enter the market.

But the case is looking at a market like this, which is that competitive, it is important that you're ready to demonstrate that you have the credibility to close. So the broker might ask you, I need to see proof of funds. And that's, especially if you're starting out, why if you don't have that to show, it's a good idea to partner with someone who's already active in the market, so you can really leverage their track record.

Dan: Nice. If we have people listening, is that kind of someone who should raise their hand if they want to get involved? Are you also involved in looking for LPs? What's kind of the avatar client that you guys are hoping is going to show up on your doorstep?

James: Well, on the brokerage side, we're very focused on the sell side. Again, finding the product reaching out to existing owners, helping them sell their properties. Certainly on the buy side, we're always interested in meeting new buyers and helping connect people certainly. But the big piece of our business and not to say that we don't do the occasional off market deal, but I would say the majority of what we were selling is on market. So that's really where we're spending our time, is with existing owners who, by the way, clearly oftentimes if someone's selling, they might be looking to 1031 and go buy a bigger asset. Although based on some of the political environment and what's been happening here as of late, we also see a lot of long-term owners sell here to 1031 and into other markets.

Dan: Oh, leaving New York City, you mean?

James: For sure.

Dan: Yeah. What do you think long-term, what's your prediction? New York City? Is there still a buy? Is it a yellow cautionary thing right now? Where do you land on that? I know you're going to have a real biased opinion here?

James: Yeah, I'm certainly biased. Look, and I've been very upfront with the challenges the New York market and Brent regulation. Look, it is not for everybody. I get it. A lot of my friends who are now developing down in the southeast, they tell me how it's such a pro business environment and the building department shows up in their project, Hey, how can we help you out? We want to get this built quicker. Whereas building in New York is painful, to say the least. But I would make the case that even though it is incredibly challenging to do business in New York, once you're successful, again, the barriers of entry are so great that once you're successful you have an asset that's really difficult to replicate. You go to some cities or places where and for any of your Houston listeners, I've heard that you don't even have zoning there.

That anyone can build whatever they want and that sounds great, but then so can your neighbor, So if there's no barriers to entry where anyone can go in and build the supply that you could be competing with is unlimited. So I think there's a lot of cases to be made on why New York is challenging as it is that it does offer once you have that product that you do have something that's in unlimited supply. Also, I think if you look at the returns that are possible in now in New

York, I think it does reflect the current restrictions and challenges to do business. So that's pricing. But as far as how is New York doing, because I think there's a lot of talk everybody says after COVID, people just picked up and left for Florida.

Yes I'm sure a lot of people have left for Florida and other states, but Manhattan's population actually went up last year. So you got to really examine the data. You can't just kind of listen to what everybody's saying out there. And even if people aren't showing up to the office every day, people want to live here. So we're seeing that especially young professionals graduate from school, they still want to come to New York and they want to live here. And so that certainly makes it, I think an attractive market.

Dan: Yeah. I'm inclined to agree. We have the same sort of, everyone moved to Florida headline going on in Chicago and everyone's leaving because the taxes are so high. It's probably the same kind of a torque that we hear about California. I am and have been in my thesis for owning property long term has been to buy in cities. I like constrained real estate markets. I think there's probably a place still in my own investing in the future that will be Sunbelt and growth driven. But the large cities like New York and Chicago, these are magnets for innovation long term. It's hard to argue with the amount of innovation that's come out of a place like California over that time period. The logistics clusters alone in the ports is it Long Beach, Los Angeles, that kind of are and Newark and New Jersey, even Philadelphia, these ports for the import and the export these are logistics clusters that they stand the test of time.

It's like Mesopotamia almost or something. So these port cities and these sources of innovation and these magnets for where human innovation occurs in the city. For me, the long term outlook on the city itself, Chicago and New York both included. They're going to be strong. There's reasons that go back hundred plus years in both of those cities, even more in New York, why people have been attracted to come there. There's reasons why people have been attracted to come to cities around the world through all of human civilization for the last three or 4,000 years. That's because that's where human evolution continues to occur. Could it happen all on social media, James, and on podcasts? I don't know, there's probably a lot that's happen there too, but nothing beats the connection, that random interaction with people who are just like getting shit done that occurs in New York City, occurs in Chicago, occurs in Los Angeles, in so many other cities around the world, right?

James: That's right.

Dan: Cool. Couple wrap up questions here, Jim. Two three book recommendations.

James: Well, let's see, besides my book of course.

Dan: Better be your own.

James: Yes. No look, in all seriousness, I wrote this book because for years people have asked me, James, what's the book that teaches me how to invest in commercial real estate? And I had yet to find a book, which was a real practical guide that gives you actionable steps on how to do this. And so I've been getting great feedback on it, so I would definitely check that out. But I think the other book recommendations that I would make, and I'm always reading two, three books at a time, but I think that the classics even Dale Carnegie's, how to Win Friends and Influence People. The way you do business, the way real estate is a people business. So the way you relate to people, the way you interact with people, it's so important. So I think and I'm a big leadership fan too and mindset. I'm going to actually, I got to check out the new air movie on Netflix this weekend. Because Shoe Dog is actually one of my favorite books. I love Phil Knight's story about just scrappy and just doing whatever it takes. So I love those biographies as well.

Dan: Nice. Yeah, I could dozens and hundreds of them myself, over the years. If you had to go back 25 years, whenever it was you were just getting started in real estate, you were dreaming of selling your first deal what would you tell yourself, the crown jewel of wisdom from everything you know now, what would you go back and share with yourself then?

James: Yeah, I would've started investing a lot earlier and I would've also and I don't want to use the word risk, but I would've reached out earlier for help on investments, and it's kind of what I was just giving a advice earlier is I found some incredible opportunities very early in the business, and looking back, those properties are properties that I could have bought for $500,000 are worth 10 x today. But when I was first starting, I felt like I had to keep everything to myself because I said, oh, if anybody hears about this great deal, I'm going to lose it. What is it 100% of nothing is still nothing. I would've been so better served if some of those opportunities, I just early on reached out to to some of my clients partners in the business and said, Hey I found this great opportunity. This is too big for me to take on. Can we partner on this? I eventually learned that that's the way to do it, but I wish I had learned that sooner.

Dan: Invest earlier. What is the kindest thing anyone ever done for you, James?

James: Well, look, I think my first job in the business, so I knew nothing about real estate and was a senior at Colgate. I was an English major, and I didn't even know real estate was a thing. So I was very lucky that I put my resume in for a sales associate position, and was able to find not just a job, but a job with incredible mentors, the founders of my first company Paul Maxey and Bob Knackle. I went on a 17 year run with them, and ultimately they named me a partner and we sold the company to Cushman and Wakefield. it was an incredible thing. We've all kind of ended up at different firms now, but we stay in touch and they're incredible mentors. I think that was pretty kind of them to give me a shot in the first place when I didn't really have any experience to speak of.

Dan: Yeah, it's pretty cool. And the shoulders are giants, right?

James: Yes.

Dan: Nice. Contact information URLs or somewhere you'd like the listeners to go to get more information.

James: Awesome, thank you. So you can connect with me at James Nelson NYC on LinkedIn, Instagram, Twitter, and my website is jamesnelson.com. That's where you can find my podcast as well as video series, white papers, and also a link to buy the book. Of course, you can just go to Amazon and buy it there too.

Dan: All right, cool. We are at the top of the hour here. I appreciate you coming on the show. I got a couple pages of notes here. I had a blast. So thank you for coming on, James.

James: Thanks Daniel. This was a lot of fun and I'm wishing everybody all the success.

Dan: 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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