Speaker 1: Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment jewels of wisdom.

Dan: Saul Zenkevicius, welcome back to the show. How you doing?

Saul Zenkevicius: Good. How are you, Danny?

Dan: Good. For listeners who've been around a while, March 1st, 2019, Saul was on the show. We talked about leveling up in real estate, and he was just getting into industrial properties, and I think getting out of the house, flipping business. Saul and I were also partners in the Miami market, and we did quite a bit of business together in the Chicago market before the focus became commercial. Saul is the founding member of Z Equity. Do you have another company or any other company associations at this point we know.

Saul: Yeah. I am also managing partner in Braid Fund where Rafik Morris is my partner over there and we're buying malls with that company.

Dan: Nice. Before we dive into real estate, I want to hear the story of the climb to Mount Kilimanjaro.

Saul: All right. Mount Kilimanjaro. That was amazing experience. If I read from a trip or you feel the comradery and if I was ready to know in terms of memorable moments where you go with your business partners, it's not a vacation but something that you do for your achievement then changing the perspective, how you evaluate risk and you conquer your ego. It was the top, it was number one thing I've done. I really like to do [inaudible] type of trips. I am doing them at least once a year and I do it with my kids and that type of Kilimanjaro. But Kilimanjaro trip was seven days. Call it five day slam climb and almost two days descent. Going to 20,000 feet elevation and on the top it looks like on Mars. Everyone thinks that's really a big challenging physical feat, but it actually, it's only mental feat. I am triathletes and I was fairly sure that I'll be fine physically, I'm not going to have challenges. Probably, I think it'll be too good about myself. But at the end of the day the most challenging part was mental part and frankly, the best physically trained person in the summits. If I try to describe it as the last few days because altitude hits you and almost everyone hits a altitude, starts hitting you 15,000, 16,000 square in that elevation. You understand it, you don't have any... it doesn't matter how many billions and millions you have, how many square feet you have, you are on your own. Of course, you have a team of people. But if you break the leg it's pretty much you're in big trouble and it's on your own and it's hitting because you have a lack of oxygen. You have a headache and you can't go in that occasional phobia or fear, am I going to make it? Am I good enough? Maybe I should go down and you're constantly battling yourself and you have just some conquer ego, because logically, it's not the dangers. It's pretty much, if you do everything right, there's very little chance something go wrong, but your ego start playing with you. You need to defeat yourself. That's what it is. It's amazing experience. I was crying on the top and if I would try to explain it, it's really emotional at the top because you're realizing how easy everything in life is. How all problems compared to conquering the fear of death or something like that. It's just such a minuscule. It's really not physical feat, but really conquering yourself going through a mental feat and just understanding that everything else we're dealing it's so unimportant. It's not worth our attention, actually.

Dan: It's trivial, right?

Saul: Exactly.

Dan: A lot of the stuff we think is life and death in our daily routine. According to Google, there's about four to seven people who die on that mountain every year. Did you know that before you went?

Saul: Yes. I knew that. Well, I did know exact [inaudible], but I know that accidents happen and it hit, let's say the peak of of that. Pretty much last night, last day when you go to the base camp, so you go up and go down, go up and go down. The first three, four days and your plummet eyes, and last day you are at approximately 16,000 feet elevation. You come in before lunch, you have a little four hour, five hour sleep and you wake up at midnight and then you storm from 16,000, 20,000. That's your alliance last line and your sharpers, they don't go anymore. All the way, you are with expedition pretty much it said which 20 guys and we had, I think 50 Sherpas, but then at the last base camp, they don't go anymore because that's literally the biggest lack of oxygen. At the base camp, during those four hours or five hours, we stayed there, I saw three rescue operations. Meaning when the helicopter comes in, it just takes people out the mountain and they just... no one freaked out. No one even talked about... everyone's like, "See, there is one coming," no one talks about it. Here is another one coming. You have to storm that and that chopper does not go to 20,000. The highest it can go like 15,000, 16,000. That 16,000, 20,000, I don't want to call dead zone, but pretty much there is no rescue over there. We have to make it happen.

Dan: Wow. Yeah, I imagine it's probably where the accidents happened. I know who you're talking about and I'm not going to mention the name here live on Air, but did you happen to be around him while he was having that decision to decide to... did he go back down or heli evac?

Saul: No. He was probably only 20 minutes before the peak. What happened is that, he felt really, really bad, really sick. He started almost being a little delusional. We were going with three professionals who our guides and eventually he received a shot, I don't what shot, but his received the shot pretty much almost into this all hard here. Then he was advised, we got to go down real quickly because that's how you... the only way to alleviate elevation, you just have to go down as quickly as possible. What happened with him was a little bit delusional and he was a little bit aggressive and that type of stuff. All the expedition was in danger because of that. But on the last climb, people were getting hypothermia. There were situations where I had on a jacket, I had to give my jacket to another colleague and it was interesting and stuff. But in hindsight, it was beautiful. I think one that adrenaline kicks in, especially for me, when I saw the cast happening last hour, actually my body, I became more awake even though I was like, "You're going very slow."

Dan: Oh man.

Saul: Like that. But then adrenaline kicks in. Of course, you start operating a little bit more awake and you keep going even though it's hard to move, but my pain went away and the headache went away. It was great experience.

Dan: I did an audio book recently, Annie Duke, Quit. Have you heard of that one?

Saul: No.

Dan: It's about quitting. Annie Duke is a poker player, and a lot of poker players get themselves in trouble when they refuse to quit. They just keep going. They're dead set on their goal. They're planning on winning, they play terrible and they lose all their money. That's why she's the expert to write the book on quitting because she would know when to walk away from the table and have a longer career that way. She was talking about... it wasn't Kilimanjaro, it was one of the other mountains, but three people died on their way up. She was talking about how hard it is to quit something once you've set the goal. If the goal is to summit the mountain, the people who will oftentimes get themselves in trouble and then die, they probably have this point where they should turn around and go back down the mountain, but they're dead set on that goal that they've set and refuse to quit and keep going. I think that could be applicable to a lot of places in life. I want to build a certain amount of cash flow. I want to have a certain number of houses. I want to have a certain number of square feet of commercial. Maybe you get very far into that goal and it's like, should you keep going? Maybe there's reasons why you should quit, but there's this like, inclination for driven people like ourselves and the people listening to the show to push forward, go through square peg in a round hole thing. I think that the ability to walk, change direction and come back down short of the goal is a useful skill and it kept our friend alive.

Saul: That's interesting perspective, the way you say it. I'm thinking, okay, so my first comment would be, actually you just need to get clarity. You just have somehow to get clarity. Because when you are in that mindset, when you're driven by the ego just to get going, pretty much you're conquering. You're in pain, but you don't hear it. Your mind is saying two days you get out, dude, this is too much keep going, but you keep going because you're just so wrapped up in your goal. I think it's another mastery level when you're getting this clarity from whoever. It's completely different perception. I don't even know how to [inaudible] to get that clarity where it's exactly what it is. It just conquering ego into you. You must see somehow ask for that blessing and the clarity, someone tell you, "Hey, bro, that's the reality. That's the real, that's how it is," because we see differently when we are wrapped up in those thoughts and our desires and egos and that type of stuff.

Dan: 100%, yeah. You've been hanging out on the mountains a lot. I think it was a few years ago you started talking about Vail. I'm guessing this may have been because Danny was hanging out there that got you out there originally, then Danny moved away.

Saul: Yeah.

Dan: But let's touch on Veil a little bit. The rest of your mountain man expedition here.

Saul: Yeah. Well, mountains is something very dear and close to my heart. Me and my family, my kids are skiing since they're three years old and they're very much... to me personally, I'm not a beach person. I like hiking. I just like to be in the mountains. For me, it's really meditation without trying to meditate. As soon as I'm there in 15 minutes, I'm meditating. Just when everything slows down, especially, I'm going in a little higher elevation and I can go and walk for half a day. Cell phones does not work a lot of times. We've been going to Colorado for the last 10 years with kids skiing. Two or three years ago being in real estate, I started doing the math, the rental prices especially post-COVID, everything is going up so much in all vacation areas or mountain areas. I think it's time to buy something and there was nothing on the market and nothing that I wanted to buy. It's not like you can find a deal over there. It's very hard to find a deal. It just literal, there's nothing to choose. What I did right before we went there, before we typically go middle of mid December or second part of December stay through mid January, I pulled the list. Skip trace the list. No, it was only 2,000 actual addresses up to $2 million in properties. While we're skiing, we dropped at mailer and right before we flew out, literally on the way to the airport we scheduled I think three or four appointments. Last one, the last appointment during that week was on the way, pretty much to the airport. I walked, it was Stone Creek Drive and I'm turning right and my son, Mari, who was 14 at the time, he was taking the calls. He booked an appointment and I turned right and I see the mountain in front of me and that's pretty much the last house right before the mountain. I'm like, no matter what, I'm buying this house. Sure enough, the seller was a great lady. I really pretty much packaged the way that she got really good price. I made this deal because it needed pretty much renovation. I bought it for $125,000. I think it's worth now $180,000. The way I made that margin is just, I brought my crew from Chicago because the renovation over there is so expensive. It's probably three X whatever you would spend in Chicago. That's so increased the margin. But I bought it pretty much for myself, and when I'm not there I'm Airbnbing it and it's for me, zero base.

Actually, there's some profit left. My son, he's managing Airbnb and he's getting $500 monthly from the top and then we're splitting the revenue. But we spend at least two, three weeks during the winter and then we'll collect, we'll probably spend, I don't know, like 30, 45 days. We're going there next week, and we're not paying probably $30,000 $45,000 a year just for that state. If we would stay in a hotel or whatnot, plus we have everything else and the rest of the days they cover your mortgage payments and these properties increasing even coastal properties and mountain properties compared to Midwest, historically, they increase the value way more compared to regular Midwest properties. Actually, I was able to combine investment as a store of value, not necessarily cashflow, because the value increased significantly. Another thing is, I always wanted to create a space when my kids will grow up and they have their grandkids, they'll be able to come in and they will want to come in. My family is scattered throughout the world and it's really challenging to get together. Mom's trying to that all the time. Maybe we'll get together once, but I know in the wintertime, I don't have to ask now, everyone just wants to come in because there's nothing available during the Christmas and winter season. I have the spot pretty much for almost 10 people and that's my thing. I'm always going to be paying for that and buying airfares, and I'm going to be always hosting. When I'm 70, I would like to do that. They will come in because there is only that many spots you can ski in the world. Not during the Christmas.

Dan: Nice. Yeah. I remember, I think you asked me if I could ski, and I was having these major knee issues and this went on for... man, it's been like five years, maybe even eight or 10 years, that have had these odd aches and pains in my body. I'm like, track my diet. I have everything down to the gram. I started doing that maybe two years ago. I stumbled on in the last week the fact that I had really low sodium and I started eating 2,000 more milligrams of sodium a day. The knee pain is almost nonexistent. My back pain is gone. The strength of my muscles is double and triple. I feel great. I feel fantastic. Here it was. When I looked through my tracking, I could find there were days I would have 650, 700 milligrams of sodium like, "Oh, low salt. You want a low salt diet, avoid salt." I was basing my life on that headline information I found the sodium deficiency fixed it and now I'm going to have to meet you out there in Vail and we'll go skiing one of these days.

Saul: Yeah, for sure. You're invited any time, brother.

Dan: If my knee is going to hold up now.

Saul: Yeah. For sure, I would love to do that. I would love to do it.

Dan: Yeah. What was the thought going through your head, you may have already touched on it and maybe what your son said from the backseat as you guys turned and saw the mountain in the background and you were coming up upon that house and seeing it for the first time.

Saul: When I saw that house in mail, what was going on my head? Really was no any talks that I can... I just wanted to have something like that. I didn't think about cashflow, meaning I looked at this and I thought, okay, this is the property I want to own as a trophy property and if I don't look through the filter of the cash flow filter, achieve 10 cap or 12 cap, or whatever cash and cash, I could justify it because I knew it's not going to be taxed in my freedom and we can touch on that later on. Meaning, I know that property will be always dear and close for me and I did not really care about how much I'm going to be cash flowing. It was in a second... even if I would end up losing in terms of cash flow, I would still buy it. Of course, I did perform after that when it wasn't a contract. It's definitely not performing to the level I can put my money into an industrial property. But I don't have desire to go and spend a month next to my industrial property. I can get there one sec of water. I know how to put that on a spreadsheet. How can you put the value of the memories when you think about your kids? My friend has a book called An Event has 18 Summers, and maybe when you're skiing with them, maybe have 10 times in your lifetime. How much money you can put in that and there's no sell and stretch it like that.

Dan: Yeah, you're right about that. That was Jim Shield. Is that who wrote 18 summers?

Saul: Jim Shields, yeah. He has a great book called Family Board Meetings and then he has an event called 18 Summers that he hosts for entrepreneurs. That's his message. Really beautiful message.

Dan: Yeah. He was on the show, I think maybe a year, year and a half ago, so I'll make sure to link to the notes. It was really interesting that you bring that up because that's part of... we can become as investors, Robert Kiyosaki and just all of it everywhere. Save every dime. The compounding effect of a dollar. Live below your means. And I think there's a place for that. You do that for five years, 10 years, a decade, and then at some point you realize, I'm cash flow handcuffed. I'm handcuffed by the cash flow. In my mind, I have the limiting belief where if I stay on that Saul, I can't buy my vacation home because it doesn't make sense as an investor. I have to find the freedom and give myself the permission to make that next big move. 18 Summers is great. My daughter's 22, I think I heard about it when she was 20 or 21. But there's going to be a lot of those places and moments in life. Jim's kids, probably around the same age as mine, may be a little bit older, if I'm not mistaken.

Saul: I think [inaudible] older, but he has few younger. Yeah,

Dan: That's right. At some point it's going to be their kids' kids, and it's the memories on Kilimanjaro and the memories in Vail, that's probably going to be more important than what was the dollar amount in the estate when we happened to leave this life.

Saul: Well, I'm sure you will not remember your cashflow position let's say in 2060, but you'll remember when you went to New Jersey Shore and spent time with your daughter.

Dan: That is absolutely right. Cool. The progression from 2019 through 2024 before the episode I was talking about going bigger, optimizing what's working, maybe through scaling the properties in your instance and then the other end of that coin is leaving behind what's not working. You mentioned the words pruning your life, pruning your portfolio, constantly pruning now. I think Scott Sheo may have mentioned some of that pruning as well at one of our commercial academy.

Saul: Maybe, I don't remember exactly. I picked up this term, but yeah, pruning the life, I think I'm actively doing that right now. I can speak to that. The way I would tell a story about this, I think it started this conversation in my head probably 2018-ish or 2017 when I was a part of Strategic Coach. It was with Dan Sullivan, when he shared the story with me. It was pretty much during the luncheon at one of the masterminds. Then it actually has also entire segment how he teaches that. There's two ways to grow. There's one way when you grow in scale through many transactions and probably you are reducing the price of your transaction, but you're increasing the speed of frequency of transaction and getting more and more transactions. This is the Amazon type model you can grow this way. Another way to grow is that's called McKinsey model. When actually you're doing less transactions every single time you want to do less transaction, but in bigger volume and there is no better or worse way to do it pretty much, no, in terms of volume per certain amount of time, let's say per five years, you may be capturing the same amount of markets in terms of dollar volume, but you can do it either to 10,000 transactions, or you can do it to five transactions. In both ways you have to scale. In one way, you're scaling through speed of model, many transactions. In another way, you're scaling through your own capacity. To your own capacity, you are able to execute on bigger and higher and bigger deal, whatever that will be. It will be be real estate business, whatever it is. When I heard that, it's the first time I understood this how it can be done. Let's say McKinsey probably can charge $5 million for a month consultation if, let's say Wells Fargo is in trouble, how to address the situation because they're able to. They don't have to train and consult 100,000 people. They can do it with one CEO if they know how to do it. It's an interesting model.

Actually, very quickly after that, I started going through the direction of buying commercial properties and consolidating my residential properties and probably mentioned in the last podcast, I think when the first building I bought... actually the first building I bought in

University Park, it's 76,000 square feet. I bought it for $950,000 I believe. Yeah, it was $950,000 and we put $250,000 into it. God willing, seven years later or six years later, we'll be selling that, it's for $5.7 million right now on the market. If you look at amount of effort and execution, even at the time when we're stabilized, I remember I did a math that wasn't collective genius at that time and amount of cash flow it started generating right after a year when we recapitalized and pulled our equity out. We bought a vacant box, but we stabilized it. We had only one property manager, part-time property manager, only four tenants with five year leases who never called [inaudible]. I believe that to generate the same amount of cashflow and equity buildup, I had to build, I think, if I'm not mistaken, about 40 houses. 40 houses compared to one building. It was just like, it really makes sense. You can do a lot of main transactions, but you can do one big transaction. In terms of output, you're getting probably better because there is another thing we can transition. No one talks about taxing their freedom in real estate community. There is so many times, including me, and I see people and they get to that cash flow, so to speak, freedom. They get their cashflow to whatever the expenses are, and supposedly they are cashflow free. They don't have to go in the office and plow from 9:00 to 5:00, but in terms of freedom, they preoccupied 24/7 they probably getting 60K ones and dealing with 20 CPAs, they have 28 partners, 14, they don't like them and you're just like, where is that taxing freedom? That's where you're coming [inaudible] the garden. I was in an event early to share [inaudible], but you meditate there for a week and you getting a lot of clarity. It's soul searching event and really many people getting there. Those answers after staying in silent and just being with yourself for three, four days, you just realizing, you starting seeing what you haven't, you're not able to see, you just keep doing stuff.

For me, it was very obvious, let's say that I have to start proving my life in terms of how many trips I do, how many courses I take, how many buildings I have and there could be two buildings, there could be the same cash flow, but in terms of energy, it could be different drain. Could be that with one partner, you're partners, you have no friction. It just goes easy with another one. Maybe there is always some tension or maybe build. You really cannot put it in a spreadsheet because on a spreadsheet it looks the same. On PFS, it look the same, but in terms of drain and tax on taxing your freedom, and that's how I label it, taxing your freedom. I'm pruning the garden, I'm pruning my life and I'm getting rid of all the fucking garbage out that has the most taxing freedom. It could be 14 cap property, I don't care, out.

Dan: Yeah. The first pruning you did, I didn't listen to the episode that we did last time, but I know that you had, I don't know, 30, 40 rental properties. How many of them do you still own?

Saul: Sold all of them. Actually, I just plug in here. Maybe that's only for me because I shared, but I'm not getting the similar feedback. The maximum boost on your freedom guys, at least is for me, I've done it a couple times when actually it's so hard to go and sell everything, but when you're selling every... first you're converting your spreadsheet wealth to cash. All of us are delusional. Usually, it's going to be at best, 70%, maybe half when you're converting the cash. That's when you're looking at your real network worth. You're getting the cash, it's real amazing feeling. But another thing, you're getting so much freedom. You don't deal anymore with bunch of CPAs, bunch of property managers, bunch of all this, whatever comes in from this cashflow responsibility. It's really amazing feeling. Of course, then it doesn't last. My nature and then the cash start burning your pocket, and you're chasing something. You're quickly investing in something else. That moment is the maximum amount of freedom and no tax on your freedom. You're paying the tax because you're converting and getting haircut from your spreadsheet wealth to cash wealth, but that's really the goal.

Dan: Yeah. There's probably people listening right now who are buying one, two, three rentals. Maybe they're listening and it's like, man, if I could get a rental property, that would be great. If I could flip a house, that would be great. Maybe they flip three, four houses. Man, if I could get just to 10 rentals $5,000, $6,000 a month positive cash flow, that would be great. We're not saying that's a bad idea. A lot of times for me, you got to... I don't know, I have 49 units across maybe 15 properties, and I'm at the point where you were, it's time to convert them to cash and consolidate them into a single short term rental property that's high end. I believe in the market, I know the market, I've known it all my life because I want to consolidate the number of tax bills I have to deal with the number of water bills is a headache in city of Philadelphia. Number of mortgage refinances that come due. I can get a single 30 year mortgage, 30 year term, put a very large down payment 1031 into this property, and then it's on autopilot. I have less. Literally Saul, one of my least favorite things about owning property right now is a mailbox full of fricking bills, insurance proof requests. I hate opening envelope. I hate it. I'm trying to get everything on an E-pay and it's not available for everything. They're sending me building code violations in the mail. I don't want any of it. I just want that all into one single store of value, the way you talked about for Vail. It's driven by, I think, honestly, that this property will perform better than any of those individual properties I'm going to sell. But I wouldn't even have that option if I didn't take the time to construct and build that portfolio house by house, by three unit, by 10 unit, et cetera. I wouldn't have the option I have now to consolidate if I didn't make those moves in the first place. And we'll probably look back five, 10 years from now and we'll be talking about consolidating the things that we think we're consolidating into right now.

Saul: Exactly. Yeah. I think that's where there's really, I don't want to say the world that we get, but it takes time. You can explain to someone right now who doesn't have the first rental property and it's very hard to get through to that mind. I think if I would tell myself that thing right now 15 years ago, I would not be able to convince myself like, what you talking about? I just need my cash flow. But I think that perception always changes as you go. I think for me, in the last five years was just Kiyosaki cash model is not all be all model, meaning your perception on your life will change and the way see it, you got to be chasing more and more freedom and cashflow is just only one aspect of that freedom. Just evolving perception. I think to Scott Shields one shared... I don't know if you've heard, but if you look at the life or cycle for real estate entrepreneur it starts, call it with maybe residential flipping houses and then apartments, and then moving to commercial buildings, and then becoming a developer. If they still have bullets in their pockets, keep going. A lot of times they become a financier when they cash out and they keep financing real estate projects from a financier perspective. That's how we see the evolution of any real estate professional, I would say.

Dan: Yeah. I really like the consolidation aspect. I think I'm 44. What are you? 43?

Saul: 44.

Dan: 44, okay. We're both 44 years old. One of the things that I also like the consolidation strategy into single assets that are easier to sell, that vacation home I'm going to buy. If I pass away, my daughter doesn't need a lot of real estate knowledge to be able to sell that at market price.

Saul: Exactly. Yes.

Dan: Imagine selling the 30 or 40, the units, these apartment buildings, it's a complex negotiations just to get them over to finish line.

Saul: Imagine getting the mall that needs to be financed every single five years. All complex, 60 deals baked in with percentage rents and this and that, it's a science by itself.

Dan: The size of the CapEx. Somebody in an estate having conversations around a $280,000 roof, how do they know if that's a good deal? Should it be $140,000? Is it really supposed to be $390,000 and this guy's about to half finish a job for a quarter million dollars? I build the portfolio with an eye on, I don't know, I guess the end someday and that's part of the consolidation benefit over time. I'm not like retiring and riding off into the sunset as we speak. I'm definitely hustling, grinding, and still continuing to do a lot of deals and level up in a lot of areas. You're one of the inspirations for that, Saul.

Saul: Thank you know. Inspiration back at you, man. You're my inspiration. You are always been a marketing genius for me. I learned so much.

Dan: Appreciate that. You touched on the mall. Rafiq's show will air right before this one. We touched on Piqua a little bit. 511,000 square feet. He said you guys are at 70%, 75% occupancy right now. Does that sound about right?

Saul: It might be hitting 80%. We just signed Arcade. Right around 75% to 80%. I didn't see the rental the last couple of weeks, but yeah. We bought it in April.

Dan: April of this year? Last year?

Saul: 2023. Bought in April, 2023, I think it was 35%-ish occupied and right now we're, call it two thirds. Briefly, it's a mall. Usually, it's four wings. Last two bottom wings were Sears and Elder-Beerman. We converted that to Flex Industrial Warehousing, and this is where expertise comes in. We chopped it off into small units, 20,000, 30,000 square feet units. That leads very quickly and then we start focusing on food entertainment. The first tenant I brought was Champlin Park, a couple restaurants, six food court concepts. We're negotiating right now, Pickleball Court Arcade was just signed right now, high end arcade. We brought a gym and a couple other tenants. We're focused on the front in the food and entertainment. In the back of the mall was warehousing that pretty much stabilized an asset because we bought it so inexpensively. We pretty much cut it up that half of the building. That's where we can service our debt. It's paid off there. The rest food entertainment for us, it's pretty much gravy. That's in a nutshell, this is going to be $30 million asset when we're done, I think we're going to be all in $10 to $12 million all in.

Dan: Nice, strong deal. You guys have done a couple others, but one of the things I think was interesting just watching the entire progression of your career, Milwaukee Tech Center, other buildings, I don't know the name and the address of a leasing machine. Just a total leasing machine. I think that's a competitive advantage that you have that gives you the confidence to take on 511,000 square feet, where 380,000 of that square footage is vacant and not many other people can approach an asset of that caliber if they have no confidence in their ability to lease. You guys did this with, no one lives in Piqua, no one lives in the state of Ohio. No one to my knowledge, really owned any substantial assets in the state of Ohio who decided to pull the trigger and you guys did. Was the leasing machine that you, your leasing experience, your ability to fill those spaces, is that maybe the primary driver, why you guys felt confident to go forward?

Saul: I would say yes. Leasing capacity, that's the main decision factor when we buy it. Of course, when buy those assets, another thing is how inexpensive you can buy base price. A lot of times we can think, okay, we can even scrape this and sell it full land if leasing would not go as well as we want to. But really decision making is just leasing it. It seems like we can lease it and my experience comes in from just buying so many houses and doing direct to seller marketing. Right now we pretty much employ every single possible channel to go after direct to tenant marketing and direct mail, Facebook, Craigslist Google PPC, text messaging drops cold email campaigns, everything. What is in marketing arsenal, we pretty much employing and we spending five X, 10 X than any agent can spend just because the commissions cannot pay for this type of marketing. But when you think about it, those assets are in the best locations in the country still. They're just obsolete because they have to be repositioned. But when you reposition, you just out market and you have to offer affordable pricing. Affordable pricing that will come in. Leasing is our probably competitive advantage compared to anyone out there right now. It's really a pretty much a sales machine. Like in old days, they have leasing huddles. They have accountability meetings. I don't know how many dozens of funnels running. There's all KPIs on building the dashboard on the screen, it's really granular level. This is where I learned direct to seller marketing when I was flipping houses. When you measure every single piece of how much you spend, what's appointment cost, how much is the lead cost, how much is the... you're measuring that and you're just putting more fire in those funnels and and you're booking way more appointments than anyone else.

Dan: It becomes this marketing driven business that's driving the leasing. Most people would not catch that from the outside. Oh yeah. They bought them all, they redeveloped them all. When they say redevelop them all, most people think, well, here comes the bulldozer and they're putting in some ramps for the industrial and they're changing out the fire sprinklers and they're doing blueprints. But the thing that actually drove the value was this business model of a leasing machine that now maybe that has to be fed the way people who have built a fix and flip machine, they got their contractors and they feel obligated to keep feeding the contractors. It's like, oh God, once I stabilize Piqua, we just built this team and I got like 10, 11 people, however many it is, I've got to keep them fed. Now we're like looking for that next asset almost to keep that machine full. Is that...

Saul: Pretty much, yeah. It takes time to build a machine. It's expensive when it's idling.

Dan: Yeah. That's a big part of it. You're front loading all of this marketing expense for the leasing. You're front loading, $6, $7, $8, however many millions in tenant build out just general CapEx on the property. You're having to front load all of that. If you did it the old fashioned way, you might build it and think, build it, and they will come which is I think...

Saul: Yeah, exactly.

Dan: Whereas you're able to sort of pour gasoline on the fire with the leasing machine and get those leased, the leasing velocity is just off the chart compared to someone who's going to build it, and they will come type of strategy that can only come with a certain amount of scale in the business. If someone buys a 30,000 square foot warehouse building and they whack it up into six spaces of 5,000 each, you can probably sit down and do some of that direct leasing machine marketing on your own and fill the asset. But I don't think you get to the point where you drove enough value to get people on the team to do a lot of that work. Where do you think that scale lies in there? Is that 100,000 building? 150,000 building? Does it have to be 500,000 square foot building? Where does scale exist in this market?

Saul: I verified the model would work within the Milwaukee Tech Center that was 165,000 square feet. Pretty much I would say I did that with just having a couple VAs where they would help with the posting ads and maybe replying with some of the leads. But all their negotiations, all the phone calls and actually tours were done by me. We didn't have 300,000 square feet in between, we jumped right and we have half a million square feet. Half a million, definitely, I was not able to handle all the communication that comes in. It was just right away five times more on every single possible channel that comes in. I just had to leverage tools with a tour manager. We implemented discovery call in between and asset manager position and four VAs working on one asset. If I would think right now, it's half a million square feet, that's where just physically is impossible to manage that much of the incoming traffic and how much marketing you have to manage. But 150,000, you can do it yourself and the schedule is pretty much five tour a week, one lease, that's your schedule but it's full time. It's a full-time 150,000 square feet, you can do it.

Dan: It's a big lift. The example of scale and pruning part of the conversation we've already had, I remember calling you probably this time last year and I found this 45,000 square foot building. It was already whacked up. I'm like, "Oh my God, Saul probably already saw this." I was afraid to call you. When I put my offer in, and you're like, "Yeah, it's just too small. It's just not going to work. It's not worth the time." It's like, oh God. To me, it was like this large humongous deal, and I did make the offer, it wasn't accepted. But it was interesting to see how fast your progression to pruning out the smaller deals came maybe as an illustration of that, your mindset around maybe what were the last one or two deals that you closed on, or what would you think the next one deal would have to be for you to want to take on another one?

Saul: Well, I can touch on one deal that probably I talked about last time. There was one of the first deals, I think that was probably second deal that I bought. It was a 5805 South Archer in Chicago. We bought it for $750,000. The owner was retiring and pretty much were buying as a vacant box. During the due diligence, I negotiated a deal with his general manager that he's going to be taking over the lease instead of shutting it down the business and didn't have to do any tenant improvements. He did not have a good credit or anything like that. I think we signed the lease for $10,000, and it was covering more or less debt. I think it was a little of the cash flow. That deal was a little bit of the gamble. I was buying this vacant, it was retail, and so it's hard to lease. But it wasn't in a great location. Then a year later, that happens very often, that tenant wanted to buy the building, and we sold the building for $1.4 million year later with the SBA financing. That's one of the deals that I would call it like smaller deal, 15,000 square feet. Then from that point on, we moved on, I think next one was 30,000 square feet, one in Tinley Park, and then another one was 165,000 square feet. Right now, the malls we bought was 500,000 square feet. Mansfield, I think it was 450,000. We looked at few malls right now, one in Omaha, another one in Wichita. That's probably pushing million square feet. They're not really intimidating in terms of their size. They're intimidating in our capacity and capacity is because of running right now. Let's say my capacity. I'm running three projects that they have to lease up probably close to a million square feet and to add additional million. It's a stretch in terms of time. Probably next one should be a million. If I would think right now, but I'd have to prove my garden before I jump on that one.

Dan: Yeah, it's interesting. I don't know if that's even, is that the right answer? Do you have to have 10 million someday? Is there an end goal? Where's the summit?

Saul: Where is the summit? Yeah.

Dan: If there is.

Saul: If there is. No, look it might be not 10,000. It might not be 10 million square feet. Even in something different. It could be something that... I don't know, just spitballing you. Maybe you create some financial product that you're able to finance or to multiple people in the industry or it could be even something different. If it's a jump from housing to warehousing or malls it's not necessarily even different asset class, completely different game. The way I see my career every five to seven years almost, I shed my skin and jump on something else. I would not be surprised if it would happened.

Dan: Fair enough. Are there any other trends you see in the market right now that that you're looking to capitalize on? Or maybe these trends are things that have you worried for some reason that might be interesting for us to discuss?

Saul: Yeah. Trends. Well, I see that self storage is past its glory. We sell them all off. All our self storage is... I think we have one in a contract right now. God willing, hopefully is going to close in Clarksville. We have three more in Florida. We're putting two on the market. We're going out of that I think a small bay, it's at the tail end. I think small bay is where self storage was three years ago. It's a hot commodity, but I think it has 24 months of its beauty and it is going to be over. I think malls is a game right now for, I don't know for how many years, maybe three to five years. Definitely office. Office definitely is the game in town. Not too many people still jumping on it. I think that one has a lot of potential, whoever's going to be able to figure out the model, how to go after it.

Dan: Yeah. Maybe it's different models in different locations you have. My opinion is within five to seven years, the downtown core comes back to life again. The downtown is not the fun place to live. We're getting over the COVID hangover. We had the protests or the riots depending on which city you lived in going on and it shook the city core, I think. Cities have done that historically. I know they weren't exactly the place to be in the '50s and '60s, the city and that was because of the highway system came in. Then the cities actually with the advent of the REIT, so when you were able to securitize real estate in the '70s and '80s, a lot of the down... or actually I guess it was a little bit before that, maybe it was the '60s and '70s eminent domain was used pretty heavily in a lot of cities to turn the center city into the urban cores that we're familiar with today with a lot of these tall buildings. They lost their luster, I guess, in the '70s and '80s, and then came back again maybe in the late '80s and the '90s. But you have this cycle and I think I'm making this up, but I think that the cycle saw a lot of times will come from people our age now, the kids and everything. Maybe they're a little younger and they thought the city was the coolest place to be. They wanted to live in the city. When you have the peak population thinking the city is cool, the city becomes cool. Then all the cool kids living in the city, suddenly they get married, they have kids, they have families, and now they're in the suburbs. It has this vacancy that happens and then maybe this next younger generation thinks it's cool again to be in the city. It depends on how many people in that age group exist at any given time. Then overlay that with these events like you had during COVID in the city. When that becomes an ancient history thing, I think that the allure of the city is going to come back. I think five to 10 years, you're going to see a lot of those centrally located office buildings there and in full capacity. Again, I think that people working in office have more exchange of ideas. There's a different richness than can be had over strictly zoom call type running of meetings. I'm bullish on the city long term. I'm not so bullish and I'm running in there and buying some of these $1 or $2 million towers with my own money because I don't like the idea of trying to carry that for five or 10 years at $350,000 to $500,000 a year in taxes. That's probably a bit unsustainable for me personally. But I think that the inner city office can come back to life. With malls, malls had a variety of solutions. There's what you guys are doing, and that's novel and that works when we're in an area like Piqua, Ohio, the mall in Media, Pennsylvania was the Granite Run mall, and the solution there was Scratch the Dirt. Now there's this mixed use complex going up replacing it. Maybe there's a variety of solutions for the office building. Some have to come down. I heard someone say office is not overbuilt, office is under demolished.

Saul: Yeah, I've heard it. Well, I want to add to this also the way I see this. A couple weeks ago I was in Miami and visiting my friend and he lives in an apartment building. I've seen obviously apartment buildings, but me personally, I lived in an apartment 20 years ago. Nowadays apartment, there's just so much different. Of course, what you see in terms of difference, it just amenitized and for the people, it's no longer just only the place to go and sleep. Right now, it is the place to work on the first couple levels. There is pools, there is cafes, there is coffee shop. There is high speed internet through the buildings. If I even think about the buildings, why they're getting absolute Yeah, we're getting hit by COVID. Definitely, there is those trends, but you're talking about everything, every single generation. I remember I saw a movie a long time. It was a movie, Zeitgeist in early 2000. There was a futurist, I think he's a French dude, it was really nice, futuristic movie. The way he sees in the future how it looks, everything. Even Chicago called Trump Towers. It's not only a tower for residence, it is a hotel. There is a garage, there is a cafe, there is a terrace, there is apartments. If I have a magic wand, how to make the building, not from cashflow, but for the people, the most appealing and pleasant. You have that vacant glass and drywall tower and you making it and you're slicing it to a little bit of the apartments, a little bit of the coworking space, little bit of the movie, a little bit of the gym, little bit of the restaurant. A little bit of the library, a little bit of the terrace, so penthouse on the top of the pool, a little bit of the garages, a little bit of the grocery store, a little bit of this restaurant, another restaurant and something that maybe a venue for the concert. If it can be peed into the capital stack that is getting returned and assuming zoning code is getting really relaxed, it's really not a delusional idea. That's how I think eventually buildings it will go when they are going to get amenitized. Same thing with doing with malls. Malls is just how we can create more and more amenities because people want to be together. People want to congregate. I want to go to mountains, but there's a times when we want to congregate. That's how I think.

Dan: Yeah. That's very cool. Bigger vision and creating a destination, just like you did with the malls, but then doing that into these office buildings. I guess it would be the office buildings, right?

Saul: Yeah, it could. Right now what needs to be. It could be right now the office maybe in the next 20 years, we're going to see same thing happening with an apartment buildings that no one live in the apartment buildings, it is going to be like, I don't know, just communal spaces with just little tiny rooms like in Japan and everything else is communal.

Dan: Yeah. It's funny, marginal research I did on New York City coming through in Chicago coming through from the 1800s to now, I was surprised at how many buildings of like eight, 10, 15, 20 stories that were demolished and then replaced with a much better, newer, higher quality building. Those buildings probably happened in the '60s or '70s as steel construction was coming through. But we may see a time where we're going to see a lot taller buildings some of them come down.

Saul: Well, I did not know about it. Research says a lot of them were demolished, not repurposed, but completely...

Dan: I know these were like 10, 12, 18, 20 stories, and they would take them down and then rebuild something probably much taller in its place, and it's happening on a small scale, or it was happening on a small scale in Florida. Florida, the condo collapse happened a year or two back. A lot of new building codes and building code violation legislatures come through in Florida and they're going around making people do a lot of facade work. Now, you have condo owners who bought for like $80,000, their unit back in 1980. The building was built in the '70s or the '80s and the construction is not great. Well, they get hit with let's say $250,000 special assessment, because they're going to need to do $15 million worth of work to the outside of the building and there's, I don't know, 30, 40 units in there. It's like six stories tall, maybe. Well, they're going in because of the location and making offers to everyone in that building. Maybe the market is like $300,000 and they're able to pay $450,000 per unit for the land and now they're putting something up in its place that's like 30, 25, 35 stories tall, and it's brand new construction. They're scraping three, four, five story buildings and buying out the condos. We're seeing in Chicago here, not as much now as when the interest rates were low, but condo conversions to apartments. It's a similar, very complicated deal with the majority of the owners of the condos to execute on a deal like that. But some of that's already taken place. It'll be interesting to see and it may be some big headlines if outdated 30, 40, 50 story buildings. Can theses buildings where they built to actually last forever? It's hard to say.

Saul: Probably not. The economic life was maybe like 60 to 80 years max, I think. I don't know if they can hold longer.

Dan: That's why we depreciate the building in the IRS tax code is because it's literally suggested that they're not going to last forever. We'll see. I have a couple questions here before we wrap up, if that's cool.

Saul: Yes.

Dan: I know I asked maybe one or two of them before on the last episode. I'm going to restrict book recommendations, one or two of those to something you have read that you found impactful in the last one to two years.

Saul: Okay. Last two books, well, I'm reading right now, one, How to Make Few Billion Dollars. I even forgot who words is it. It's by the guy who built five billion dollar companies and it's really tactical information. It's really interesting to see how people at that level of ability to scale the business, how they think. That's one thing...

Dan: Do you know the author to that one? Brad Jacobs, it looks like. Does that sound right?

Saul: Yes. That's the guy. Brad Jacobs. Another one would be Ego Is The Enemy by Ryan Holiday.

Dan: He's put out quite a few good books in that category there.

Saul: That was just more recent ones that I read then pick my interest.

Dan: Nice. If you could go back and share with yourself in 2019 the crown jewel of Wisdom, knowing everything you know now, Saul, what would that be?

Saul: Would that be? Everything is going to be all right.

Dan: I love it.

Saul: Everything is going to be all right. Just keep going. What I would tell myself is just, our fears and defenses are overrated. I think that's our chatter and our meeting. We will always just at least in my mind, I think I risk in my head actually is disproportionately larger than actually [inaudible] it is.

Dan: I love that. I'd agree 100% and I'm going to take that one to heart for myself. Everything's going to be all right.

Saul: Everything's going to be all right. Yeah, everything's going to be all right.

Dan: I have two more questions before we get to my final question, the newsletter, or is there somewhere else you would like people to go to get some more information and maybe stay in touch?

Saul: Yeah, so I do have a newsletter on a Substack that was video newsletter, but I'm transitioning that to a written newsletter. The easiest way to go, just go on my Twitter or X Saul Zenkevicius, there is a link over there to that newsletter and just subscribe and follow me there. Right now, I have monthly newsletter coming out, but starting August 1st, I'm going to have weekly, I don't have anything to sell. I am going to be sharing mostly with case studies of the projects that I'm doing. That's the feedback from my readers. I'm getting that want to listen. But it's going to be evolving. The name of the newsletter is commercial real estate matchmaking. This is matchmaking, everything. What comes in real estate, the tenants for the buildings, buildings, the locations, the lenders to investors is just all that magic of what's going on in a commercial real estate.

Dan: Yeah. I love it. What you've put out so far has been very nuanced and detailed. I think people may initially look at it and say, "Oh yeah, this is simple." But if you're listening and watching the videos, they're well done and you recognize that they're from the context of the mind and person and team that took the 511,000 square foot vacant mall and not that highly populated of an area and took it from 30% occupancy to 80% in 15 months. That nuance in that detail should jump off the page or jump off the video at a much higher level if you view it in that context.

Saul: Yeah. Appreciate it.

Dan: It's great. My final question before we wrap, what is the kindest thing that anyone has ever done for you, Saul?

Saul: Kindest thing that I have ever done for me? Well, the only thing that comes in my head is my dad giving me $600, it was gifting me when he came here in America, 2001. That was pretty much almost last dollars. That's the only dollars I had when I came here to study in UAC.

Dan: Very cool. Saul, thank you again for being so generous of your time. I've got pages of notes. I'm sure the listeners enjoyed this I episode because I sure did. Appreciate you.

Saul: Thank you, Dan. That was great. Thank you. Let's do it again. I want to see you on a Mountain Vail.

Dan: I'll be there.

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