Flipping Commercial Real Estate with Sean Katona Transcript

Dan Breslin: Mr. Sean Katona, welcome to the Rei Diamond! Show. How are you doing today?

Sean Katona: I am awesome, Dan. Good to be with you. I'm excited for today.

Dan Breslin: Yeah, long awaited episode. I remember we're trying to get it on the schedule now, for I don't know. Probably a year.

Sean Katona: Go through your agents, your assistants. There's a 9 month. Wait list. I mean this, this is like getting on the tonight. Show.

Dan Breslin: I was like I was like, Oh, my gosh, it's I looked at the calendar. Oh, my God! That came quick! I I felt like it was so far away when a booking 1st came through. But here we are.

Dan Breslin: So, Sean, let's start with the origination story. The listeners. We're gonna touch on commercial real estate retail mostly specifically today. But let's talk about how you got started in the real estate business.

Sean Katona: Awesome. Just realizing, does my, did my camera just freeze.

Dan Breslin: Yeah, I think you're frozen.

Sean Katona: Here. I can possibly toggle that

Sean Katona: See? That's not a good look.

Sean Katona: and we're back hopefully. That doesn't do that too many times.

Sean Katona: Alright, we'll just play through, or we'll edit through that. But my, my story began in corporate America, I think like a lot of people, you know. Go to school.

Sean Katona: get a good job. And then I found myself just kind of stagnant, bored, but had saved up maybe 50 grand, and I was like, hey? What am I gonna do with this money? I chose to invest it in real estate cause I read rich, dad, poor dad! I think, like a lot of people out there, and I think what what comes organically to most people is, oh, I'll go buy a rental house

Sean Katona: which for me turned into an accidental flip because it was cash flow, negative.

Sean Katona: and then I made a little bit of money on that I was like, Hey, this, this could be a thing. If I did a few of these a year it almost would replace. You know my salary, and at the time I was working at Microsoft

Sean Katona: but I was enchanted by, you know, the freedom and the unlimited upside potential. I could do you know, dozens of deals a year in theory, and and be making 7 figures instead of 6, so that fascinated me.

Dan Breslin: Nice. So you were doing house flipping at the time, and you got up to a pretty good volume. I mean, how many years was that that you flipped houses before you transition to commercial, and maybe like what was the last year or 2 where it was like, hey, this thing's a big thing before you started to wind wind it down.

Sean Katona: Yeah. Okay. So I think I bought my 1st house in 2010. I was probably 25 at the time, and then in 2012 or 13, I said, you know what I'm gonna make a run at this full time. Walked away from corporate America at the time. I think I'd saved up about a hundred grand. I maybe had a couple of rentals in portfolio.

Sean Katona: but I had found some coaches and mentors that really showed me a way to like, systemize, scale and grow the business. And so I think that gave me a lot of confidence. And I was like, Hey, this is

Sean Katona: showing some signals that this could work and could continue to scale and grow fast forward to maybe 2,015

Sean Katona: and my business roughly doubled each year. I think I went from doing like 6 deals to then 12 to 1 point. I want to say we had 15 rehabs going simultaneously with 3 different Gcs. All of them over promised under delivered. I think they were, you know, running over Budget, and I was just like, wait a minute. I feel like an adult babysitter, and that was kind of my breaking point.

Sean Katona: and it got even worse, because, as I was winding down some of the residential business. I ended up losing a hundred grand back to back on 2 deals. And I was like, Wow.

Dan Breslin: Anyway.

Sean Katona: That just brought me to a grinding halt, both financially and mentally, and from a confidence standpoint.

Sean Katona: and it almost forced me to to get serious about commercial where it's like, I gotta go make, you know, 500 grand to a million bucks so that I can get caught up with my private investors. And wait a minute. The whole point of this real estate journey was to create some passive income and some cash flow, and I got so quickly distracted with the wholesaling side of the business and the rehabbing side of the business. And

Sean Katona: it was like, you know, those quicker pops and those bigger hits versus the steady income producing. And and you know that became more of my focus was the active income versus that cash flowing side. So shame on me for that. But in some ways I've been guilty of that. On the commercial side, too. I've flipped.

Sean Katona: you know. Maybe 5 or so shopping centers. Now for what would be, you know, 10 years of cash flow realized all at once. But that, you know, built the resume, and that got my investors some great returns.

Sean Katona: And it it kind of

Sean Katona: showed some proof of concept and some wins, and gave us some good capital to go work with and credibility. And you know, Phoenix, the market that I work in, and being able to say, Hey, I've bought and sold a handful of 7 figure deals where you know we bought them right, and we almost doubled the value in a lot of cases. So that's been my journey. And you know if you fast forward to today, I think I've

Sean Katona: I've still got 4 properties in portfolio. We just recently sold one. I've got 3 or 4 vacancies. I still want to get filled up, and then I'll have the fun decision of do we test the market and sell these for some sweet gains, or do we keep them in portfolio, and that'll that'll be the fun decision to make.

Dan Breslin: So you've gotten out of 5 of these retail centers. These are what like, roughly, maybe 2025,000 feet of maybe a little larger each.

Sean Katona: Yeah, right right in. There is probably my average. I've bought 20,000 23,000. The former drugstore was 16,000.

Sean Katona: I bought a little tiny church that we did. Okay on. I've got a brewery that's about 7,000 feet. So I think, you know.

Sean Katona: I'm less worried about the size of it now. And what's becoming more important after buying, you know, maybe 10 of these is the quality of it. And I think like we know in the house flipping business. You you probably want to buy the worst house on a good in a good neighborhood very similar. I think philosophy would apply to commercial or retail like, I want the underperforming Strip Mall in an otherwise healthy retail corridor.

Dan Breslin: So what exactly is the quality, then? Right, if we're looking for the complete

Dan Breslin: shack, you know, Rundown House.

Dan Breslin: my, some of my issues showing right now that I notice is like.

Dan Breslin: if it's not 60% vacant. I I like hardly even look at it. And I think that's a downfall, because you can get your hands on something that's 100% occupied with low rents and really dig in. And I'm like, Oh, no, this is not. This is not at the bottom enough like, and I kind of. I kind of have these blinders on where I feel like I'm looking for too low of quality. So can you kind of define quality.

Sean Katona: Yeah, I mean, that's that's such. It's this is.

Sean Katona: it's probably gonna be the highlight of the podcast. Right. Because, if you can get this right. It is such a valuable skill. And and we're always working to hone and develop it like

Sean Katona: people who can quickly distinguish. You know, this isn't going to be worth my time to really break down this deal and submit an offer on it versus. This is something that has true potential. It's underperforming. And I think I started out with almost that that like singular dimension, where, hey? If it's not half vacant, it's not worthwhile. But that might not include the opportunities like, well, what if I could pick it up with 10% down seller financing.

Sean Katona: and still end up with an amazing cash on cash return, and not even have to syndicate this deal out to friends and family and partners. You know, and own a 5 million dollar shopping center for 500 grand out of pocket. And you know I'm I'm getting a 18% cash on cash, like I'd be okay paying a high price per pound and not having a lot of vacancy, or even a lot of rent upsides, because that's just a killer deal.

Sean Katona: One of the things that I think about a lot now is, can I turn this deal into a 10 cap if I'm going to buy and hold it

Sean Katona: so like the the drugstore deal that you. You're familiar with Dan as a good example, we're going to be into that deal for about 3 million bucks after you include the purchase price and the renovation and the Ti costs and the leasing costs.

Sean Katona: But it's gonna be throwing off about 300 grand a year of base rent, you know, essentially pure profit. So that's a 10% unleveraged return. You know, if I've got good debt on there, which I do at 5%. Now, my cash on cash is quite compelling, so I like those as buy and hold, especially as their quality.

Sean Katona: I think I think I omitted part of the answer there, too, and

Sean Katona: what makes a good deal is some of the key things in in retail, so

Sean Katona: am I getting it at a good price per foot is my price to rent ratio going to be compelling? Is there good traffic? Is there good visibility? Is there good access? Or here's another example that maybe I even often forget to think about

Sean Katona: is this property currently, at 40% below market rents you take my market like Phoenix, for example. Rents have been rising 8, 9, 10% per year in retail. And if you've got a 5 year old lease

Sean Katona: that was done, there's a pretty good chance that you're 40% below market. So maybe you renew those tenants. Maybe you can get them back up to market rent. But you could potentially buy a full property

Sean Katona: and get, you know, 30, 35, 40% boost in rent in theory that could increase the value of the property by 30 to 40%. And if I'm getting that kind of upside margin, I'm I'm happy.

Dan Breslin: Yeah. As soon as I see the full center that the broker brings me like, it's junk! It's full. There's no upside. I don't look at it any deeper. What what would you say? Is there any kind of a shortcut other than maybe a quick co-star search that you might implement to figure out what market rents might be if a broker brought you a deal that was full today.

Sean Katona: Yeah, I mean, I think you you if you start to focus on one market, like you know, let's say you and I have have kind of honed in geographically and asset class wise. You'll start to get to know the rents like you know what certain neighborhoods in Chicago trade at, probably without even looking it up, because you've done it so many times in the beginning. You know, you're having to spend a lot more time, let's say, looking on loop net and going all right. What's the property across the street renting for? And what's the property around the corner, renting for, and like?

Sean Katona: What am I going to list my rent at to be competitive, and am I the best value in the neighborhood? And sometimes brokers will report? You know, the rental comps. Often they won't. But I think to see what someone's listed at is a pretty good directional indicator, and you know, if if I'm seeing deals get signed at, let's say, 16 to $18 a foot.

Sean Katona: I probably want to underwrite my rent at 15 bucks, so I can be, you know, a cleaned up center. Still, the best value. Still, good visibility, still, good traffic, and there's no reason why they wouldn't want to come to my center because they're they're getting the best value there.

Dan Breslin: Yeah, and it's probably worth mentioning. So we're both in the Commercial Academy, mastermind.

Dan Breslin: And you often will present your portfolio some aspect of the deal you're working on or the deals, and I guess I guess I've been watching yours since 2022,

Dan Breslin: and it's been very interesting to watch your progression when you're talking about things like the traffic pattern, and you know the the design of the shopping center, and which one of these units is the hardest to rent. And just because it's 15 doesn't mean the one in the back corner is gonna get 15. So it's interesting to kind of see the evolution.

Dan Breslin: And I and I'm like standing on the sidelines showing I'm like, no, I want all that nuance without the price of doing the 9 10 deals that you'd mentioned here on the show today. And it's like, I don't know that you're gonna get that.

Sean Katona: Yes, yes and no, Dan, because you are getting to learn that through. You know my lessons learned the hard way, and that you know the dozens of us that present. And so every time we get a new deal bought and leased up, you're you're hearing these things, and so I think kudos to to you for finding a group like that where you can compress the learning curve from 10 years down to maybe 2 and you know you're you're building those muscles of. Here's how you can add 7 figures of value consistently.

Sean Katona: you know, to a to a property that you might buy for a million or 2 million bucks. I mean doubling. The value of those assets is is just wild. I mean, it's crazy that we can do that. And it's a beautiful inefficiency in this real estate business, and and maybe commercial, even more so just because now the data's gotten a lot better. And the tools have, too. But there's still so many 70 80 year old owners that acre.

Dan Breslin: Never.

Sean Katona: Us. And B don't have anyone actively working to bump those rents and and manage those properties to their pro forma value. And so it's like guys like us and house flippers and wholesalers. And anyone can go out there and locate those deals that have tremendous upside potential.

Dan Breslin: So when you were doing the house flipping thing was that also in the Phoenix market, Shawn.

Sean Katona: No, actually, I I'm born and raised in Seattle

Sean Katona: Coincidentally, when I took my job with Microsoft, I relocated down to Santa Monica. So I ended up doing deals in both Seattle and Southern California markets.

Sean Katona: and only after becoming frustrated with those 2 markets on commercial did I start looking a little bit more broadly up and down the west coast, which included Phoenix. And that's where I found a bank owned center that I bought from the bank.

Sean Katona: and that kind of got me going in both that asset class and that marketplace, and I just decided to stick with that. So it was new. And I remember, you know, breaking into that market wasn't a piece of cake, because you get on the phone with a broker and they go. Oh, well, what else do you own in town?

Sean Katona: And so, not really being able to say, Hey, I've got a center or 2, you know. You gotta sell yourself a little bit in the beginning, but at least I could say I've done some residential transactions, and you know we've got

Sean Katona: the means to be able to do this in some history of being a closer, which is really what these brokers are vetting right like, Hey, I'm I'm risking, you know, going into escrow with you? Are you gonna close, or is this thing gonna blow out like the last 4 dreamers who couldn't get it across the finish line.

Dan Breslin: Yeah. So you never actually lived in Phoenix.

Sean Katona: No I I feel like in some ways an honorary Phoenician cause. I I probably go once a month now, but I'm based in Huntington Beach now Aka Surf City. So it's an easy flight for me. 90 min. I've done day trips where I've met a buyer at their due diligence, walk through and just come home. But what I'll typically, do is, you know, go out early that morning, spend one night there, and I get 2 full days in the field to meet with

Sean Katona: tenants, lenders, vendors. You know my bankers, my brokers, and I can get a lot done in 2 days, and you know we can get so much done remotely. Now, too, that that's that's become my workflow.

Dan Breslin: Yeah, I'm like, I'm a little shocked because I just assumed at some point you must have lived there like what? Phoenix?

Dan Breslin: our Company diamond equity. We had an office in Phoenix, and it was a very tough.

Dan Breslin: constrained, single family real estate market. I mean, the appreciation rate was probably 10% per year like before Covid hit.

Sean Katona: Yeah.

Dan Breslin: And it was like impossible to get a deal, and from what I understand, Seattle and Southern California are like even harder than that

Dan Breslin: So

Dan Breslin: I just assumed it was the frustration in the single family market for Phoenix that drove you to go and convert into the commercial thing. It's like, no, you were in even worse areas. And I think that's a frustration that everybody out there right now is dealing with in the single family house flipping business. Yeah, you can find deals. They're not as plentiful as they once were.

Dan Breslin: and we find ourselves compromising more often. So it used to be like 70 cents Arv, minus the repairs. That was it. Well, now, it's like 75 cents. Arv, 75% of the Arv minus the repairs. And it's like we're kinda

Dan Breslin: from a percentage standpoint. We're compromising and having to pay up to win the deal. Now we are. We are flipping houses that used to sell for 3. Now they sell for 5. So maybe we were making 45,000 on a 300,000. Maybe we're making 65, or 70 on a 500,000. But we're certainly taking on more risk to do that. What kind of a percentages were you dealing with when you were actually flipping and made some money. Were you doing the math? You know that way, or or maybe another way of looking at it?

Sean Katona: Yeah. Yeah. And I think I was a little nervous to get into the higher price points. And it was before, like the Seattle market just went bananas. Kind of pre covid is. I tapered down the residential business in 2,015

Sean Katona: but I remember, you know, making 60 grand on a flip, or 80 grand on a flip, and if I really crushed it, I might make a hundred, you know, doing all the construction, and spending 4 or 5 months on it.

Sean Katona: My typical wholesale fee was probably in the 15 to 20 K. Range.

Sean Katona: but I wasn't doing the crazy level of marketing that you you are. So I would I would get, you know, a handful of leads from the Internet, maybe, and some of my Google ads and pay per click and organic.

Sean Katona: But you know it. Look, it takes a lot of wholesale deals and a lot of house flips.

Sean Katona: To get to the same profit that we can get in a single commercial transaction.

Sean Katona: and it takes a little bit longer. But like I'm talking, you know, an extra comma and more zeros, 10 times that.

Sean Katona: And you know I've got more tax shelter. I've got, you know, maybe more sturdiness. I've got, you know, 10 different service based tenants in this Strip Mall. And so if any one of them goes out, it's not a big deal kind of like an apartment building like it doesn't feel great, but I'm comfortably making the mortgage, and then some. So that's that's, you know, part of what

Sean Katona: help me get excited about commercial.

Dan Breslin: Yeah, it makes sense. And

Dan Breslin: I mean, there is a lot of competition in commercial, and we see that I haven't

Dan Breslin: done a deal with a broker. So I'm in a bunch of deals that other people are running right now. So I'm curious.

Dan Breslin: Does it bear out the way some people mention in our group where they're like, Hey, it's a little less competition in the commercial space. Or do you feel like you're bid up and bid out the way you are in single family, or is it? There's the air is a little clearer, and there's less players at the table, in a sense, on any individual deal.

Sean Katona: Yeah. Well, I mean, here's an interesting way to to take an inventory.

Sean Katona: you know, if we go to our local real estate Meetup group.

Sean Katona: You know how many people in there are focused on residential versus commercial.

Sean Katona: You know, I'd I'd probably say 95% of them are trying to figure out how to flip a house or wholesale a house or buy a rental house?

Sean Katona: And we're probably in the single digits on guys who are like, Hey, commercial is my core business. So I gotta guess there's substantially less bodies competing for those. And then you got some guys going out and doing multifamily, and some guys doing storage and Rv and Mobile home parks, and you name it. And so now, how many guys are doing? Commercial

Sean Katona: or excuse me, retail. And then there's different flavors of retail. So strip malls. And now it's getting even more like niche and specific, and like to give you an example like. There's probably in Phoenix 80 to 100 brokers that control almost all the deal flow.

Sean Katona: you know, and you compare that to how many residential agents might cover a market like Phoenix or Chicago. It's just like, Okay, that can give you some sense. And and

Sean Katona: you know, probably the sharpest, shrewdest groups and buyers and landlords, you know, are getting into bigger and bigger and bigger deals.

Sean Katona: They can't be bothered to to get out of bed to only make a million dollars on a project. They gotta buy something for 10, and you know.

Sean Katona: sell it for 15 or something for 25 that can be worth 35 cause. They got all this overhead and payroll and groups, and this and that to to feed the beast. So you know, if you were to get into the one to 5 million dollar commercial deals. I think you would find

Sean Katona: you're not in too many bidding wars, especially if you get into the off market game like you've gotten so good at. It's like, Hey, it's just me. And you know, a guy at the end of his career whose kids have no interest in owning this asset and operating it, cause they've seen poor grandpa down here, you know, every every other weekend dealing with some nonsense.

Dan Breslin: Yeah, true enough, the barrier to entry is a little bit higher. So you mentioned a meet up full of people who are trying to house, hack, and everything else.

Dan Breslin: It's a lot easier for the meet up attendee to go get, say, a hundred 50 grand off, grandma to like, go flip a house and make

Dan Breslin: a not shrewd decision to pay too much, flip the house, do the whole thing, and then break even, or even lose money at the end of the day. Well, that's who you're competing against in the residential space, whereas in commercial

Dan Breslin: 2.5 million dollar purchase price, you probably need to put a quarter 1 million dollars or so aside for the roof and the tenant improvements to get the lease assigned. Sign commissions. The whole thing another 5 to $600,000 down for the loan, maybe even more. So we're talking about having to raise $750,000 in cash.

Dan Breslin: I'm sure there are some grandma's out there with 7 50, but it's not going to be the same number that got 8,050 like you're finding in the residential space. And then on top of that, the lender is a lot more strict and becomes a little bit of a safeguard. I don't think they're a great safeguard. They don't know the value and driving the value and and all the things that you need to know to be successful in the commercial space.

Dan Breslin: But they're not going to make a completely foolish loan, I mean.

Dan Breslin: yeah, I guess in hindsight there's a lot of completely foolish loans out there, as we speak right, Sean, on the office buildings and everything else. But you got a higher barrier to entry in commercial, so maybe keeps the competition

Dan Breslin: lower but more sophisticated. When you're dealing with it.

Sean Katona: All in defense of some of the lenders out there. Say that they've, you know, dissected my deals thoroughly, and the guys that lend on commercial know what they're doing, and they say, Hey, show me the rent roll. They got debt, coverage.

Sean Katona: ratio there. You know how much term is left on it. So you know, they're stress testing the deal. But you know, in in the 1st couple of deals that we did, you know, we're still

Sean Katona: personally guaranteeing those loans we're signing on it. And so yes, the excuse me, the asset can support the the deal and the loan, but you know we're here to personally backstop it as well. If that doesn't go exactly according to plan, and we've had to step up on a couple of occasions where we did lose tenants, or it took a lot longer to lease it up than I thought. But I want to mention this, too, because, you know, you might spook some people thinking, Oh, I gotta have a million bucks or half a million bucks to take a deal down.

Sean Katona: The 1st deal that we did. I mentioned that bank owned one.

Sean Katona: you know we got it tied up in an escrow with a $25,000 earnest money deposit.

Sean Katona: and I think that was the only money that we personally put in, because I didn't have a lot of cash at that time. Right? Remember, I just lost 200 grand back to back on a couple of house flips. So I got that tied up that same bank that sold me the deal financed it. I want to say, we put 70, 75% debt on it. And then I went to 3 or 4 of my existing private lenders that I'd done residential with and said, Hey, you guys want to invest in this alongside with me? So they effectively came up with the half a million dollar down payment

Sean Katona: bank, you know, Lent about 1 5. We bought it for 2 million. So you know, we've gotten ownership and control of a 2 million dollar asset for as little as $75,000, or excuse me $25,000 out of our own pocket.

Sean Katona: So it is still possible. You know. I think that. You know I have decent credit. I had decent relationships.

Sean Katona: and that you know that building goes on to sell for 3.5 million bucks about 18 months later. So you're creating 7 figures of profit for our ownership group, you know, on my 25 grand outlay. The cash on cash return was pretty good, and maybe I only made $7 an hour after I did all that work. But it's still, you know, is a is a pretty incredible

Sean Katona: experience, for you know us as as investors and owners and and going wow! This transition from residential to commercial.

Sean Katona: it worked. And this, this is real, and all of a sudden, like, you know.

Sean Katona: all that time spent learning a different asset class and a different industry, and different brokers, and a different market like finally paid off and bared some fruit. So I I guess to anyone out there listening like don't don't be spooked because you're playing with bigger numbers

Sean Katona: because it's fun. The cash flow is bigger, the tax shelter is bigger and the profit should be bigger. Because, you know, we're just. We're just playing with a lot bigger buildings and a lot more tenants in most cases.

Dan Breslin: Yeah 100%. And I'll tell you what. You know, I guess I haven't done my deal and made the 1 million bucks in Commercial Academy personally. But I'm in deals that are, you know, 5, 1015,000,000 with profits that are in some cases potentially gonna be 10 million dollars plus. Yeah, getting around the people in the group, hearing the numbers.

Dan Breslin: Seeing the complete case, studies with like real time. This lease is not signed. This lease is on the table, but don't tell anyone because we're not supposed to mention any of the details here. We're under Nda.

Dan Breslin: being able to get around. That's been priceless. And I appreciate the you know the transparency that you've been able to bring when you're presenting and talking about those deals in the group. Aside from that, could we maybe pull on the thread of a deal full cycle right? Found deal? Here's how I financed it. We leased it up. And this is what we ended up doing when we sold it.

Sean Katona: Yeah. Well, well, so I mean that that example that I just gave was my 1st one. So you know, Bank owned founded on Loopnet. I think it was listed for 2, 6.

Sean Katona: I closed it for 1.9 5.

Sean Katona: We sold it 18 months later for 3.5 million created that 7 figure profit.

Sean Katona: I think I already explained the capital stack fairly well. The the business plan or the the value add there was to go stabilize the rent roll, because almost every tenant was month to month, which made it somewhat scary and unlendable. So we went in, and either renewed all those tenants on 5 or 7 year leases, or where we had vacancies we put new tenants in, and so what we took to market was a stabilized, sturdy, you know, shopping center with a lot of service

Sean Katona: centric tenants, and it was very lendable for the next buyer. And you know, from a guy who ironically, was from Seattle. He's going, hey? I'm you know. I'm dealing with these, you know, 4 plexes up here, and hardly making any money, and I can go buy this at a 7.7 5 cap

Sean Katona: sign me up. So he was happy. We were happy. That created a good win. Win.

Sean Katona: you know, coincidentally, probably

Sean Katona: most of my subsequent deals after that were quite similar, and I'll give you the numbers on the second one. So just up the road from where I was in Maricopa. We were in the town of Goodyear.

Sean Katona: I bought a half vacant center that was Shadow, anchored by a Walmart. So it had good traffic, good visibility, good neighborhood growing area, like a lot of the fundamentals that you'd want to see. But the the current or previous owner had never built out the the spaces, and I don't know if he wasn't offering Ti allowance, or never found the right tenants, or what the story was, but it was effectively a half vacant, you know. 17,000 foot center.

Sean Katona: Purchased that for 2 million bucks.

Sean Katona: It was off market.

Sean Katona: It came with a piece of dirt out in front that could be turned into, let's say, a drive through or fast food. So that was a nice extra piece, and today I'd love to find that they're much harder to find now.

Sean Katona: We got that property filled up

Sean Katona: and the Strip Mall sold for about 4.2 million.

Sean Katona: the dirt pad out front I sold separately to a donut shop for 700 K. So what's our total proceeds? 4.9 million in sale price.

Sean Katona: We put about 400 grand into the build outs the leasing commission, you know. If you're a house flipper, think of that as your rehab cost.

Sean Katona: so I'm into it for give or take. 2, 4. It sells for 4.9, you know. Quick math is, it's it's nearly 2.5 million dollars in gross profit.

Sean Katona: you know, back out a little bit of real estate commission and fees and other closing costs and whatnot. But that created a 2 million dollar plus profit, and that one was a 14 month turnaround to get those 3 tenants filled up

Sean Katona: to get all those other tenants renewed on on good leases, do a little bit of improvement around the property, but

Sean Katona: that's the type of deal that I'm drawn to now, and like, even if I miss the mark widely. And I you know it only is a million dollar profit. There's a pretty good buffer in there and cushion, you know, if we had to lower rents or everything didn't go quite according to plan. So

Sean Katona: there's a cradle to grave one and pepper me with any fire around questions that are details that I left out.

Dan Breslin: Do you regret selling any of the? I think you said you've gotten out of 5. Now, do you regret selling any of those 5.

Sean Katona: You know what is tricky is after you've worked on a deal for a year, plus you get to know all the like dirty little secrets or the the things that

Sean Katona: aren't quite perfect about a deal, and I'm sure there's there's no perfect deal. But I'll share with you some of the things I've become most sensitive about. As I bought more and more of these, and, like my buying criteria, continues to like, get further refined and and like, I just hope my next deal is better, and the next one after that is better. And and really what the trend is is going towards is

Sean Katona: better

Sean Katona: areas and that can mean a couple of different things. But you know, if you have lower crime, if you're not dealing with the homeless folks, if you have better visibility, if you have better access, if you have more density, if you have better signage or the ability to buy better signage.

Sean Katona: You know, if you've got good frontage, if your center isn't like super deep, like a bowling alley like there's some things that we can fix, but some things that are very difficult like. I can't change a whole zip code. I can't change a corridor, but I can certainly redo facade parking lot signage paint and and know that I can make this something

Sean Katona: much, much better.

Sean Katona: So you know. What I'm

Sean Katona: more excited about now is maybe a little bit lower returns in exchange for

Sean Katona: better quality buildings that are gonna attract a higher quality tenant. And by that I mean people that are a little more sound financially. They probably have a higher fico score when they're personally guaranteeing these loans or not the loans, but the leases

Sean Katona: and then they're in areas with lower vacancy. So you know, if you're dealing with a market that has 15% vacancy for retail. Well, there's a lot of options for people to go, you know, lease a space at. If it's a market that has 3% vacancy, it's in high demand, and the landlord is negotiating that lease from much more of a position of strength

Sean Katona: in that case, and so I would. I would happily take a 7 cap now

Sean Katona: versus the 8 or 9 cap

Sean Katona: for what might be much rougher, tougher areas with rougher, tougher tenants and even older buildings that have, you know, more antiquated mechanical systems, electrical plumbing like I had to replace

Sean Katona: damn near the whole sewer system on my mesa deal, you know, cause it's mid eighties, and you know it's just the the thing was falling apart and corroding. It's like, well, I didn't have that 60 grand in my underwriting because I scoped it. But who? Who'd have known that it would collapse? Well, something that's that old pretty good chance. You should probably put that into your underwriting or make the decision that you're gonna buy stuff that's 1990 and newer, because guess what? That's still almost 30 years old now, and

Sean Katona: go for it.

Dan Breslin: Yeah. What? So would the strategy if before your goal is to I don't know. Buy it, stabilize it, flip it 3 to 5 years.

Dan Breslin: would the goal be something different now, when you're more sensitive to these better areas? For all those reasons, is it more of like a let's hold this thing, and you know, let that area's rents continue to mature and grow and kind of let that deal superheat like what is your ideal? Hold time

Dan Breslin: on that next asset, because you're getting in there now to 7 and a half cap calling that a good deal. But the area demands and justifies it.

Sean Katona: You know what? I didn't even answer your question, did I? So.

Dan Breslin: The regret, I think, yeah, one or 2.

Sean Katona: Of those buildings I might have wanted to hold.

Sean Katona: but I didn't have a lot of national credit really sturdy tenants that I thought, hey? This is almost bulletproof.

Sean Katona: and, in fact, I've had enough of my tenants. Kind of do midnight move outs or.

Dan Breslin: I mean.

Sean Katona: You know, fail to make rent, or just just have other challenges where I'm like.

Sean Katona: I I don't have. I'm not willing to make a 5 or a 10 year bet on these guys. Now, transition that to let's say the the Tempe deal where we just signed dollar tree. Okay, now I've got a fortune. 500 national credit tenant, with 16,000 locations. That's direct depositing it into our account 3 days early every month

Sean Katona: that I have a lot more comfort with and confidence. And I think it's going to be something that I can pass down to the kids that's going to be, you know, almost effortless for them to

Sean Katona: to manage or having the portfolio so that Dan would be the answer to. I want to hold more stuff like that higher quality tenants. That's a killer property. It's on a hard corner with 60,000 cars a day. It's a more affluent part of town with a over $100,000 average income. So I just I just think that that thing is going to be great for a decade or longer. I want to hold stuff like that. But maybe the lower quality tenants those are going to get flipped out

Sean Katona: the lower quality buildings

Sean Katona: to create a nice payday to then go buy those higher quality, buy and holds.

Sean Katona: And like. One of the things that I've said to myself is, maybe I should be.

Sean Katona: you know, buying 3 or 4 of these a year and selling one.

Sean Katona: So it's like, Okay, that puts a nice plop of cash in the bank. But the asset base is continuing to grow. You know the portfolio is continuing to grow, but you're not always at the mercy of like just living off the cash flow.

Dan Breslin: Yeah, it makes sense. It. It is

Dan Breslin: one of my own observations is like flipping houses for 13 years since 2,006. I guess it's a little longer now myself.

Dan Breslin: I've always viewed real estate as hot a game of hot potato.

Dan Breslin: and I got in in 2,006. So all the potatoes were burning hot at that time. You had to get in and get out really fast. And they did go down significantly in value.

Dan Breslin: and to your point, tenants moving out of your strip center in the middle of the night after you, you know. Maybe you cut them a check for $35,000 to install the kitchen and the tables, and their little taco restaurant, or whatever it was, and then they bolt. And now you're stuck with. Maybe you gotta write another $20,000 check or 50 to a massage parlor. That's gonna Yank. All that stuff you just bought right back out of your center again. It's kind of like.

Dan Breslin: you know. You get this collection of 8 to 10 or 12 or 20 tenants, however, many is in there, and the potato is hot, and it's like, Are you really gonna hang on to this thing and let the leases burn off? Or do you turn around and sell it at some point.

Dan Breslin: and I I you know I'm attracted to the hold everything forever. Philosophy, maybe because I look around and see the

Dan Breslin: 60, 70, 80 year old guys who have paid off their stuff that they bought at ridiculous basis before the cap rates ever compressed to the point that we're at now here today. So I think the game is different than when a lot of those owners

Dan Breslin: had acquired these assets. But I struggle with that and hot potato wins. Let's you know musical chairs find someone else for the seat. Let's go ahead, sell it, sell it quick, you know, stabilize it, sell it quick.

Dan Breslin: I don't. I don't know if I have a

Dan Breslin: the temperament for the long term hold. And yet there's other people who will be like 1015 years in, especially like you're talking about Sean. A 100 KA year. Household income. The area is prime and the rents continue to mature, and that land is worth. You know the land the center is on is worth 5 times what you paid for 1012, 15 years out. It's not even based on the cash flow anymore. So you do find the right deal, and you hold that as a legacy accident. I see how that could make sense.

Sean Katona: It's it's it's an interesting.

Sean Katona: I don't know if we call it a philosophical philosophical decision, a business plan. Decision. I remember hearing strip Mall Guy, who sat down with Charlie Munger, and he was like, Hey, you need like we. We have a very similar business model, right? He was flipping a lot of stuff out. But Charlie was like, you need to figure out how to hold everything.

Sean Katona: And it's like the example of Berkshire. It's like. Well, they own Coca-cola at like this cost basis. That's redonkulous, and it's still paying out the dividends, even though the stock's worth 10 times that now

Sean Katona: in.

Sean Katona: It's like really, over the last 3 or 4 deals that I bought. I think we've shifted a little bit mentally, or maybe gotten older, a little more patient. It's like there's enough of a cushion in the bank to say, Hey, let's let's focus on stuff that we want to hold for longer, and let's refine the buying criteria a little bit.

Sean Katona: And you know, if you, if you tallied up what you're paying in taxes on the capital gains and what you're paying the brokers commissions on the exit, and you keep subtracting that out of like what you're putting like. Yeah, it starts to add up. And that's why you see, these guys do 1031 s. For you know, throughout their whole career. You know what's kind of sad about that is, they never really get to. I feel like enjoy the payday.

Sean Katona: You know. But you know, if you're able to.

Dan Breslin: To be paid.

Sean Katona: And just live off the cash flow. Or let's say, the cash

Sean Katona: out refinance proceeds, which are, you know, are tax.

Sean Katona: It's not a taxable event. So you're able to access some capital that way. That patient play

Sean Katona: is.

Sean Katona: I mean, look here, if I had 10 centers now.

Sean Katona: and they had paid down the loan balance on all on all those that'd be that'd be pretty sweet. Granted I might have lost my mind and gone crazy dealing with all those tenants and all that move out. But

Sean Katona: who knows? There's you can always raise more money, you could always, you know, find more debt like I don't. I don't think we're constrained by. I need this cash to go do more deals like those are skills that can be developed so that we can continue to build and grow if you're willing to take on partners.

Sean Katona: I mean, like one of the other things that we've been thinking about as a family is like.

Sean Katona: or do we want to take some of what we're earning and not have partners on these deals? So we're not doing K ones. At the end of the year, and we don't have to answer to everyone, and I don't have to do quarterly investor reports, and that's a little bit more of a simple way to do it. It's more of a lifestyle play versus trying to build like an empire. But hey, I've got 5 quality assets now that are ripping cash flow, and I don't have to answer to anyone. And

Sean Katona: you know, this is this is just gonna crank out a hundred grand a month, you know, for the foreseeable future. And we've got 3, 4, 5% rent bumps built into all these leases like.

Sean Katona: I could feel pretty good about that.

Dan Breslin: Yeah, true enough.

Dan Breslin: You kind of have 2 models. There you have the syndication model that builds your cash pile, and then you have your estate, if you will, that you build up on the personal side

Dan Breslin: something like that. Yeah.

Dan Breslin: Would you mind touching on the so one of the deals?

Dan Breslin: It seemed like you were in a little bit of pain talking about this at some points along the way.

Dan Breslin: and now you're in a state of euphoria, and it was a shift to be able to like. Watch you go through that, and I'm happy that you're in the state of euphoria right now. But would you mind kind of giving the broad strokes of the dollar tree deal that we touched on a little bit throughout the episode.

Sean Katona: Yeah, yeah, absolutely. So. That's that's become, probably the favorite piece of property that we we own now. And it's for some of those reasons I mentioned earlier. It's it's on a great corner in a in a great neighborhood, with great visibility and access and parking. And now we've got a great tenant

Sean Katona: occupying 10,000 of the of the 16,000 foot space, so I think we always knew it was. It was great real estate. There was a lot of questions and concerns like, did we overpay for this?

Sean Katona: We bought a vacant drugstore. It was a kind of like a former Cvs.

Sean Katona: Actually, Walmart had put a grocery store in at 1 point.

Sean Katona: and a broker brought it to me as it was falling out of escrow from another buyer or developer.

Sean Katona: and he said, Hey, this guy couldn't get his plan executed, or the city or the neighbors overturned it. So we're gonna go back out. He's just gonna sell it. Leave some meat on the bone. We bought it for 2.6 5 million I got traditional bank financing on it, which is crazy, vacant building, no income but they they believed enough in me. And they absolutely demanded that my wife cosign the loan as well, so you know, 2 folks with, you know.

Sean Katona: decent income and good and good credit to backstop the loan.

Sean Katona: But here. So here's where the drama is. No tenant

Sean Katona: let me let me fix my camera again. The the blessing and the curse of the the Dslr here.

Sean Katona: I had bought that deal, and had a 60 day due diligence period before going non-refundable, and in that time we got far, long enough with a tenant, where we were in the 6th round of redlining the lease

Sean Katona: and the the tenant rep sent over the commission invoice

Sean Katona: for the deal that was about to be inked like almost like, Hey, I know I'm a day ahead. But here you go like they're signing tonight.

Sean Katona: Okay.

Sean Katona: next day

Sean Katona: the deal is scheduled to go hard. 50 K. Non-refundable.

Sean Katona: And I was like, Hey, I don't have my lease yet. I'm taking a little bit of a risk here like I don't really want to buy a vacant building without any, you know, tenant in in my back pocket. That's that's a little bit more risk than I like to take.

Sean Katona: But I thought like, what are the odds that this thing blows out?

Sean Katona: But it does. They get cold feet in the 11th hour that lease just terminates. They basically ghost us like we're all sitting there kind of wondering what the heck happened, and it was a medical business that was concerned about the insurance proceeds being paid

Sean Katona: for for their that neighborhood or their tenants. Anyway, long story short, back to the drawing board. Now, I'm hard decided to move forward and close it, which was risky and maybe stupid in hindsight, and I certainly wouldn't recommend that to anyone doing their 1st deal.

Sean Katona: But we had said, Hey, we have enough saved up to really carry this property. For a long time I overraised on the equity to be able to cover some of those carrying costs and kind of set expectations with my investors and partners who came in on the deal.

Sean Katona: Then we

Sean Katona: got in bed with a car wash.

Sean Katona: and the car wash required a conditional use. Permit

Sean Katona: City approved it. This car wash company is prolific in Phoenix. I think they have private equity backing. They had the best attorneys, you know, lobbyists in town. They had great entitlement people and zoning, and they had the whole team.

Sean Katona: They get it through the city city approves it. The neighbors manage to overturn it.

Sean Katona: and they basically

Sean Katona: blocked us from being able to do the car wash. Meanwhile, that took 11 months to get that process

Sean Katona: rejected.

Sean Katona: So now.

Sean Katona: you know effectively, my my interest only period on the loan has burned off. We've burned through a lot of the cash reserves. We're still paying property taxes. We're paying insurance, and it's getting to the point where.

Sean Katona: you know, I'm freaking out. My wife's freaking out. Our investors, I think, are getting kind of frustrated. They're like, Oh, you keep saying, you know you got this deal, and then you got the car wash deal, and meanwhile we've got no tenants, no prospects, no income. And you know we're gonna be at least a long time away from from this thing coming together. So kind of getting the the fatigue and the frustration, the not so fun part.

Sean Katona: or or the realities of buying a vacant building like it can take months or years to lease up a vacant space. And these drugstores are a little funky, right? They're they're kind of deep. They're kind of big. And how many users need 16,000 feet. We got a lot of offers from schools that came in, but they all wanted complete custom build outs, you know, where the landlord is taking most of the risk

Sean Katona: and then there was complexities with like, Can you fit a playground in there? So there was. There was never a deal that came across our desk. That was just an absolute slam, dunk, no brainer to take it

Sean Katona: until Dollar Tree came.

Sean Katona: and that deal got signed.

Sean Katona: and through their real estate committee with them, taking the whole building only to have it blow up

Sean Katona: after real estate committee. And they said, Hey, you know, we stress test the deal, and you know the rent to sales ratio just doesn't pencil what I come to find out later on, as we really dissected it is, they just didn't need that much. Building. 16,000 feet is more than what they need, and you know that you don't really get any credit for sales beyond.

Sean Katona: Let's call it 10 or 12,000 feet. It's just like the point of diminishing returns.

Sean Katona: So we ended up reworking that deal and basically going all back through the process over again to get it to the point where they would just take 10,000 feet of the building, and we would have 6,000 feet left to remain so

Sean Katona: through the course of this I am in debt, coverage default, because, you know, I promised the bank that we would have at least up in 18 months fail that test. We're having to do loan modifications along the way they're asking us to pledge, you know, 10% of the loan value and basically put that in a lockbox.

Sean Katona: And they're just down my my neck the whole time. I'm hearing from tenants. Excuse me, not tenants, but rather investors who are like dude like what's going on here now? 2 years have gone by, and we've got nothing to show for it. And no, you know, like prospects. Meanwhile

Sean Katona: the Dollar tree lease takes almost a year

Sean Katona: from our 1st engagement with them to the point where they're like

Sean Katona: committed to the deal, and they're spending money, and we know that they're for certain moving forward.

Sean Katona: and then they get their 120 days to build out and open and commence rent, so I should say, from Loi to rent commencement. Another 12 months go by.

Sean Katona: Is everyone sitting here like you've had a

Sean Katona: almost a 3 year journey on this thing to to birth this baby, and only in like the last 60 days have we started to receive some rents on it, and you know there was a little a little bit there that came with spirit, Halloween. But

Sean Katona: you know, if I guess if you're gonna do deals like this,

Sean Katona: set a very long runway, for you know the lease up period set aside a ton of carrying costs, you know. Make sure you know your lenders are going to be comfortable with that. And if not, you've got alternative plans. And you know, we're still at the point today where I can't access that 10% of the loan that they took until I get back into the debt coverage. And like, we're at like 1.1 debt coverage now, and we need to have 1.2 5, so I need a very small little lease on the other 6,000 feet. But

Sean Katona: when that day comes I'll get all that money back I'll be sitting on what I think is a 10 cap, hard corner in Tempe, Arizona, which is a great neighborhood, and you know I think I'll have

Sean Katona: happy wife, happy life, happy partners! But the it was not the 12 month turnaround that I had become accustomed to on some of those. Maybe mom and pop strip centers.

Sean Katona: so that that was the

Sean Katona: the terrifying kind of dip.

Sean Katona: Any emotional. Well, well, being. But you know, getting that dollar tree deal signed, you know, means we're no longer bleeding. I think it attracts a lot more tenants.

Sean Katona: It's you know. It's a confidence boost a morale boost. It's a boost to the wallet. It's a boost to the neighborhood, the community, I mean. It's just getting that lease. And and you know it's it was worth millions of dollars, and so it it completely changed it from, you know, the most

Sean Katona: painful thing in my in my life to something I'm now quite proud of and excited about overnight, with one lease.

Dan Breslin: Very, very happy that money is hitting your account, and you're on sort of the other side there. Who found Dollar Tree? Did they just come along from a broker, or did you or your broker do some outreach and have the idea to get this tenant.

Sean Katona: Yeah. So I I had colliers. Bring me this deal and I stuck with them. They're a great leasing team. They're one of the top teams in town. There's 3, 3, actually 2 guys and a gal that collaborate on it. And so they they split the load on the showings and the calls, and each of them know different tenant reps well in town.

Sean Katona: so I always had landlord representation from a well known, you know, retail brokerage, and I paid for loopnet premium throughout a lot of these years that kept it well front of mind for the brokerage community and for anyone searching Loopnet for retail space for lease.

Sean Katona: But Dollar Tree, of course, has tenant reps, and so work with their local rep. Kurt in Arizona, who said, hey? You know we like this site. He submits the Loi. We get through the initial negotiations with him, and then he takes that deal to real estate committee for further grinding and and refinement.

Sean Katona: And then that's a that's an interesting experience to just see. You know how it works with a national compared to a mom and Pop, who might get back to you in 3 days.

Dan Breslin: Yeah, and commend you for the patience to find the quality

Dan Breslin: right? I'm sure there must have been some lease from someone who wanted to run an antique, you know, trash, recycling store, or some something of that nature there that you could have kind of popped in there. But you wait for the right tenant, the national tenant. And you say, Hey, I have this corner at a 10 cap. If anyone knows commercial real estate, you're not buying a dollar tree.

Dan Breslin: Lease with 9 and a half to 10 years at a 10 cap. If I had to guess maybe you could get one for a 7 cap. Give or take in today's market on a brand new lease, all built out like that. Is that about right?

Sean Katona: Yeah, I I would probably

Sean Katona: 7 wager that that trades between a 6

Sean Katona: to a 7 cap.

Dan Breslin: Okay.

Sean Katona: You know, if it maybe just above what the debt the debt is, because, you know, when you see Chick-fil-a's and Starbucks is selling for 4.5 caps. You're just like what's going on here. But some people are making sense of that. You know. They're in exchanges. They're buying them all cash. They want.

Sean Katona: you know, to have something that's absolutely turnkey, and and it doesn't get much more sturdy, I think, than a dollar tree in in an area like that. They got a 10 year lease with, I think, 2, 5 year options, which is pretty common out in the marketplace now. But

Sean Katona: yeah, you're right. There was a lot of deals that we could have said yes to that, I think, would have been risky for us as owners.

Sean Katona: And certainly wouldn't have the cap rate compression

Sean Katona: that a dollar tree is going to give you. And same goes for you know, the 6,000 feet that are next to them.

Sean Katona: you know. Do we wait for a mom and Pop, or excuse me, do we wait for credit, you know, and a national that's going to give us more cap rate, compression. Or do you take a mom and pop?

Sean Katona: Because, you know, you sell, you sell 300 grand, let's say in Noi

Sean Katona: at a 6 cap. And what's this building worth close to 5 million bucks?

Dan Breslin: Do you have a picture? You can put kind of put up on the screen right now. Is that like a possibility? Here.

Sean Katona: I thought I had it on my virtual background here.

Sean Katona: See if I can multitask this well enough. There's there's their new signage up.

Sean Katona: There's an aerial

Sean Katona: we made it out to the the ribbon cutting with the kids, which was kind of fun that was like a mental and moral victory for me. But it was. It was fun, too, to show, and I got a.

Dan Breslin: Listen.

Sean Katona: 7 year old, son. Now, Beckham, and a 5 year old daughter, Ellie. And it's like, I think they're starting to grasp what dad does for work. It's like, Yeah, he's got buildings, and like Dollar Tree pays us rent every month. And this is how we put food on our table and go on vacations and go to chuck e cheese, so they kind of get it.

Dan Breslin: Yeah, the building looks a lot bigger as I look at the picture again here for anyone who's in a listen, only mode. We have the dollar tree on the right. It looks fabulous, by the way, too, it looks like they built this building for that reason. And then we have this like little drive through area to the left, and that's the vacant 6,000 square foot, and I guess we'll make an ask of the audience if anybody

Dan Breslin: has a a tenant rep national credit tenant, or something of that nature. I felt like a Giordanos, for the Chicago's listeners

Dan Breslin: would go well there.

Dan Breslin: But you know maybe not. But you got that drive through there, and that will be the the jewel in the Crown. Yeah, the crown jewel in the jewel that goes into the crown. There will be complete once that 6,000 square feet is leased up right.

Sean Katona: Yeah, well and and ironically. This is one of the complexities with this deal, too, is well, wait a minute. There's not really traditional storefront. There, there's there's like the bastardized piece of this building. And so I think anyone who doesn't need a drive through is like.

Sean Katona: kind of get that out of my way. Give me storefront, give me more parking. So I started working with the civil engineers

Sean Katona: to do that. We we made some renderings and actually hired dollar trees. Architect to say, Hey, show me this with more storefront, more glazing, more windows. Maybe we relocate the drive through to the other side of the building. Stack the cars kind of around the back here, if I can manage that demonstration.

Sean Katona: But that's I mean, what would you call that adaptive reuse. It's like, Hey, what? What do tenants want? There's plenty of 6,000 foot users out there. I don't know that most of them need that drive through configured the way it is there. But we can update that and make it a little bit better, a little bit more desirable, a little bit more effective.

Dan Breslin: Yeah. And do you think you might? What if you got like 3, 2,000 square foot spaces, would they be a lot? That's your specialty. You fill 1,000 502,000 square foot tenants in Phoenix, left and right. Don't you.

Sean Katona: Yeah, they're like.

Dan Breslin: Your thing.

Sean Katona: There's probably a lot more users that want that 1,200 foot kind of subway size box than the 6,000 foot user.

Sean Katona: You you start to think about. Okay, well, is it? How are you gonna split? That is it? Gonna go straight back where you've now got 2 almost bowling alleys.

Dan Breslin: Yeah, real? Long.

Sean Katona: A 100 feet deep by. I don't know 30 feet wide.

Sean Katona: could work, you know. That's not crazy. But most people don't want that depth. They want more frontage. Yeah.

Dan Breslin: Sense.

Sean Katona: Now, are you left with? Okay? Someone takes the nice frontage, and then you've really got a bastardized back corner which could only be a destination tenant who really doesn't need you know, that frontage or visibility. So that's why I worry about like further chopping that up too much. I think. I think. Yeah, we've we've got Lois with a couple of 6,000 foot users that we're close on. So I think we're gonna land. One of those.

Dan Breslin: Yeah, I'm sure you will, with the traffic of the dollar tree and code tendency there with dollar tree is solid.

Dan Breslin: very cool, all right, you ready for some. Wrap up questions. Here, Sean.

Sean Katona: Let's do it.

Dan Breslin: Cool. So crown Jewel of Wisdom it normally, I like to ask, I guess, if

Dan Breslin: if you were going back to the beginning your real estate career, we'll say like 20. What was it? 2010, 2011, something like that, you know everything, you know. Now it's 14 or so years later, what would you go back and tell yourself if you could.

Sean Katona: So many things.

Dan Breslin: Write yourself a book.

Sean Katona: Yeah, I, I mean.

Sean Katona: okay, if if we if we think about what are the things that made the biggest impact or like, you know what's the 50 yard bomb down the field versus just running the ball for 2 or 3 yards at a time?

Sean Katona: I would. I would think that

Sean Katona: getting the help of coaches, of mentors, of joint venture partners like having a system and a template to follow like I don't think I would have had the cojones to attempt to buy a 2 million dollar deal if I didn't have those things. And I didn't find a group like the one that we're in to, you know.

Sean Katona: Help me see? Wow!

Sean Katona: Deal after deal after deal where they're buying these strip malls, and they're doubling the value like this.

Sean Katona: If they can do it. Maybe I can do it like that helped to build the confidence. And so it's like so often, like a mental or a limiting belief, or just, not even like

Sean Katona: having knowledge or exposure to this commercial business, for you know, 3 or 4 years, until I was

Sean Katona: in my real estate journey like went to plenty of meetup groups, plenty of real estate clubs read a lot of books, but it was all residential centric, and I'm like, Wait like, what if I'd gotten into commercial in the beginning like, can you imagine in like your twenties, you know you you buy one of these, and now, a decade later. It's maybe almost paid off, and it's doubled in value, and at the the rate that we're just printing money, you know. I wish

Sean Katona: probably that I would have bought as much as I possibly could, and held on to as much as I could, and locked in as much 4% rate debt as I could over long term like steady

Sean Katona: excuse me, stable, fixed rate debt with long maturity. Get into as much debt as I possibly could. I mean, that's a crazy thing to say. Imagine seeing that to your family at the kitchen table, I'm trying to get into as much debt as I can, because I'm gonna be able to pay it off

Sean Katona: some years down the road with these Zimbabwe dollars that are worth so much less than they used to be worth because we just keep printing money. So I I love that we got into this fixed asset game and that we can force appreciation and create value in these ways.

Sean Katona: I would say, the the skills of finding deals

Sean Katona: and raising capital were invaluable, you know.

Sean Katona: Get really good at those things. You can. You can pay people a relatively nominal amount of money to do almost everything else.

Sean Katona: But if I can buy a deal for half of what it's going to be worth.

Sean Katona: and then execute that lease up plan.

Sean Katona: and if I can, you know, get into a nice rhythm with some country club money, some friends and family like I can just go buy a hundred 1,000,200 300 million dollars worth of real estate with a team of 3 or 4 people, I mean, that's that's a bananas thing to think about. But we've got guys in our group that are doing that, and all different asset classes and all different markets around the country. So start

Sean Katona: as early as you can.

Sean Katona: and you know, figure out.

Sean Katona: what are those limiting beliefs?

Sean Katona: Is it a lack of knowledge. Is it a lack of confidence? And like, let's address them. And I I think I think I talked to a lot of our.

Sean Katona: you know, maybe newer members of the group, or the people who are trying to do their 1st deal. It's like, Well, are you putting the offers out, you know. Are you sitting down and talking with friends and family about? You know your plan to buy money? Are you? Are you putting yourself in a position, you know, to to find a deal like this consistently and systematically and over and over again. So

Sean Katona: that was a a rant and a ramble. But there might have been a few little gems in there.

Dan Breslin: Yeah. And you kind of touched on Commercial Academy, and you're going to be there in San Diego. I will not be at that one. What are the dates for that one.

Sean Katona: Yeah, I wanna say, October 11, th 12th and 13.th It's it'll be a Friday, Saturday, Sunday. So you know, that's a that's a great environment. We do it in a ballroom live. And you know, a lot of our active members come there just to hang out with each other to joint venture on the next deal but then we have a lot of you know, folks just getting exposed to the business, and

Sean Katona: you know they're learning about some of the fundamentals. So you know, I say, we, we teach people how to find deals, fund deals and then force appreciation into them. And that's all markets and all asset classes.

Sean Katona: You know a lot of the principles that we've talked about today in retail. Apply just as well to apartments to, you know small bay warehouses to self, storage, to to giant Amazon warehouses. You know the the same philosophies can apply.

Dan Breslin: Is there a website or contact info? You might like to share about getting in touch with you, or or kind of getting on your radar for deal flow things of that nature.

Sean Katona: Yeah. So I you know, I I tend to work mostly with folks that I've got longstanding relationships with. But I've set up Shawn katona.com as kind of a wait list for people who might be interested in, you know, seeing my next deal, or

Sean Katona: possibly participating in that. You know, those folks should be accredited. And you know we have an existing relationship there. Simplified properties is where I put some of our current projects up. So that's a little bit more of a quote credibility packet. It's got things that would resonate with a a broker or a banker. It's got our buying criteria up there

Sean Katona: and then, for from an education standpoint, I'd I'd point them to Commercial Academy.

Sean Katona: because you can see, you know both the in person events, and then the the virtual events that are on the calendar. So if you're in the Socal or southwest area,

Sean Katona: that San Diego events right around the corner, which could be fun. But we, you know, we're doing those quarterly, and they're starting to become hopefully, even more frequent. And

Sean Katona: we're looking at doing virtual formats as well. So we can access even more people who might not want to travel or have the time to carve out 3 or 4 days in a ballroom.

Dan Breslin: Yeah, for sure. My final question. I ask every guest, Shawn, what is the kindest thing anyone has ever done for you?

Sean Katona: Golly!

Sean Katona: That's a cool question.

Sean Katona: So I just celebrated my 40th birthday

Sean Katona: and my wife through

Sean Katona: what was more like a wedding.

Dan Breslin: Their birthday.

Sean Katona: Down in Cabo, and we just stayed at this ridiculous villa and had these beautiful dinners, and one of the fun things that we kind of do with our intimate friend Group is. It's like a friendly roast

Sean Katona: and we go around the Horn, and everyone just kind of shares like a favorite aspect or moment or memory about, you know you or or you know your relationship together. And so that's like an overwhelming thing where you just. You know you got a dozen of the people that you love and respect the most, just like pouring some really heartfelt things into you. So that is that will lift you up and stick with you for a while. And then she went to the length of making a book.

Dan Breslin: Oh, wow!

Sean Katona: That it was like letters that people had written to me. And I was like, Wow, like I was literally in tears, like reading through that because it was it was so sweet and so thoughtful, so

Sean Katona: that that's a tough, a tough one to top. But you know I

Sean Katona: I will flip over to a professional thing for a moment, too, and say.

Sean Katona: you know, working with a coach

Sean Katona: and a mentor is something that you know not

Sean Katona: look. I I write a check for it every year. Cause I I get that much value out of it. But you know I've I've become extremely

Sean Katona: close friends with a lot of guys in our group.

Sean Katona: I describe them now as like big brothers, big sisters, and they have been there for me in those really challenging like troughs

Sean Katona: where I'm just like I am at my breaking point, you know, with this dollar tree deal.

Sean Katona: and having somebody who's been through it before. Who can kind of talk you down and and say, look like at the end of the day, like we're gonna make it through this. There's still other solo solutions like, have you considered this? Have you considered that like

Sean Katona: when you're at your lowest low, and you've got somebody or a group of people who can

Sean Katona: help uplift you navigate those challenging things, you know. You

Sean Katona: you wonder.

Sean Katona: you know, could I have made it through there without some of those people. And so those those moments have been really powerful and really special. And you know, credit to Scott for putting that group together, and just the the incredible

Sean Katona: crew of people that we've met

Sean Katona: in there. And and you know people that have stuck with it through the years. So you know, those those 2 things come to mind the the fun, personal side, and the the like. Crazy professional side, and and very high highs and low lows on both.

Dan Breslin: Very cool, very cool. Sean. I got pages of notes. I really appreciate you taking the time to come on our show.

Sean Katona: Awesome it was a pleasure, Dan. Thank you. I hope everyone got a little gem or a nugget out of that. And

Sean Katona: we appreciate the awesome work you're doing here, just spreading the the gospel and the love, and touching all the the folks out there who listen and watch the show. I know I know how much work it is, and how long you've been at it, and so to have someone at your level of success carving out time. To do this is is special, it's admirable, and that doesn't go unnoticed. So kudos to you.

Dan Breslin: Thank you. Appreciate that, Sean.

Sean Katona: Take care!