NEAL BAWA – GROCAPITUS FOUNDER NEAL BAWA TALKS MYTHS AND MISCONCEPTIONS ABOUT OPPORTUNITY ZONES INVESTING

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Grocapitus Founder Neal Bawa Talks Myths and Misconceptions About Opportunity Zones Investing

Ron: Hello, everyone! Welcome to another Mapable USA Podcast. This is Ron Costa broadcasting live in the Mapable USA studios here in Las Vegas. Today, we're going to be continuing out talk about opportunity zones and real estate crowdfunding in general.

To do that, we have to bring in Vicky Hutchbala [phonetic] from the QOZMarketplace.com. Vicky, how are you today?

Vicky: I'm doing excellent, Ron. Another great day in Vegas.

Ron: Oh, yeah.

Vicky: We have an outstanding guest with us today, so let's get going.

Ron: Yeah. Just as his background again, Vicky, everybody on the podcast who has been listening to us knows that we went to the Opportunity Zone Expo a couple weeks ago and really ran into a lot of real interesting people.

What I'd like to do right now is bring on somebody who really made a great impression on us. Let's bring on Neal Bawa from Grocapitus. He's the CEO and Founder. Neal, how are you today?

Neal: Fantastic, guys. Thanks for having me on the show. I'm very excited to be on.

Ron: Yeah, we're happy that you took some time to speak with us today. Neal, you're really making an impact on opportunity zones and investor education in general. Why don't you tell us a little bit about yourself and your background and what Grocapitus really is all about.

Neal: Sure. I'm a technologist, not a real estate guy, have had a successful tech career, successful tech exit. I got into real estate investing for tax abatement. It took me a while. I was paying 50-plus-percent of my salary as taxes because I live in Tax-a-fornia, and, you know, we exist only to serve the state.

After paying that 52.3% of taxation a few years, I got fed up and started investing in real estate. Also, what's very lucky in that my first real estate project was a new construction project. A lot of people that get into real estate, the first project is like one single-family rental or duplex. Mine happened to be a $4.5 million, 27,000-square-foot, mixed-use space. It was office, administrative, and students. There were classrooms. And I had to build it from scratch. This was 2003 and I had to do it for my job. This wasn't me doing real estate. I wasn't making any money. I wasn't charging anybody, it was for my company, and I had to repeat it two years later with essentially the same setup but a much larger campus, much more dollars involved.

I learned so much from my CEO, who was very involved with it and the general contractors that were involved. It was phenomenal to learn so much about real estate, about everything from egress and fire codes to density levels, to heating/cooling/air conditioning, all of that stuff without actually formally ever having to pay somebody or even be in real estate. I didn't even think of it as real estate. I just thought of it as something wonderful that I'm learning.

Then after that, I did the same thing as everybody else. I bought 10 single families in California. I still hold those. I bought 10 triplexes in Chicago. I hated those because I didn't understand the demographics difference between South Chicago and California. That was a disaster for me, and I learned so much from that disaster.

I started basically taking the analytics. I basically started, why did I have such a horrible time in South Chicago? I started to understand that demographics is what drives real estate profit. Right?

Ron: Yes.

Neal: And most people don't get this. They are focused so much on what is the rent and what does the unit look like? What is the roof and the foundation look like? My message to all of those people is, you have to start with the demographics first. You shouldn't even be looking at that property if you don't understand the demographics, right?

Vicky: Correct.

Neal: First start with the macro-demographics. So, I started teaching people about how macro-demographics affect them and using my example of how horribly I screwed up in the South Chicago area, I basically started telling them about five micro-demographics that affect everything, these metrics. That was a certain amount of population growth, a certain percentage of population growth, a certain percentage of job growth, a certain percentage of home price growth, a certain percentage of income growth, and a certain reduction in crime.

I keep saying "certain, certain, certain," because it's not enough to simply go into an area that has an increase in population. What's important to understand is how much population leads to increases in home prices, which leads to increases in rent.

Vicky: Exactly.

Neal: It's understanding that Goldilocks zone, that sweet spot, is really the key to success in real estate. When I started teaching this, it was like 10 or 20 or 30 people and now it's 10,000 people a year that learn these demographics.

Vicky: Excellent, because you're absolutely right. What works in Vegas may not work in LA, which is not going to work in Chicago. You have to understand the people. Who's coming, who's buying, who's living, and what they're interested in and then design your project around the people that are going to be part of your project.

It seems like to me, that seems like how would you do it any other way? But according to you and your experience, people don't approach it that way. That's mind boggling to me.

Neal: No. I would say that the people that approach real estate from the perspective of, let's start with the demographics, are very much in the minority. Because we're talking about opportunity zones, this is why I'm on this program, to tell people that when it comes to opportunity zone projects, demographics were already the most important thing in real estate. They are now outsized in importance.

Vicky: Right.

Neal: Because we're trying to do one of the hardest things in real estate. I'm not saying this is not a good thing to do. I think plenty of money will be made in opportunity zones. Lots of people will get rich.

But understand this: Most new construction is done in class A or class B areas that are very healthy, that have all of these metrics pointing in the right direction, the population growth, job growth, income growth, home price growth, reduction in crime, all of those are pointing to the right direction, and that's when we do new construction, and still, new construction is considered more risky than buying just an existing property—still.

But now what we're trying to do is we're trying to take opportunity zones, where many of those metrics are pointing in the wrong direction.

Vicky: Correct.

Neal: And trying to build the same building in the middle of a trade war with escalating steel and concrete prices. That is the actual task that these thousands of developers are taking on and nobody is acknowledging that this stuff is really, really hard.

Vicky: [Laughs] You're absolutely right. They're approaching it in the wrong way. Sometimes a challenge in something and overcoming that challenge is where you make the most money. Where you just go in and follow, do what everybody else did before you, not necessarily is successful. But accepting, understanding and realizing the challenge in overcoming it, that sometimes is where you make the most profit.

Neal: I think so. And I think that what will happen is we will see projects in a very wide range of demographic quality, and I stress that word, demographic quality, because we might often see projects where the demographic quality is really, really low, but the quality of the developers is pretty high. The quality of the construction team is pretty high, so they'll build a good product so when it's done, it won't have roof leaks, it won't have permitting issues. It will work. But that doesn't change the fact that it's in an area where the tenant base actually cannot afford the rents that have been plugged into the proforma or they cannot afford it the moment they lose their job.

Vicky: Exactly.

Neal: It might be that the tenant, maybe the average income in that area is, let's say $38,000. That's very borderline because you're trying to get $1,300, 1,400 in rent. I'm going to give you a multifamily example here because it resonates with everybody, right? Even if you're in hotels, I think the example would sort of apply.

But what you're trying to do is take a tenant base and where you're already asking them for maybe 40% or more of their monthly gross income as rent and that may work today, but the moment we get even a slight recession—and I'm not talking 2008, that was crazy—but a slight recession, a vanilla U.S. recession, what will happen is, 10%, 15% of these people will lose their jobs. When you have a demographic where the average median income is under $40,000, they cannot sustain even a month of not getting paid without defaulting on their rent.

Vicky: Exactly.

Neal: You have a situation where your property is running at 95% and your economic occupancy is really good, and then you have one quarter of negative GDP growth, or a recession, and now 20% of your tenants are delinquent. 30% of them are delinquent, and now you're having trouble paying your mortgage.

In the past, developers didn't deal with this because they sold those properties. Now they have to hold them for 10 years.

Vicky: And that makes it a whole different ball of wax, because not only do you have to approach it different, you have to hold it longer, and as you say, you can't build a high-end property in a low-income community where they can't sustain it for the long run. Just because they can afford to move in, doesn't mean they can maintain it, doesn't mean that they can stay there, and doesn't mean that if a challenge comes into their life, that they can still live there. But if you don't think of that in the first place, well, then you kind of shoot yourself in the foot.

Neal: Exactly. If you look at QOZ Marketplace or you look at Invest Shield, basically the folks that are listing these sites, I currently have one of my assistants going into those actual locations, the real location where the projects are, and actually trying to figure out what the quality of each of those OZ's is and I plan on writing an article about this, an article that basically talks about, wait a minute, you've got some where this guy is thinking, "Okay, I'm going to build maybe 2, but let's say $160,000 a door, that's what I'm going to build at. Then I'm going to get $1,400 of rent." He's in this kind of a demographic. Then there's somebody else who's saying the same thing. "I'm going to build $160,000 a door, I'm going to have $1,400 in rent." Then there's this much better demographic. I'm going to try and highlight actual examples—I hope that I use the legalese right and don't get sued—but my goal there really is to highlight the fact that you've got a wide diversity because people don't start with demographic. They start with their physical location.

Vicky: Right.

Neal: What we are seeing is developers are building in areas that they live in or they have constructions crews in, regardless of the quality of the opportunity zones, right?

Vicky: Correct. Correct.

Neal: We're seeing—I use a number of different tools. One of the tools that I use is industrial. In the last week, I have seen projects where the industrial growth score for that particular opportunity zone, in terms of demographics, I've seen one where the score was 17 out of 100, which is an awful score.

Vicky: Right.

Neal: Then I saw one that was 92. In my mind, that 92 project, if done by the right developer with the right price, has a much greater chance of lasting 10 years and returning money to investors and, by the way, possibly having a class change. Where that area, if it's a 92, it's probably already a B, but it might switch to an A, creating returns that nobody is forecasting. I mean, that could be a doubling of returns beyond what's already forecasted because the class of the area changes. Well, that could happen.

The one that's 17, in my mind, the Almighty might have trouble hitting proforma on that one.

Vicky: [Laughs] Well, correct. And it goes back to what I did yesterday is what I can do tomorrow because it worked yesterday, it's going to work tomorrow and I don't have to think of the details, but opportunity zones are a whole different animal and you have to approach them, as you said, differently.

Would you say that the demographics is the greatest challenge in approaching opportunity zones or do you think there's something else that contribute?

Neal: I think it's one of the big challenges. I think there's a few. If I had to list the challenges, we've already talked about the demographics. What do I see as other challenges? Number one is investor greed. I am seeing investor after investor of mine behave differently when it comes to opportunity zones. I have a very tech-savvy investor group, we have about 1,200 investors, and they're very tech savvy. They tend to be the kind that are not afraid of complex underwriting spreadsheets themselves, even though they're passive investors.

Vicky: Right.

Neal: They want to check everything. A lot of them live here and work for tech companies like Google and LinkedIn and Facebook and Apple, and so they're very tech savvy. These guys, often when I launch projects, and these are non-opportunity zone, value-add projects, will look at like three of them and then pick one and do it very carefully. I'm not saying they're picking the right way, but at least they're applying due diligence. They're being sensible and logical about it.

Now, the same group is behaving completely differently for opportunity zones. I have this investor, he's 70 years old, lives in New York. He's Israeli, has a very thick Israeli accent, and this guy—I'm not going to name him—but he has dragged me through the mud on individual phone calls for every project I've ever come out in. I've spent maybe nine hours with him on nine different projects of mine, and he's picked three of them. So, he kind of drags me through the mud.

Then the moment I announce opportunity zones, he calls me up and says, “Neal, I’m going to send you 750K.” I’m like, “But you only invest $100,000. You’ve never invested more than 100 grand in any of my projects.” He’s like, “No, no, no, I’m going to send you 750K.” I’m like, “Why? I don’t have a fund. The regs are not clear. I don’t even have a project yet.” He’s like, “No, no, no. I do not want to give my money to the IRS.”

Same guy behaving so differently, so irrationally. When he wants to send me money and have me put it in my bank. Right? So that he can say, “Well, I’m done with it. I met my six-month timeline.” That irrational behavior is one of the big challenges because stuff is going to get built that should never have been built, and guess what happens? Three to five years down the line, when that stuff is sold at 60 cents on the dollar, it’s going to drag the res of the opportunity zone down.

Vicky: Exactly, exactly! The only people, as always, the only people who will float to the top are going to be the attorneys.

Neal: In my mind, I mean, that’s why if you remember, I got a chuckle out of people for this, I said, “The largest opportunity in opportunity zones is for trial lawyers, for litigation attorneys.”

Vicky: Exactly.

Neal: Because three to four years from now, they’re going to be really, really busy because many promises will be broken. Developers typically don’t hold properties at all, and they only hold them until they lease them up. By the way, that’s a generic, general statement. I know there’s developers that have a holding model and that’s great. Those are people that are very suited to doing opportunity zone projects.

But then you have others whose concept of holding a property is, “We have a good property manager.” That’s their concept. That concept only works in a class A area. When you’ve got a property in a class C, the asset manager works very, very closely with the property manager on a weekly basis and suffers through a variety of upturns and downturns and sideways turns and property is weird. All kinds of crazy stuff happens.

That is not being factored in by a lot of people in opportunity zones. The fact that the developers don’t have sufficient skin in the game. They don’t have enough money in the game, and the fact that they don’t have enough experience to hold in area—an A property in a C area or an A property at a C+ area. I hear a lot of people say, “My area is a B area,” and the answer is no. Because the definition of the word C area and B area is very convenient. It’s whatever we want it to be, right?

Vicky: Right.

Neal: To me, I’ve invented my own definition and it’s very much a rule of thumb. But in my mind, if the income level of an area is $40-50,000 median income, that’s got to be a C.

Vicky: Right.

Neal: At 50-60, you’re looking at a B-, at 60 to 70, you’re looking at a B, and then above 70, that area could be an A.

Vicky: Right.

Neal: That’s my personal definition. I’m sure it’s a rule of thumb, so it’s not something that I’ve done math on. But it seems like most of the time, properties slid in there. What’s scary is that people are doing opportunity zone projects, not in that C, 40-50 range, but below the 40,000 range.

Vicky: Right.

Neal: They’re doing projects in areas where the median household income is $32,000. Well, think about it, you need $1,500 a month to make money. That’s 18,000 a year. How can people that only make 32,000 pay you 18,000 a year in rent.

Vicky: I don’t know.

Neal: That is just disaster. It will never happen. It might not even happen today in sub-4% unemployment. Forget about what happens when you hit the recession.

Vicky: Right. That's right. What do you attribute the fact that people are, like your client in New York, why are they investing so much? Why are they approaching this from a completely unsustainable point of view. Why are they doing this, do you think?

Neal: Well, firstly I think because the hype about opportunity zones is too bullish. People are hyping it up without explaining that, "We're going to invest money into distressed areas." That's really what's happening, and people are not willing to phrase it that way. They're basically just saying, "Oh, you know, invest with us and we'll make it tax free and tax deferred and future tax forgiveness. Blah, blah, blah. They're focusing on the tax benefit so much that the reality of why the government is giving these tax breaks is getting buried.

Vicky: Exactly.

Neal: It doesn't get talked enough.

Vicky: I would agree.

Ron: Yeah, and I agree as well.

Neal: It doesn't get talked enough at webinars, right?

Ron: Yeah.

Neal: I've seen maybe one slide in a presentation and that slide, people go through it in 20 or 30 seconds, not highlighting that these areas have severe problems. Why would you be building an opportunity zone project in an area where population has declined? But I can tell you, if you look at some of the national portals, like QOZ Marketplace and some of the others, you're going to see those projects and you're going see those projects and you're going to scratch your head going, "Did this person actually look to see what's happening in this area? No, he already had a piece of land and he has all these investors willing to give him money." Practically calling him to beg him to take money. That's the problem. Investor greed is the problem. There's too many investors calling me and asking me if I have projects available. They don't do that normally. They don't call me and ask me. They wait until I give them a project. That six-month block is driving them nuts.

Vicky: Right. Because they know that you've done the background, due diligence before you started, so they feel confident in it. But you're completely right about opportunity zones. The hype is focused on the tax deferment and the tax savings and that, and the whole concept of opportunity zones and purpose of them, is kind of a byline that nobody's really paying attention to. I can see that, absolutely.

Neal: And then the last piece, you know, you asked me this question: What are the risks, what are challenges? The one other challenge I see is this: Every webinar, every conference, there's going to be—you go to a conference and there's 50 guys in two or three days that are going to utter these words. Every OZ project must pencil out, independent of whether it's actually an opportunity zone project.

That's a very common sense statement, but it's also a very wishy-washy statement and I'll explain why.

There's many different ways to understand what penciling out truly means. My definition, and it's a slightly strict definition, but that's how I define it. My definition is: If last year you were able to build a project for $1,600, let's say $160,000 a door, and you were able to get $1,400 in rent, and you were able to get a certain cap rate, then this year, you're going to build that in an opportunity zone and get the same price, or maybe 3% increase in price because of inflation on the cost and on the lens, and still get the same cap rate. That's my definition of what penciling out means, because that's what the traditional definition has been.

Vicky: Right.

Neal: But that is not true, because the quality of the opportunity zones is not the same. You cannot project the same rent increase that you are projecting in a fantastic part of Nashville or a fantastic part of Atlanta. You're going to have to push those numbers down, if you're conservative. When you do that, and the fact that your exit cap rate is not going to be as low as it was for your previous projects, there's just no way the projects pencil out the same way as your last 10 projects.

Vicky: Right.

Neal: Then the statement itself is misleading. In my mind, it's untrue. Here's what I would like to say people should really be saying, if they were fully rational, that opportunity zone projects, by their very definition, are likely to have somewhat lower returns and somewhat lower IRRs, than equivalent projects outside of opportunity zones. But we'll make it up on the taxes.

Vicky: Right.

Neal: We'll make it up on the taxes, right?

Vicky: Right.

Neal: If you say that, I think that's what closer to the actual reality than what is actually happening there now. There's this feeling, that oh, yeah, we were doing 13 IRR projects last year and we're still doing 13 IRR projects. Well, if your opportunity zone project is a 13 IRR project, you either own the land before the opportunity zone law came out, and there's examples of those, or you're just projecting numbers that are not going to happen because the area doesn't support those rent growth numbers that you're projecting. I think there's so many people that are using, "Oh, we built our last four projects, we projected 3-1/2% rent growth, we got it. So, we're going to project 3-1/2% here." No!

Vicky: No, you can't.

Neal: The area doesn't support it.

Vicky: Exactly.

Ron: Yeah. Neal, another point on that matter, too, is as you said, we'll make it up in the tax benefits on the opportunity zones. If you get involved in a project that is going to fail based on maybe the developer not doing his research on the demographics, what sense is the tax benefits when you're going to be losing money in the first place, right?

Neal: Yeah. Yeah.

Ron: So, it doesn't make sense on that end either.

Neal: Exactly. And I think that there's no profit to be made in a bad project. There's no profit benefits anyway. Any project where the only benefit is tax deferment is a bad project. I think that's what people really need to understand. They need to get that, that the quality is extraordinarily variable. There's some great ones in there. There's some really bad ones in there. I can suggest a very rudimentary, but still extremely powerful, way of gauging that.

There's a website called InvestReal. They were up on the stage with me in Vegas. What they do is basically have metrics.

Vicky: Right. We just did a podcast with them.

Neal: Right. These guys are basically providing a basic quality metric for each OZ in America. What I invite you to do as an investor, if you're an investor, is, go out there, find 10 projects, and plug the addresses of those 10 projects into the industrial website. Even without paying industrial a fee, you're going to notice a dramatic difference in the quality of area. There's going to be areas losing population. There's going to be areas with no job growth.

Then there's going to be some areas, maybe 1 out of 10, 2 out of 10, where everything looks right. Well, by doing this exercise, you've gone from—now you understand that there's some projects in here that are probably8 going to lose money and there are some projects in here that are going to possibly make more than is projected, because the class could change from B to A.

Vicky: Right.

Dr. Ashley: That is how simple it is. Obviously, you can always pay for paid tools and you can get more data. I'm not suggesting that the difference between success and failure is as simple as that. I'm saying that on average, if you invested $50,000 and did 10 such projects, using what I just mentioned to you, I think you're going to come out far ahead than by randomly investing in 10 projects.

Vicky: Right. People need to—tax deferment is an incentive, but the point of the opportunity zone is to redevelop and elevate the community, to bring the private sector, instead of the government in, to rejuvenate these areas, but even nevertheless, you just can't throw your money into it and say, "Okay, go for it. Here's my money, I don't want to pay taxes," because you're still not going to get anything in the end and you still have to pay it, you just have to wait a long time to do it.

Unless you do, like you said, take 5, 10, 15 minutes and do one little exercise and then you've elevated your level of success.

Neal: Correct, correct. I think that I have some suggestions on how investors could improve their returns and I'm going to speak against myself. I primarily, my multifamily, my opportunity zone projects, for the most part, are either multifamily or student housing or hotels.

But, strictly speaking from the perspective of demographic success, you may be better off investing in storage or industrial projects in those areas. Why? Because a storage project and an industrial project does not need the area quality to be that much better because if you're driving to your storage and it has one of those electronic fences, you don't mind driving through a slightly risky or shady area.

Vicky: Right.

Neal: And you're probably not moving storage stuff around at 9:00 in the evening anyway, you're doing it during the day on a Saturday. You're driving, get to the electronic gate, take care of your storage issue, and then you drive away. Now, the fact that it's deep inside an opportunity zone may be less risky, right?

Vicky: Right.

Neal: I still urge you, even if you're investing in storage, to look at the demographics because while the statement I just made is true, you still have that exit cap rate to consider and if you go into a higher quality opportunity zone and invest in a storage project there, then 10 years from now when you're exiting and your storage property is being sold, the cap rate will have compressed or it's likely to be lower than what is prevalent today because the quality of that OZ kept going up and up and up for 10 years.

Vicky: Right.

Neal: Even in those times, demographics matter. But my comment about storage and industrial being safer than multifamily is simply that you don't need, in that case, to be paying more for your storage. Class A new construction, multifamily, if people are paying 850 rent in that area, well, you need to charge 1,500 for a new property. If they're paying 1,200 for a class C property, you probably need to charge 2,000 or 2,500, and so you have to go up a lot. When you're building something like storage, you don't have to go up a lot. You might have to go up 10, 15%, because now it's air conditioned, climate-controlled storage as opposed to non-air conditioned. But 10 or 15% is more palatable on a $80-a-month rental than 50% on an $1,800 unit.

Vicky: Right.

Neal: So, in my mind, one of the things that I tell people is, look, I'm not an industrial guy, I'm not a storage guy, I'm searching for projects like that in opportunity zones that I like. I'd love to talk to storage and industrial developers, but actually what they're doing is bang-on for opportunity zone projects and so is LIHDC, low income housing trust units, affordable housing, makes a lot of sense.

Two reasons. One is: Every LIHDC developer is used to holding. They typically will hold for 15 years and 1 day.

Ron: Right.

Neal: They understand the pain, the process, the strategies, the success metrics needed to hold for 15 years. They are not going to buy something that they don't think they can manage, because that's their life. They manage these properties and hold them for a long time.

Secondly, they are receiving credits, further credits, on top of these opportunity zone credits, and that makes the project more viable at a lower price point than what a market rate multifamily would hold. I think these are all ways to take the demographic knob, tweak it to 100, and then actually use these things to tweak it to 200. Now you're reducing your risk of amping up your returns.

Vicky: Right. Again, it comes down to thinking outside of the box. What happened and what worked for you yesterday, if you're going to be dealing with opportunity zones, not going to work for what you're going to do today. You have to think outside of the box in order to cover all the bases.

Neal: Yeah, absolutely. I think that's what this is about. Investors, stop thinking about the tax benefits, start covering your bases.

Vicky: Exactly!

Ron: Yeah, that's a great message. If anybody takes anything from this podcast, that is the thing to take away for sure.

Neal, before we close this out, can you tell our audience a little bit about what you're doing with the MultifamilyU? I know you do a lot of investor education on that. That's a separate website from Grocapitus, right?

Neal: That's right. Grocapitus is our investment website. We have about 1,200 investors that are investing into student housing, multifamily, and some hotel products. Both new construction as well as value-add existing products. That's our bread and butter business. That's where all the opportunity zone projects that we are going to be launching starting next month, our first OZ project comes out next month, that's where it will be Grocapitus.com.

But something more interesting is MultifamilyU. On MultifamilyU, we do data driven, deep-dive webinars, and we do them once a week, sometimes twice a week, but in a year, there are 50 webinars. We don't allow any kind of sales pitch, so it would be like this podcast, where you basically are going through something that is important, but now, in addition to audio, you basically also got charts and graphs. We have a lot of technically-minded, data-minded people that come and present on our platform. There's presenters like Ingo Winzer that talk about the best cities in America to invest in for real estate rentals. There's Inodo [phonetic], which is one of the best underwriting automation software for multifamily anywhere. Soon, we're going to be adding Costar, which basically provides incredible analytics for opportunity zones, incredible analytics for where you should buy large multifamily and where you shouldn't buy large multifamily.

Companies like that, the webinars are all free. There is no subscription. Basically, you never have to sign up for anything. It is meant to be a pure play, educational portal, so that our company can connect with likeminded people in the space and do projects together.

MultifamilyU.com is probably the best play to start. We're going to be doing at least three or four different opportunity zone webinars on MultifamilyU.com in the next three months on different topics. Legal, quality of opportunity zones, other challenges, how to find the right developers, that sort of thing. You're welcome to attend. There's about 25,000 people that sign up for webinars each year on MultifamilyU.com.

Ron: Wow. Yeah, it sounds like if you watch enough of those webinars, after a certain period of time, you basically have a Master's in real estate, right? [Laughs]

Neal: It is sort of a Master's in real estate, one piece at a time, one product category at a time. At some point, we're going to change the name away from MultifamilyU.com because it's really about real estate. There's providers, content and topic that have absolutely nothing to do with multifamily or even commercial and we like that. We like the fact that we're offering a higher diversity.

Having said that, the biggest area of focus, one-third of our webinars, are definitely about the apartment space.

Ron: One last point when you talk about Grocapitus, are you guys setting up a Grocapitus fund or how are you doing that?

Neal: Well, after going to both Los Angeles and Vegas, the big opportunity zone conferences, I've made up my mind not to do a multi-project fund. What we are going to be doing is a Grocapitus fund for individual projects. We find that because the quality of these projects varies so much more than a typical project, doing any kind of a blind pool fund, where you're investing, not knowing that the type of assets that could be in that fund is dangerous.

Vicky: Right.

Neal: You do not want to do blind pool funds when it comes to opportunity zones. There are benefits of blind pool funds outside of opportunity zones, but here, the quality is too variable for you to allow that. People are mixing caviar with cereal. I mean, that's what's happening. All of my projects are individual projects, so you invest in one project at a time. You give it money. That opportunity zone fund is only managing one property.

Vicky: Yeah, that makes better sense.

Ron: Yeah, that's great. That's great. If an investor or somebody listening or maybe a developer listens to the podcast right now, Neal, and want to get a hold of you, what's the best way to do that? Email, phone or through the website? What do you think?

Neal: Through the website. Both of our websites. We actually display our phone numbers on our website. We do not prevent people from looking at stuff. You don't have to just fill out a form. You can just go to our website and look at our phone numbers and call us.

Ron: Yeah, okay, that's great. We'll put those links into the show notes as well and yeah, this is real interesting stuff. You know, you talk about the myths and the challenges of opportunity zones and not a lot of people are talking about that, so I'm really happy you took the time out to bring that topic to our audience. Thank you so much, Neal, really appreciate it.

Neal: Thank you. Thank you, guys.

Ron: Vicky, any closing statements?

Vicky: One last question: Do you have any projects that you're looking at in Vegas?

Neal: Yes. I'm actually looking at one in Vegas that is kind of a large townhome sort of construction with a central clubhouse, but it's early days. But I'm really interested in Vegas. For the last two-and-a-half years I've been telling people that Vegas is a strong market. I know it has a bad rep, a bad name, but I don't invest based on names. I bought a $30 million—$24 million property, next to the Flamingo Hotel and that property has done really well. I kind of ignore city rep, I just look at growth.

Vicky: Right.

Neal: I'd love to do projects there.

Vicky: And Vegas, because we have five different municipalities within the whole Vegas vicinity, some of these municipalities, North Las Vegas, Henderson, they have streamlined the opportunity zone process by streamlining the permitting process for construction by offering special financing to opportunity zone funds to help them along. Even North Las Vegas, you can come into Vegas and North Las Vegas, do an opportunity zone, go in one day and have your permitting and be able to start construction the next day.

They understand that there's a time situation with opportunity zones and they understand the competition involved in the whole country and they're making it much easier to do projects in Vegas.

Neal: That I really like because I think the cities that do that are the ones that are more likely to win. Vegas already had a good shot, but if they're basically bringing in additional forces to bear, that stuff is very powerful. I can tell you, I'm working with City of Kenova, Washington, the City of Birmingham, Alabama. I'm working with Logan County in Colorado. These are all counties that said, "We're going to launch strategic initiatives, where we're going to do lots and lots of things that we don't do for regular projects, we're going to do them for OZ's." Those cities are the ones that are going to win big.

Vicky: Exactly.

Ron: Yep, exactly.

Vicky: With local tax incentives and local special financing with relationships with banks and just the construction aspect of a project, to streamline that whole project dealing with the government entity, that alone is very valuable.

Neal: Absolutely. If you guys know of projects, and again, I'm looking to be connected to developers that have projects that need equity, our challenge is we have a lot of equity, we don't have a lot of projects that we like to put them in.

Ron: Yeah. We come across some of these every once in a while, so we'll definitely talk to you about that offline, but that's a great thing, too, if anybody is out there listening. Get in touch with Neal and let's make things happen.

Anyway, folks, we're kind of running late on this show. Let me close it out here by once again thanking Neal Bawa from MultifamilyU and Grocapitus. Thank you for being on the show. Vicky, thank you for co-hosting it. This is Ron Costa and you're listening to the Mapable USA Podcast at MapableUSA.com.