

Heard on the Street – Real Estate News from Ito Ripsteen Fall Edition 2020

Friends and Colleagues,

Here is what I've heard on the street:

- Federal Reserve Chair Jerome Powell stressed the economy can bounce back much faster if we all just wear masks. Sounds simple, yes? He recently said: *"There's actually enormous economic gains to be had nationwide from people wearing masks and keeping their distance."*
- During this Covid-19 pandemic, Commercial landlords and tenants are working out rental arrangements together, peacefully, without the need for third party or municipal oversight; I personally am involved in landlord/tenant relationships daily. The spirit of cooperation is working.
- Kindness is being paid forward, as we lead by example and others follow suit. I've heard from colleagues that they have followed my example in how to work with people in these difficult times.
- There is interest in commercial real estate, despite fears of a weakening economy. I have been showing property for lease and for sale. The entrepreneurs and investors are out there looking for opportunities.
- Neighborhood and main street retail properties are getting too much negative press. Over the last decade we have seen the internet's prominence diminish the retail strength in soft and hard goods tenants. However, there are many service-commercial businesses not affected by the internet, that continue to be relevant and necessary.
- Smaller office properties are also getting maligned. If you are sitting on a vacancy in the East Bay, you may very well benefit from a larger office tenant downsizing and/or relocating from San Francisco. The larger San Francisco office towers may, however, be in trouble. For example, Pinterest recently bought out their long-term lease for \$89.5 million. Others may soon follow suit.



What needs to happen to help local real estate:

- Cities need to quickly adapt and be flexible on zoning. Often prospective tenants are turned away or ultimately lose interest in a space for lease because of zoning bureaucracy. There is no doubt our main streets will see a spike in vacancies, so brokers and landlords will need every tool available to fill them.
- Cities need to provide incentives to both merchants and patrons. These can be small but important items, such as greatly reduced parking rates, tax breaks, or other local promotions to drive visitor traffic. Outdoor seating with an aesthetically pleasing environmental would go a long way.



Outdoor Seating, Carmel by the Sea

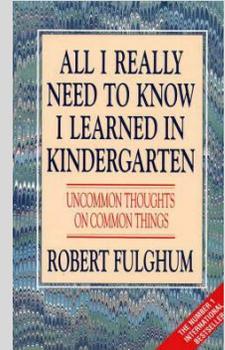
Small business owners must: 1) Adapt. 2) Brainstorm new ways to promote themselves, bring their products to the patrons where they live. 3) Create a value proposition for a visit to the store. 4) Make the business FUN, relevant, vibrant, an experience. 5) Pivot; if the old ways aren't working, reinvent the business. Or maybe the business needs a small tweak. But sitting back and hoping for the Counties and Cities to "open" and lift restrictions is not a good business plan. While fighting to stay alive short term, businesses also need to think and plan longer term.

Property owners, here is what I feel is very important for you to do right now:

- **COMMUNICATE.** With your tenants, your lender, your insurance agent, your property manager. The more you are in touch with everyone, the more knowledge you will gain, and the more you will "hear on the street." So, pick up the phone and listen.
- If you have not been hands-on enough with your properties, now is the time. Are there small changes you can make, i.e. outdoor seating in your parking lot, adding bike racks, painting a long-forgotten wall with a mural, improving signage.
- Revisit your cash flow monthly and look a few years ahead in your projections.
- Take a broad paint brush look at your portfolio; is it time to sell one or more of your assets, 1031 exchange into something else, or merely reinvest your money in the stock market or elsewhere?
- Take this moment in time for the big check-in with yourself. What matters? What type of business person would you like to be? How will you be remembered in the way you comported yourself during this pandemic?

We all must:

- Take care of our own mental and physical well-being. Take deep breaths.
- Be good to one another. Know that someone's actions may be colored by their own sense of fear, sadness, or confusion over the state of the world right now. Kindness goes a long way.
- Channel your inner Robert Fulghum (*All I really need to know I learned in Kindergarten*)- "Play fair...Live a balanced life...Wash your hands before you eat..."
- To quote the Aaron Burr character in Hamilton, "talk less, smile more" – even if that smile is covered by a mask. Remember that your smile is as much for you as it is for others.
- Call Ito Ripsteen. He wants to hear from you, share with you, persevere with you.



Here is a brief sample of what I have been working on:

- **Coming soon:** going to market with a commercial center on over an acre in a coveted location: \$8,500,000. The 1.29 acre parcel is unique in that it is a mix of commercial, apartments, and two single family homes.
- **Private lending:** I continue to provide funding for my clients' real estate transactions of all shapes and sizes. My phone has been ringing!
- **Successfully Leased:** Various office and retail spaces in The East Bay.
- **Pending:** Sale of a well located, 12-unit apartment building.
- **Acquired:** Stand-alone commercial building in the path of progress; will perform a fun rehab it and prepare to rent it to a service commercial user.
- **Renewed:** Several existing tenancies in my buildings and in clients' buildings.
- **Philanthropy:** Finishing touches on forming a non-profit aimed to aiding low income families in tuition for higher education. Details coming soon, this one is close to my heart.

And finally, let me share something with you that brought a smile to my face:

*"If you can sit quietly after difficult news;
if in financial downturns you remain perfectly calm;
if you can see your neighbors travel to fantastic places without a twinge of jealousy;
if you can happily eat whatever is put on your plate;
if you can fall asleep after a day of running around without a drink or a pill;
if you can always find contentment just where you are:
you are probably a dog."*

– Jack Kornfield



Please call or email me for coffee and a chance to catch up and talk real estate, lending and investing.

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