Bob Hart (00:00)

And through that, we've grown the company to what it is today, which is the...

twenty-fifth largest apartment operator in the nation according to NMHC with over sixty thousand units and about a hundred people spread out over seven offices throughout the United States.

Matt Slepin (00:22)

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today's conversation is an interview recorded in his office in Century City on October 1st with Bob Hart, the founder and CEO of True America, now nearly a 16 billion AUM 65,000 unit apartment investor. The company is in the midst of closing a large transaction to acquire an affordable housing portfolio, which moves the company into a new sector of the apartment business. And we talk about that on the show.

Bob is a leader in the apartment business and also host a podcast building better communities and we interviewed each other on October 1st. So also check out Bob's show for that interview with me. Yes, from my perspective, October 1st was a Bobathon. Seriously though, I know Bob is one of the most active investors in the apartment business. His company does mostly value ads. So maintaining that scale at that velocity of deal flow at that length of hold is an intense business.

that Bob does a great job of explaining on the show. And we've not centered these episodes around career stories for quite a while, but I took that approach in the conversation with Bob. His career story, as he puts it from his first investment in a duplex to building true America is actually the American dream. As I said before in the show about others from bup gist to significant size scale and approach and his leadership in the business.

I've known Bob for a while, but learned a lot from my Bob-a-thon and I think for him his Mat-a-thon in LA and I hope that you do too. As always, if you have a few minutes, please rate our show on your podcast app and please follow and subscribe to the show and share your favorite episodes with colleagues and friends.

I encourage you to visit the archive on your podcast app or on the ZRG website where you can go back and check out the library. If you like this episode, check out others in the archive. If you have comments on the show or if you'd like to talk about how ZRG can help your business on the talent side, including search consulting or advisory in the real estate space, please contact me at msleppin at ZRGpartners.com. I hope that you enjoy this conversation with Bob Hart.

Matt Slepin (02:28)

So Bob Hart, great to see in your offices here at Tru America. Welcome to Leading Voices in Real Estate. I was just on your show half an hour ago, so both of us are both buzzing still from that conversation. We are. I am. So we're going to turn the page here, and this time it's you get to talk instead of me. So I'm really looking forward to hearing all about your business.

all about your leadership as a multifamily person, a little bit about podcasting and a lot about life.

Bob Hart (02:57)

Matt, thanks for

having me on Leading Voices. mean, you've been doing these podcasts now for over seven years and you've done over 200 episodes. So I feel like it's, you know, the guy that's just played some college baseball going up against Babe Ruth here. So I'm going to try my best to hit your pitches.

Matt Slepin (03:14)

OK, go for it. No. So let's get started and please introduce yourself and just give your own elevator speech about what true America is. And then we're going to dive into everything.

Bob Hart (03:24)

Well, I'm Bob Hart. I'm the founder and CEO of True America. And True America was really an idea born out of my career now that has spanned four decades in real estate. It began in 2013 after I spent 14 years ~ leading the development of a division of Kennedy Wilson, which became known as Kennedy Wilson Multifamily, which was a regional multifamily owner operator. And I wanted to

really do something on a national level that I felt I could do on my own. So that's how True America got started. The foundation of it occurred with my partner, Guardian Life Insurance, who had been a partner of mine during the Kennedy-Wolson years.

And through that, we've grown the company to what it is today, which is the...

twenty-fifth largest apartment operator in the nation according to NMHC with over sixty thousand units and about a hundred people spread out over seven offices throughout the United States.

Matt Slepin (04:25)

In 60,000 units, what's the geographic dispersion of your properties?

Bob Hart (04:30)

They

kind of go from Seattle down the coast, the mountain states, through Texas, across the South, a lot in Florida, up through the Carolinas, Maryland, and then we skip up to Boston. And we're in Ohio. So we're in 16 states and about 30 plus MSAs.

Matt Slepin (04:47)

And Guardian Life is your partner. When you were Kennedy Wilson, they funded deals, but now they fund your platform. So they're your platform.

Bob Hart (04:55)

We co-fund the platform and we co-fund the GP together here. And they're an owner, along with myself, of the firm.

Matt Slepin (04:58)

Okay?

Bob Hart (05:05)

we really followed the model that I did early on in Kennedy Wilson before we were a public company, before we were a fund manager. And that was raising joint venture equity. So when we started True America in 2013, the only capital we really had was mining Guardians as a GP. A Guardian would invest from time to time on the LP side, but that was not the of the premise of the company. It was really a co-GP deal.

And so we raised it from other institutions. An early mover in this company was Allstate Insurance. They had invested several hundred million across many properties over a number of years.

We have most of the major US insurance companies as investors in the deal side, along with lot of equity opportunity type funds like Oak Tree and Blackstone and MSD and others and a whole variety of companies. There's almost 50 companies that have made investments in true America, not counting our fund investments.

Matt Slepin (06:01)

Got it. And you do largely or exclusively value add.

Bob Hart (06:05)

We do largely value add. We're known to be a company that focuses on acquisition rehab, workforce housing, not so much class C, but really kind of B minus up to A minus. We have a couple of SMAs where we're doing more core plus and some core, but our primary mainstay is

Class B workforce housing.

Matt Slepin (06:30)

Got it. And average hold period of those average deals, just to think about it, we're bullparking everything, so we're going to come in and shut down later.

Bob Hart (06:39)

The average hold period is always underwritten for five years. And in the ramp up days between 2013 and call it 2021 before COVID, our historical track record, we've gone door to door, almost 30,000 units has been about just under four years.

Matt Slepin (06:56)

Under four

years. So the 30,000 units, you have 60,000 now, but 30,000 have come in and out.

Bob Hart (07:01)

Just to be clear, we own $45,000 and we asset and construction manage $15,000. And we're buying a large affordable housing portfolio which we'll own with another life company. So that'll take us above 60.

Matt Slepin (07:14)

Okay, and the affordable housing is brand new. So just talk about that a little bit. Sure. Again, we're doing overview stuff, but it helps get the perspective of the breadth of your company.

Bob Hart (07:23)

Yeah,

as we grew and matured in the, call it the small a, affordable housing space, which is market rate, I also felt we were under, underserved in capital A. And I've seen a lot of movement toward that in not just LIHTC, but in welfare exemptions and other forms of grading affordable housing through

benefits that are associated with that. And I felt that for us, given we had the infrastructure and the skill sets, that a good diversification strategy, given the demographics of where we're heading as a society, would be very important to pivot part of our direction into affordable housing and diversify.

Matt Slepin (08:02)

And when that's in your platform in your portfolio does it behave differently in terms of you have to set up a separate asset management structure or a different hold period expectation or different expectations with investors how do they

Bob Hart (08:17)

All entirely different from the investment parameters. Largely affordable housing returns are driven by fees and cash flow. There are opportunities on the back end to re-syndicate them after their initial tax credit period is over, but the whole period is said to be much longer because it's a much more stratified ownership of many layers.

you're involving cities and other agencies and corporate investors in the tax side of it. course. And so there's many many layers on affordable whereas the non-affordable side is typically us guardian and either our fund or an LP partner.

Matt Slepin (09:01)

Jeremy Bronfman from Lincoln Avenue is going to be on the show in a month or so and we're going to dive deep into that business, which we've also done with Alice Carr from Blackstone April Housing.

Bob Hart (09:13)

Now they're well

far along, but so we want to build a ~ full array of offerings in the residential space. So that is part of that. we've been able to leverage our acquisition capability, our accounting capability, our construction management capability. However, the portfolio management and the asset management is its own skill set.

Matt Slepin (09:37)

in that bit. And the full array is interesting. So let's talk about for a minute. But so you have a development arm building that full array as well.

Bob Hart (09:37)

In that business.

Correct. So we, as part of what we call True America 3.0, I felt like the first phase was like one and two because it was so much growth. Right. So I call it 3.0, but we devised sort of a business strategy to grow our market rate business, more municipalities, broader national coverage, deeper coverage, but to also diversify. capital A, we're buying a very large portfolio in Texas and California. We'll plant our initial

flag.

Matt Slepin (10:13)

Capital A afford.

Bob Hart (10:14)

Capital A afford which is really light. Yeah, and we'll continue to build on that over years We also have launched a flag into the development space starting with a build for rent strategy and that strategy is now morphing into both build for rent as well as traditional multifamily and Affordable multifamily right and possibly affordable BFR, which is a project that we're pioneering here in LA where we're taking the BFR configuration right and overlaying it

element to it. So that team that is led by Stuart Kramer who was a colleague of mine at Kennedy Wilson along with Tyson Sales

Matt Slepin (10:52)

Tyson's cause I

Bob Hart (10:53)

~ A good friend

of mine and a partner of mine 25 years ago when he was at the core group, both have deep skill sets and experience on the development side. And they're working in conjunction with our affordable housing group and will be the development arm of both groups.

Matt Slepin (11:12)

Cool, and the broader that you take advantage of the platform, the broader work you can do, and in those niches you can jump right into them.

Bob Hart (11:20)

Yeah,

I mean we've built this business to last and it's a bolt on strategy where we've built the infrastructure of functionality of

We call it, I call it strategically a pod. Each asset is surrounded on three sides by strong accounting, strong construction management, and very strong asset management. We don't property manage, but we oversee property management very, very aggressively at the field level. We are never more than two hours from any asset.

Matt Slepin (11:50)

never more than two hours meaning a staff person who's an asset manager correct

Bob Hart (11:54)

Everything we do is regional based. It's a hub and spoke model.

Matt Slepin (11:58)

And how do you do hub and spoke without having vertically integrated yourselves to use third party managers? Why that decision? Well,

Bob Hart (12:06)

We felt that for us to be best in class, we needed to focus more on the business plan development and the smart acquisition of assets and ultimately disposition and financing of assets, and that others had a deeper skill set experience in depth in property management. What some companies do is they manage because they want the fee. We asset manage,

and we pay others the fee, but at the same time, we don't have to fire ourselves, okay? And a lot of times, there's inefficiencies if you don't have concentration in a region. It's very hard to cover for a big company. They lose sight sometimes of just having one or two properties in an entire state.

So we wanted to be able to focus on the business plan, the acquisition, the disposition, and the kind of the alpha of the return, opposed to just pure fee income.

Matt Slepin (13:04)

It's interesting, we do a lot of searches for asset managers and everyone says, well, I want an asset manager. And I always say what kind and there's like 50 versions of what this means. And the version when you use third party managers is gotta be strategic and gotta be on top of it. Because if you're not massively on top of it, then you're not gonna do very well. You're not gonna get the alpha you're talking about.

Bob Hart (13:27)

Well, I couldn't

have said that any better. I've spoken like a true experienced person that you are in real estate. We have a manifesto that we call the Back to Basics. And in that manifesto, we expect the property manager and the company that is part of the management to operate the property in our eyes.

Even though they're using their own standards and practices, we lay out a business plan that we follow and we expect them to follow. And we're very involved in the rehab. We run that ourselves. So that's why we call it acquisition rehab because we control that side of it as well.

And so there's a lot going on at properties when we first take over because you're shaking them up a little bit. You're mixing up the rent roll. You're doing deferred maintenance and you're turning units. So it's very important to have hands-on asset management.

Matt Slepin (14:20)

Yeah, if

I had to pick one skill set that you better have as an investor, it better be that very, very active asset management. Then property management, if you have both good, but you've got to have that asset manager who's directing and has the business.

Bob Hart (14:33)

Really

lives and dies with asset management. I think in the modern era of data analytics, which is so important now because of the speed of change, we've overlaid with our asset management portfolio management, which is really our data group. Those folks are gathering data and providing that data to empower and inform the asset management decision, which makes its way down to the property level.

You know, the property level is probably the toughest level because unfortunately a lot of the skill sets are not that sophisticated. They need to become more sophisticated. And I think where a lot of management companies have struggled is finding the right talent. Absolutely. And retaining that talent.

Matt Slepin (15:12)

Okay. And so I'm so curious how you get here, how you got here and how you started in this business. You are a fascinating man. And I think of you as both an entrepreneur. I think of you as an organization builder. I think of you like as a deal guy. think of you as this like more deals have come through your shop than maybe anyone but Blackstone in the past.

years and how you got there.

Bob Hart (15:38)

Well, I think we have been one of the largest privately held aggregators and owners in our space over the last decade or so. Fair deal. Other than maybe Blackstone, which is really does a lot of it through private read and mega fundraising. I began my career not as a career in real estate, but really as a as I call it, a bit of a hobby. will certainly become become my career, but it was really a second career.

When I got out of business school in the early 80s, I worked in corporate jobs. most prominent was at the Walt Disney Company, where I worked in television for the Disney Channel.

Matt Slepin (16:13)

television.

I want to hear you got to television, but let's go back even further just for a second. You grew up on the East Coast, you grew up in Boston, went to school there, then came here, went to business. Well, like where did that come in and where did

Bob Hart (16:27)

So

I grew up in greater Boston in the 70s and when I graduated from Worcester Polytechnic Institute in 1979 with an engineering degree, my first job was as a sales engineer and that job with the Train Air Conditioning Corporation is what sprung me to California. So in January of 1980 I showed up in Los Angeles. I was living in the beach community of Hermosa Beach and I thought life was pretty great.

Matt Slepin (16:53)

Yeah, pretty cool from the East Coast coming here and also you have some air conditioning so you're safe. So then that got you to business school. When did you start investing in real estate on your own?

Bob Hart (16:57)

There you go.

So I spent the first several years of my career working in engineering. I knew that wasn't going to be a long-term thing for me. It was really a stepping stone. I'm not your engineer's engineer. I'm an engineer more by degree and background.

So when I finished at business school, that's what really opened up a broader set of opportunities. But I had always been interested, even while was in engineering school, of real estate, but I really never knew how to get into it. The pathways then were very different than they are today. People, maybe they were entrepreneurs, maybe they were lawyers, maybe they were property managers, some were bankers, but there's no educational path or natural career development path into real estate that exists today.

shall we say, interested in it, and I went in through the entrepreneurial door. So I was a private investor. Starting in the mid-80s, when I worked at the Walt Disney Company, I started to build enough working capital, shall we say, along with some good friends, to buy my first piece of real estate in my late 20s.

Matt Slepin (17:59)

Which was

a health or a duplex.

Bob Hart (18:01)

The duplex everybody starts with a duplex. I very bus started with a duplex. Yeah, many I don't know if Donald Sterling did but he probably tell you he started with a hundred unit building I started with a duplex in probably one of the toughest neighborhoods on the west side in the Oakwood section of Venice I bought it for a hundred fifty seven thousand dollars

And I would go down on my days off or in the evenings and paint graffiti off the walls. I would run it, manage it, fix it, collect rent. And really that's where I cut my teeth on how to run apartments, even though it was a duplex.

The sale of that several years later led to investment in more real estate. And from there, that was kind of very big growth period in the kind of mid-80s, where values were growing, financing was plentiful. And so that's where I really started learning the business through ownership.

Matt Slepin (18:54)

And the mid 80s or before the California crash, which we'll get to in a few minutes because it's. But also when you're buying a duplex and then you graduate a little bit, you're also using friends to help you do it. So you're learning the the beginnings of syndication.

Bob Hart (18:59)

early night.

You're

learning the beginning of syndication, investor relations, and the whole thing. The whole thing.

Matt Slepin (19:15)

Wow. Okay, so then let's go back to your career. So while you're doing some deals on your own, what's your career look like?

Bob Hart (19:23)

Yes. I spent almost four years at the Walt Disney Company working as an executive at the Disney Channel in business development. And I still was very interested in a real estate career. I tried to leapfrog into Disney development, but at the time the only place Disney development really existed was really in Florida. were limited jobs at the studio in Burbank.

Matt Slepin (19:30)

Okay.

Bob Hart (19:45)

Basically, until the early 90s, I was doing, I was working as a corporate executive and investing in real estate as my night job. And weekend job.

Matt Slepin (19:53)

as your night job and weekend job. ~

Bob Hart (19:59)

I

was saying that, I'll tell what it is. When I got to 10,000 units, someone once asked me, how did you get to 10,000 units? I said 10,000 Saturdays.

Matt Slepin (20:08)

So and you put yourself through college I'm going back and forth here but you always had hard work and needed to make a buck you grew up not with wealth no so none of this came from the natural side

Bob Hart (20:21)

wasn't

dirt poor, but I came from a blue collar family essentially. My dad was a postal worker for 40 years. My mother was a housewife. I grew up in a family two story house, which some today may call a tenement.

in chelsea massachusetts a pretty great town north of boston and i knew that my way out beyond that was through both education and very hard work yeah so when i got accepted to the Worcester Polytechnic Institute i had to gap the small scholarship i had with earnings of my own because my parents didn't have them so that's really where i sort of cut my teeth on

really working longer hours at a job that I created. had an ice cream route around Greater Boston that I ran for probably 100 days from early June through mid-September, and I never skipped a day.

Matt Slepin (21:17)

We have that

in common, although it's interesting because I had less drive in my life at that time. I drove an ice cream truck too, and I shared the ice cream truck, so I only had to do it four days a week, and the other guy did it his three days a week.

Bob Hart (21:31)

I started

that way with somebody. It didn't work. It didn't work out like a lot of partnerships do because they weren't working as hard. Right. So I more or less took over the business. My first corporate takeover.

Matt Slepin (21:41)

my God. Okay. We can keep going. Okay. So what then got you let's fast forward to executive life because that's really where your corporate and real estate ish career started. To talk about.

Bob Hart (21:52)

That was the merger of the two.

So during the kind of the dark side that followed the RTC days, which a lot of people may not remember from call it 91, 92 to 94, 95.

~ Those were difficult days because of the seizure of a lot of banks and SNLs that were deregulated during the 80s. had the collapse of the passive laws, you know, the Tax Reform Act that spun out of the Reagan era, and then you had the takeover of Drexel.

in the early nineties, you had the earthquakes here in southern california, had the Rodney King riots, you had the loss of aerospace jobs. So was a lot of bad stuff going on.

Matt Slepin (22:36)

I was at the RTC as you know and the crash in LA was one of the biggest you think we were all like in Texas and Oklahoma LA was pretty bad

Bob Hart (22:44)

A lot of jobs were lost. And so at that time, I...

At that time, really hadn't been making any money for a couple years. I couldn't sell anything speculative that I had done. I was kind of in need of an income, because I'd gone without one for a couple years. It was sellable.

Matt Slepin (23:02)

And the portfolio that you had

wasn't sellable in the capital.

Bob Hart (23:07)

You're

against REL. Right. And frankly, that's where I learned to do workouts. I started with my own stuff. Right. And so I approached a good friend of mine who was an investor who had been working at Executive Life Insurance Company before it was taken over because it was seized by John Garamendi, the insurance commissioner, was put into conservation. Basically, I started as a consultant there for $30 an hour. Wow. And...

through a series of circumstances and what was a very politicized insurance seizure and conservation i became the director of the real estate

enhancement trust there, which my job was to asset manage and then eventually liquidate very large portfolios of properties of all types. And that's where I really learned real estate on a much bigger scale.

Matt Slepin (23:59)

Right, so you're moving from duplexes or what might have become small apartment buildings to institutional scale, although it's before the institutional days, but some of these portfolios you sold to people.

Bob Hart (24:11)

I most of them to institutions. The most prominent one was in 1994 when I sold the multifamily portfolio, which I still remember. There were 27 properties.

There was 7,231 units and I created a, had to create a book on each one and I sold those in a court-supervised auction to Sam Zell in the early days of Equity Residential. And his deal manager was David Schwartz, now the fund manager of Waterton, a friend of mine. But that deal kind of...

put us on the map with we had sold it for almost 400 million dollars to Sam back in the day. Right. And today you say wow it was a great cap rate it was 7.2 and it was good real estate well located and well acquired by the sponsors who brought executive life into it. What brought them down was really junk bonds.

Matt Slepin (24:53)

Cal.

It's

interesting when I think of equity residential and what it became, where it started was buying as much as they could to get scale and quality was not the top line that mattered in the story they were going to tell. It was getting to scale and then way after they got to scale, then they started thinking, OK, what do we want to be? What quality do we want to have? What do we want to represent?

Bob Hart (25:29)

They had evolved from the days when it was just Sam Sellsport.

Matt Slepin (25:33)

Yeah, get as much as you could. Well, okay, so then how did that turn into maybe briefly hype in and then had to get to Kennedy Wilson?

Bob Hart (25:41)

By 1997, had liquidated, I think, all the real estate by then and all the remaining junk bonds and partnership interests. And really, it was like a liquidating company, so you really were closing the door, and eventually you left with the door. so basically, there was nothing more to do. There was some litigation assets which had been resolved, but the company was really in a wind down at that point.

been offered a position with Heitman Capital, the Chicago-based pension fund advisor, shortly after their attempt to do a re-roll-up failed and they were in a liquidation of a lot of asset mode at that time.

I also worked within a kind of a special business unit that was set up under Eric Mare one of the original partners to do workouts for banks and trust and universities on a fee-for-service basis and I spent several years working on third-party assignments. The most prominent was the Fillmore Center in San Francisco along with my colleague Keith Harris who's now with

in Orange County and he and I together rehabilitated and sold that project which was a very very large bond deal in San Francisco and then I moved on to sell assets directly for Heitman through a disposition process that went on for many many years.

Matt Slepin (26:59)

Got it. Got it. And then how did that how did you get introduced to Kenny Wilson?

Bob Hart (27:04)

So those two positions coalesced into my involvement in Kennedy-Wolson basically by the late 90s, early 2000s. There was nothing else to work out. The markets were stable again. And Kennedy-Wolson was diversifying from a service company to a broader investment company.

but they had also been acquiring property management businesses to create recurring income for the company. And they had acquired, Heitman spun out its entire vertically integrated property management business on the commercial residential side into an acquisition by Kennedy Wilson. We were at 9601 Wilshire. Kennedy Wilson moved into that suite and they were just down the hall from me. So I got to know the people there. I had known Bill McMorrow when I was at Executive Life.

But it was just like an acquaintance in the industry. By 2000, when they were fully situated there and I had been getting to know the folks, it basically a very organic transition at end of Heitman. I tell people jokingly, I put myself on a trolley, I wielded from one office to the other, I said, pay me a salary and I'll start buying multifamily for you. And more or less that's how it occurred.

Matt Slepin (28:10)

So a couple of comments. One is when Heitman divested of its property management business, other advisors were also doing the same right around that same era. Yeah. Then the second thing is you say, OK, I'm to buy multifamily for you because you had been buying it on your own. You'd been selling it for everybody. But now you are doing it institutionally with a backer.

Bob Hart (28:18)

Yes, I Reeves did that.

Yes, so that's where I really developed the, for myself, the sponsored JV model. We started bringing institutional capital and aggregating that capital at Kennedy Wilson with insurance companies, with banks that were making investments like Wachovia, with the LaFrac organization, with a lot of different...

equity providers and partners and we were doing your know your 90-10 JVs and at that time you know it was was a very very good time for that because rents were growing and multifamily was becoming a better and better more recognized asset class. In the 90s and before it was not considered an institutional asset class.

Matt Slepin (29:15)

Right, so as it becomes institutional, cap rate compression happens. It happens in the universe generally, but it really happens in multifamily, which move from a secondary asset classed institutional. And you're taking advantage of that compression for a long period of time.

Bob Hart (29:31)

Taking advantage

of compression, but we're also taking advantage of rent growth and repositioning of assets through basically bringing them up to market. And those two combinations together were creating compounded returns if you could execute.

So the art was in finding the right deals in the right locations with the right demographics and then managing them for growth.

Matt Slepin (29:54)

And were they self-managing because they had Heitman's management company? Yeah. So we're back to what really matters is asset.

Bob Hart (30:01)

We're back to that and so I had my own management company which was at my disposal and eventually morphed that internally to Kennedy Wilson multifamily and then after about four years of worrying about what would happen to the people when I sold the property I said there's probably a better way to do this and I started to spin out

the day-to-day management into third party. So I really started doing that in early 2000s.

Matt Slepin (30:28)

Okay.

And then you were there for 13 years. what did you have? Yeah. What did you build that to from the year 2000 to 2013 or whatever? What did you build that to by the time you

Bob Hart (30:37)

Yeah,

so what we built it to with the team I had was from an early stage of being, I'll call it a one-off deal shop, from zero to about, I believe the number was about three billion in assets over a period of 13 and a half years. We were doing a lot of buying and selling. We weren't a long-term holder.

We built a very nice regional portfolio. The company also has separate business in Japan of buying assets there. I was part of the group that oversaw that. They're buying apartments, but they're buying developer-built apartments. And industry rates were very low when we started. And it was a good cash flow model, but tough on growth. I think a lot of money was made on the carry trade when we sold.

Matt Slepin (31:07)

Big buying apartment.

Okay.

Bob Hart (31:22)

Whereas

the value add that we were doing on the multi-site in America, particularly in the West, was all driven by increasing NOI through performance.

Matt Slepin (31:32)

When you started in this, I'm curious, if we're in a business that has institutionalized over time and therefore before institutionalization, it might have been more of a business of mom and pops or lower level property management or operators.

Bob Hart (31:50)

Yeah. So let's take 50 steps back. The nature of ownership hasn't changed that much. As I tell people when I lecture, said, multifamily is not an oligopoly. There's a lot of inefficiencies to it because it's in the hands of a lot of private owners. I think institutional ownership is under 25%.

Matt Slepin (32:10)

still.

Bob Hart (32:11)

You do

have a little bit more institutional ownership and as a subset we operate, we traffic in that institutional world so we think that's our world. But the reality is 75 % of the rest of it is all privately held with different standards of management, different standards of using data and not everybody's automated, not everybody is using optimization software. It's homegrown management and that's what creates the opportunistic inefficiencies that exist

in the business.

Matt Slepin (32:38)

Let me challenge one question about that is when you say the percentages of ownership of multi-family, is that a percentage of five plus, which is the statistic statistic that's often used or is that percentage of of scale apartments are still. Yeah, OK, because when you get to the 100 plus unit properties or the 75 unit plus properties, which are where you trade, then the level of more sophisticated ownership is more than I

Bob Hart (32:53)

I think it's worth everything, anything more than two units.

That's

true, because institutions need economies of scale. Many people don't get out of bed unless they can write a $20 million check. But you'd be shocked at how many private owners and aggregators that become part of our exit strategy. It's not unusual for a private party with a partner

to buy a hundred million dollar deal. Not unusual. The bigger the deal though, the thinner the buyer pool is.

Matt Slepin (33:32)

It's

also an asset that a wealthy, wealthy family can kind of put to bed. Of course, we like that they put it to bed because you can go manage it better because putting it to bed suggests less activity.

Bob Hart (33:43)

It's

no different than if you have a great hotel, you know, do you want to increase the average daily room rate from $200 to $300? Well, if you do, you better be doing something there to deserve that. And it's still a functional hotel, just like it's a functional apartment building. the standards may change in order to raise the income. Of course. You're not going to just get it by momentum.

Matt Slepin (34:04)

Yeah, or nicer countertops. Doesn't alone do the trick. Okay, so then you're there for 13 years, you built the business to what you described, but then you left. So what was the cause, what was the drive to come here to do this? Talk about that moment in time.

Bob Hart (34:22)

So I had a very nice career at Kennedy Wilson for 13 and a half years and really built my own brand around the brand of the company. And I just got to a point where in my mid-50s,

I just wanted to do more and to own my own business, even though I owned stock in Kennedy-Wolson as an officer of a New York Stock Exchange company, so it wasn't my company per se. And as I mentioned earlier, Guardian Life, who was a partner of mine when I was there,

really asked me if I would consider going into business with them on the multi-site. so after, really I thought about it for several years, it didn't happen in one fell swoop, I got up the courage to really make the move. And it was hard because everything was going great at Kennedy-Wolson, still today many of those people that are there are people that worked for me and good friends.

Matt Slepin (35:15)

certain

knowledge, yeah.

Bob Hart (35:16)

I decided to take the plunge. So was time to really go under the big tent. But I was going to hold up the pole.

Matt Slepin (35:22)

And talk about the, I want to talk about the thesis of the business with Guardian and what you did, but talk a little bit about that courage thing, a moment of insecurity and jumping through that moment of insecurity and what you found on the other side.

Bob Hart (35:36)

I always felt that my sort of skill set and brand was something that I foster as part of Kennedy Wilson's brand. And I wasn't sure when I left if my phone was still going to ring at the same pace it rang at and as loudly as it rang at. so...

Matt Slepin (35:53)

deal.

Bob Hart (35:55)

I have, I try to approach the world in as humble a fashion as possible. And I realized after I left and I took the plunge with the support of a really great partner in Guardian Life. It's a 165 year old mutual fund insurance company with wonderful people, wonderful ethos and so forth, but with their co-backing in addition to my own at the time, that I could make this work.

and soon the phone started ringing and the rest was history.

Matt Slepin (36:25)

It's

interesting you said a couple different things. One is takes courage to do this and you wondered if it was them or you and what your name really meant.

Bob Hart (36:33)

when you're younger you

have less to lose. When you're in an office of a New York Stock Exchange company running a business, maybe you don't want to make a mistake in your mid-50s. ~

Matt Slepin (36:43)

Right. I associated

you then with that company. Yes.

Bob Hart (36:46)

Plus, the crisis, the GFC wasn't that far out of the rear view mirror. Really, it wasn't until 2011, 2012, where values were starting to come back. This was 2013. So the rear view mirror, it was still in sight. said GFC, you're looking out the back. I'm glad I did it when I did it because...

Matt Slepin (37:03)

We know.

Bob Hart (37:07)

It was really at the early stages of the run up of growth and opportunity in multifamily. That real period, if he was smart enough to invest in 2010, up until call it 2021, 22, that was a major growth period for development, for rehabilitation, for aggregation.

Matt Slepin (37:26)

timing could not have been better. not have been better. And the partner, and I want to think about that as well. So how did that partner give you both the strength and the capital to then effectuate this and underwrite the platform because setting up platform is not free.

Bob Hart (37:41)

Yeah. So we developed a business plan, which I developed. Guardian provided me with the governance to run the business with guardrails and to basically define a box of strategy, which we had already defined for many years of doing it.

And the way it was set up was correct. There was tremendous alignment. We're peri-pursu partners. They put in money, I put in money. When we launched the operating company, they put in a certain amount, I put in a certain amount. I also brought to the table with me assets under management that I previously had in my entrepreneurial life, which helped seed the fee income of the company.

So the company wasn't starting with a cold start. we quickly, after three or four months of operation, the formation of the team, started buying deals. So the operating company has been profitable almost since time zero. There was no J-curve.

Matt Slepin (38:39)

It's interesting, when I set up my recruiting firm, Terra Search Partners, we were very lucky on timing. We were two years before the GFC. I had a feeling something bad would happen, but we had enough momentum quickly so that we didn't have to fund the company. And then when the recession hit, we made it through.

Bob Hart (38:57)

But then throw in any other side was start hiring.

Matt Slepin (39:00)

You

got it. it's really that's really good. Yeah. But but you have the partner to enable you to jump into that and to express a bigger vision than a smaller visual.

Bob Hart (39:10)

Well said I mean the truth is when we first started we did not have discretionary LP capital but the perception was we did right because we were highly Confident that we had certainly the sponsorship capital the ability to get it and we had guardians backstop mm-hmm, so that allowed us to compete with

institutions that were already fund managers we don't really compete with the reeds because they're buying a different asset quality than us but people with a lot of form capital and we were smartly aggressive shall we say

Matt Slepin (39:42)

Right. One of the blessings of this and you and I have other friends who at similar ages were able to start businesses. So Jeff Allen, for example, sure. One of my favorite people in the business at age 61. I think state of Washington backed him to do this. And I'm going to say, although the although is not a negative, although it was just for California and they did the same for another friend in Colorado, they did Red Peak, but it was to very specific strategy. Guardian.

came to you with a national mandate so you could keep growing.

Bob Hart (40:14)

Yes, yeah. I really wrote the business plan and they supported it. But we run the company almost like a public company in that we provide tremendous financial transparency, we have quarterly board meetings, we follow many of the standards and practices of the insurance company. we run it with, I've always been a fiduciary of capital for as long as I can remember, and we run it with a very high standard.

Matt Slepin (40:42)

So if I think of you as a fiduciary of capital and from the beginning when you bought your two unit property you care a lot about someone else's money because it's your money alongside them.

Bob Hart (40:52)

You

have to. When I tell people that are, and they say, how can I do that? I said, let me tell you how you do it. Put some skin in the game. Yeah. There's nothing that'll give you a more visceral reaction when your money's at risk.

At True America, not only is my capital at risk, but our employees invest in the deals. Our employees have invested almost $70 million over the course of 13 years through a pooled program that we have, which allows them to have direct alignment on the GP. And now, as a fund manager, we're investing tens of millions of dollars as a management team as well.

Matt Slepin (41:24)

So I

wanted to think of two different things. One is we I've used this term before in the conversation. I think of you as the penultimate deal guy. So I want to think of a how you grew the deal business and had the level of market share that you've had. So just talk about that. And then I want to talk about business platform, the anti deal guy side of things. But let's stick first with deal guy. How what kind of what are your secrets or your wisdom on how to get market share? It's actually business.

Bob Hart (41:52)

Really simple.

When your asset manager shows up to a city or a region, they shouldn't be showing up for one reason. They should be showing up for 20 reasons. mine has always been a regional aggregation strategy. When I started with my own portfolio, I was probably one of the largest aggregators in certain pockets of LA, in the San Fernando Valley, North Hollywood.

you know, kind of the middle valley of Rosita, central coast, I still own a lot of property in the central coast. And so I've always believed in an aggregation approach where you're building a business within a business. So when we go to the state of Florida and own 12,000 apartments, or we go to the state of Washington and own 4,000 apartments, or we're in the many cities of California and we own 16,000 apartments, there's many, many reasons to show up.

as often as possible to put eyes on those assets and to do something about them. So it was through that aggregation you're developing both expertise, knowledge, real estate, so local business.

Now we mine data, because we have over 60,000 units, that data informs a lot of our decisions, both on the acquisition and underwriting side, but I've done it through aggregation in select markets. Every year we do a ton of market research that we gather ourselves, produce a market research report, which then informs whether we're going to expand or contract from a target market.

Matt Slepin (43:15)

So I want to use different words and aggregation for what my translation of this, because we do this in our business and I don't want anything to be a one off. Right. Because we think of acquisitions. We don't do one by a project because everything is OK. If I do this one here, I'm going to do 10 more here. Therefore, my relationships are going to radiate from that initial conversation. So nothing you say it takes 20 things. I tell the same to my people. I call it five level chess, you know, because we're always playing all

of them versus this is just a

Bob Hart (43:44)

Yes.

We also don't do one-offs with investors. We have very few investors that have only invested with us once. Many have invested 200 million times. And we build a relationship. One of our credos here is we transact in relationship capital, both with the capital partner, but with the marketplace. People enjoy doing business with True America because we're business friendly, we're professional, we're thorough.

and we're just well informed of what we do every day.

Matt Slepin (44:13)

So

let's take that to another question, which is you have wonderful transaction people, both here and at Kennedy Wilson. So I know your team, So what is it that makes the penultimate transaction person besides wearing black shoes? Yeah, we have to.

Bob Hart (44:28)

Well, it's good training and mentorship. When Matt came over nine years ago, he was more of a rookie than he is certainly not a rookie anymore. But it was really through mentorship and training from myself and the team. And that's how we've built a lot of leadership across the company through strong mentorship. And I think acquisitions is a it's an instinctual business, but it's also an experiential business.

and you need to have really good mentorship.

Matt Slepin (44:56)

So mentorship,

but I'll push this a little bit because it's also picking people with the right set of attributes will be relentless. There'll be great relationship people and they'll know the hell out of the numbers.

Bob Hart (45:03)

Yes.

It's really, those are the deadly combination you just gave. And I'm sure you've used that in your recruiting assignments. Some people don't have it all. And other people do. But that's why I say we transact in relationship capital. When we call it true America triangulation.

we surround the real estate when we buy it, there's gotta be some connectivity to it so you're not just another glob of money at an auction. Do you know the seller? Do you know the seller's partner? Maybe you know the lender. You know something more than just the numbers of the real estate. There's some form of relationship. And we try very, very hard to establish that early in the process.

Matt Slepin (45:50)

Right, and you probably know the market, you need to be in the market, you may have synergies in the market.

Bob Hart (45:58)

Exactly. That goes without saying, unless we're starting. The sub-markets, pioneered. But I can think of no place in the country where we own just one asset.

Matt Slepin (46:04)

You gotta do it.

Fascinating. Okay, so let's take that and think of the other side of the equation, because I love to say on Leading Voices that transactions are what we usually talk about in the real estate business, but it's the business platform that's going to be permanent and that can distinguish yourselves from others. You've distinguished how you do acquisitions, but what's the business platform that makes that work? What's the investment in that and what's the structure that you're most proud of and that works for you?

Bob Hart (46:36)

Well, I think there's a couple things. We have a fantastic...

vertically integrated construction management group. self-perform rehabs. We control the budgets of the rehabs extremely tightly from our own accounting and systems work. A gentleman named Amir Eshkol who works with me at Kennedy Wilson runs that business and he runs it like a business. So we spend a lot of time on budgeting and execution of the rehab side. So that's a big part of our secret sauce.

I call flood zone asset management.

Matt Slepin (47:09)

Any other comments on what makes this enterprise that you've developed special? I want to then talk a little bit about multifamily before we wrap up. but any other comments on True America as a lasting enterprise?

Bob Hart (47:21)

True America is built to be a legacy company of mine. It will go on after I've retired and it has a great management team and ~ has a ~ lasting business model in workforce housing and soon to be other types of housing as well.

Matt Slepin (47:38)

Fair deal. So talk a little bit about the moment that we find ourselves in the apartment business. We've been through a three or four year post covid semi recession. It's been a malaise, whatever word it is. Maybe we're slightly coming out of the malaise, but they're still going on. Exactly. OK, we would.

Bob Hart (47:49)

days.

We went from the tango to the waltz. Tangoing

before and really moving quickly.

Matt Slepin (48:03)

And the Waltz has something to do with a couple different things because part of the Waltz is also the reaction back in certain municipalities in terms of regulation against the tango because the tango produced some results that are biting us on the butt a little bit. So think through the next three, four years.

Bob Hart (48:21)

There's

several things going on in America. There's clearly, we're going to see it played out at the ballot box in New York, heightened progressive movement, which is causing an

overstepping of regulation which is going to stifle new development. What leads to more affordability is new development. But when it becomes so expensive and so prohibitive and so non-supported by municipalities or NIMBYism, that's bad formula.

So there is a heightened, not everywhere, but you're seeing blue, purple states turning blue. You're seeing blue states going extremely progressive. You saw that happening, I must say, on the West Coast for a long period of time during the COVID period. Some of it is changing, but that's making it more difficult. We also had a run-up in supply.

There are many parts of the country that were the hottest market in the country. Used to be Austin, Texas. Now it's the worst. Too much supply being absorbed, but too much supply. Phoenix was a steady Eddie for a long time. It's our fourth largest city in America. It's a little oversupplied right now. Las Vegas has slowed down for different reasons, but not so much because of oversupply. So you've got these headwinds that have emerged, which include.

anti-immigrant issues which may eventually, depending on where this plays out, affect multifamily.

Matt Slepin (49:39)

in terms of who the tenants are going to be but also in terms of the labor to build new buildings.

Bob Hart (49:44)

Labor

to build new buildings and just household demand, right? mean the company was the company the country was growing I think by about 1 % a year which is over 3 million people the average household size is used to be like 2.3 That's a lot of housing units you need right both single-family ownership as well as multifamily I believe next year or this this end of this year the census will reveal that will be the first year in many many decades of negative population growth in United States so

that doesn't help it's counterbalanced by not a lot of new supply in the twenty six twenty seven years mostly excess supply is now being absorbed i think this year was four or five hundred thousand units next year will be a few less and so forth and that's what led to the run up coming out of the gfc in twenty eleven and beyond so there are some headwinds

but the reality is the renter cohort keeps increasing i think as we talked about earlier you start out in student housing you end up in congregate care that's a form of rentership you're also seeing you know the graying of our society people sometimes divesting of single-family homes and moving into some type of rental or even like i said depending on their age and condition

congregate care.

Matt Slepin (51:04)

So

with headwinds, with regulation, with affordability issues, and still lack of supply except in those oversupplied markets, the overall demographics facing the apartment business over the next four five years, good place to invest.

Bob Hart (51:08)

affordability.

It's a great place to invest. If you really look at rentership in America, Sam Zell, before he passed away, used to say it's gonna be 50%. When I started in this business, was probably 65, it was a very high number. It was like 70 plus percent ownership and maybe 30 % rentership. Now it's approaching...

almost forty percent rentership and maybe sixty percent give or take a percentage or two of ownership so the term renter nation was coined for a reason i think there's also issues of flexibility people wanting to be more flexible in their in their housing choices so they don't not necessarily tied to ownership hard to buy, rates are high, and down payments are more severe. So there's a lot of mitigating factors which create propensity to rentorship.

Matt Slepin (52:09)

And with

an increasingly institutional business, with more institutional players, how does that affect this in your competitive set?

Bob Hart (52:19)

It's good and bad. It's good in the sense that there's liquidity in the market, both on the buy, sell, and investment side, but it does create a heightened level of competition because there's more people running around with institutional capital than there ever was.

Matt Slepin (52:36)

I'm going to laugh

at this, but you gave the playbook to a lot of the players. Plus, they're hearing the podcast here. So but Moldy Family, which was not an institutional asset class that people didn't want to get into it. Both Moldy Family Industrial were on the weren't institutional 25 years ago, and now they are the two favorite asset classes, but they may be the easier ones to get into.

Bob Hart (52:58)

I think a lot of people believe that. You still have to be very, very good at executing.

Matt Slepin (53:04)

And

we've talked about that through the conversation. Last question on leading voices is your advice for young person getting into the real estate business.

Bob Hart (53:11)

I think today you need to pick a major which is okay, I want to get into this business. Pick a vertical to get in through, whether it's as an analyst, a... Vertical function. And try to stick with that for a while and perfect it. As you probably see from looking at a lot of resumes, there's a lot of job hopping. A lot of resume building. And I think the true value comes from developing a skill set.

Matt Slepin (53:22)

function.

Bob Hart (53:36)

And really honing that skill set for as long a period of time as you can while you're sustaining growth in your career. The other way to do it, it's a good old fashioned way I did it. Put some skin in the game. Go for it. Not everybody's an entrepreneur.

Matt Slepin (53:47)

Yeah, go for that.

It's interesting. I'm going to argue with you a little bit about sticking with one skill set because you don't know what skill set's going to be right for you. you. I wandered around the universe. It may be sticking with the company or it's keep going at it or try the skill set till you find the thing that you speak to or speaks to you and then don't let go of it because become great.

Bob Hart (53:59)

This is

Everybody wants the glamour job. Everybody wants to go into acquisitions. I think you can learn lot about acquisitions through asset management. That's how I learned it, frankly. I learned it from ownership, but I learned it from being a really good asset manager.

Matt Slepin (54:18)

Exactly. ~

Totally

true. I I think it's really interesting is find a business, say, okay, I'm stick with multifamily because I like it, or I'm gonna stick with, don't do office, but stick with retail, whichever it is, it's sector real estate, and then find the functional area that becomes who you really can be. Some people want to be a broker, some people want to do deals, some people want to do investment asset management, some want to do property management, some want to do accounting, but find that role that speaks to you where you can really excel and then go for it.

dig in deep. I said it instead of you so we're both at it here. Hey Bob thank you very much for being on the show. Thank you. conversation. Thank you. Bye.

Bob Hart (54:59)

~ Well said, man.

Thank you very much for being here.