The Weekly Take

Different Drum: A new framework for creating opportunity in a high-rate environment

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Spencer Levy
Amid the ups and, well, pauses of the Fed's interest rate policies over the past year, amid the specter of a recession that hasn't come to pass, amid a challenging real estate investment landscape and more, the economy and the stock markets have been on the upswing. But the capital markets have been in a holding pattern – real estate investors in a wait-and-see mode. On this episode: the capital markets, as seen by a pioneering leader who is focused on innovation and deciphering an alphabet soup of investment possibilities.

Rob Finlay
Where else can you talk about CLOs, CMBS, CDOs and all this stuff that everybody hates when things go bad? But in reality, they're a fairly efficient market.

Spencer Levy
That's Rob Finley, founder and CEO of Thirty Capital Financial, a real estate advisory, capital markets, investment and technology company that he calls an "operating system" for investors. The firm focuses on data analytics and its expertise in defeasance and derivatives, including a program called Defease with Ease, a complex specialty which we'll define and discuss on the show. Thirty Capital is one of four businesses Rob has founded or sold, and he also wrote a bestselling book that's informed by his day job, *Beyond the Building: How to Use Innovation to Create and Grow Your Commercial Real Estate Portfolio*. Coming up: investor, advisor, entrepreneur and bestselling author Rob Finlay and a different way of looking at the state and future of the capital markets. I'm Spencer Levy and that's right now on The Weekly Take.

Spencer Levy
Welcome to The Weekly Take. Rob Finlay, founder and CEO of Thirty Capital and author of *Beyond the Building*, a Wall Street Journal bestseller about real estate. Rob, thanks for joining the show.

Rob Finlay
Hey, Spencer. Thank you so much for having me. This is quite an honor. So thank you.

Spencer Levy
Thanks for coming out today, Rob. Why don't you first explain what defeasance is and then what Defease with Ease is today?

Rob Finlay
Sure. Sure. Well, defeasance simply is just a substitution of collateral, right? It was called protection. Bondholders didn't want people to prepay their loans. And so they put this

provision called defeasance in. And defeasance is simply that; just a substitution of collateral. You take treasuries and you basically match the treasuries to redeem principal and interest sufficient to make the ongoing monthly debt service payments of the loan. And that it's, and so you're basically doing this collateral swap, and it's the way that borrowers can get out of their CMBS or securitized debt. That's mostly Freddie and the CMBS world. Where the complexity gets in is it involves a lot of people in order to do it. You've got to optimize the bonds, you've got to find the bonds, you've got to buy the bonds, you've got to make sure they are sufficient, there is legal documents that are involved and there's opinions. And if the deal is large enough, you have to deal with the rating agencies and servicers, special servicers. So it really becomes a transaction in itself. And we really started the business because at the time I started actually, only one defeasance had been done. That was a big transaction, a big deal, a lot of legal work, a lot of probably expense investment bankers. And I basically came to the realization that if you could streamline the process, if you could make it efficient, if you could make it so that it's easy or almost something for the borrower not to really have to deal with, there was an opportunity there. And so I started Defease with Ease.

Spencer Levy
One of the innovations of the late nineties real estate malaise was the explosion of the CMBS industry. One of the innovations of the post GFC was that the CMBS industry got better and there was more debt funds that weren't related to CMBS. But now we're coming out of this and it seems to me the one area, the sticky wicket to use a cricket term, that we have today is the assumption of debt. And if we had an easier way to assume debt, you'd see a lot more transactions getting done today. So what do you see as the debt market innovation coming out of today's difficult market conditions?

Rob Finlay
You know, it's funny, you guys talk about the debt market and people complain about yield maintenance penalties or defeasance penalties, but yet the debt markets, especially in the capital market side, is the most efficient in the world, right? You're able to provide cheap debt, you're able to provide flexible terms, non recourse, in many cases. It's a great vehicle. I think we've just become so skewed as an industry because the past ten years in particular, the past five years, money's been free, right? And so when money's free and you don't have to worry about the consequences of what you're buying with it, basically the performance of your real estate, everybody turns and complains that interest rates are too high and that now debt is unattractive. So I really think that the debt markets and innovation of debt, I don't know if you actually have to have innovation in debt too to make it better. And it's probably not a popular answer to your audience because everybody's sitting there thinking, geez, if only rates go down, and if only rates go down, everything's going to be great. Oh, if only rates go down. That's sort of B.S., right? I mean, there's so many aspects of it. There's first of all, waiting for the Fed to cut rates. You know, if you start doing that and you're in the wrong industry. Could be an interest rate trader, not a real estate person, right? Be focused with your real estate, not interest rate. I don't know the right answer to this, Spencer, which is, what is going to be innovative for debt? Look, debt and the capital markets are fairly innovative right? Where else can you talk about CLOs, CMBS, CDOs and all this stuff that everybody hates when things go bad? But in reality, they are a fairly efficient market. Just people just don't want what they're saying right now.

Spencer Levy
Well we're going to turn to the book in just a moment, but I have to comment on your ten year debt “set it and forget it” stereotype of a lot of our investors and a lot of our investors

do do that. And if they did it three years ago, you know what we call those people: the smartest people in the room, because everybody who went floater is now facing the music of hedges coming due, of floating rate debt coming due. So maybe we are a long term, more conservative business rather than a trading mentality with respect to short term debt.

Rob Finlay
No, I would only stop you there for a second. It's the difference to follow on to that is, those borrowers who, yes, got their deals three years ago. Yeah. Smiling? Yup. My coupon is lower, but are they looking at it and are they taking the financial analysis to determine if I refinance today, what kind of return would I get? And that's the question. That's where the true value comes in, is understanding that debt moves up and down, right? The deal you got three years ago, especially if it has defeasance in it, is probably your outstanding principal balance is less or your payoff is less than your outstanding principal balance, right? Because I could buy treasuries. I can buy the securities at a higher yield than your loan coupon. Therefore, you are actually going to defease your loan at a discount. Well, are people evaluating that? Are people looking at saying, yes, if I do this now and I look at this term approach as opposed to, oh, I got it three years ago, I won't touch it again, forget it, I'm just going to set it. And those are the ones back to my original statement. That's how most of the real estate market plays out. But the people who are getting the highest returns, the ones who are truly maximizing the value of their investors, are the ones that are actually making those analyses and saying, yep, I'm going to look at my debt today. If I walked into you right now, Spencer, I said, hey, I've got this 3% loan, got seven years remaining. I'm thinking about refinancing today. What would you say? You’d say you're out of your freaking mind. But the point of this is that each one, each transaction has to be modeled and has to be looked at. We reevaluate our portfolio every quarter. We reforecast our properties every quarter, and we reforecast our debt, and we run scenarios to see what makes sense.

Spencer Levy
Well, I think there are a lot of people who are not defeasing their debt today, even though they may get a discount by doing that, are taking a look at their debt. Going back to my innovation question earlier. Are they looking at their property and saying, you know what, my debt is so far below market, this is worth X amount. I'm going to sell the building, let somebody assume the debt and I'll get the upside. So I guess that's another way to capitalize on cheap debt.

Rob Finlay
Absolutely. Absolutely. It's just a lever that you have. Real estate, so asset lever, equity or debt lever, right? You've got these levers and they have to work together, but ultimately they result in an equity lever that is what you're trying to solve for. Most people who own real estate, they own real estate to make money, right? And it's like, how do I make money the fastest? And it's by doing those two levers, pure and simple.

Spencer Levy
Well, I guess the other question there, and this is in your book, and we’re going to go to *Beyond the Building* right now, depends upon not the cost of your capital, but the time horizon. And so some real estate enterprises, generally speaking, publicly traded REITs, have an indefinite life or time horizon, but open-ended or some closed-end funds are 3 to 5 year holders. Some opportunistic holders are even shorter than that. So I think ultimately, it's not wrong to keep that ten year debt in place if you're a long term “set it and forget it” enterprise. But if you're looking to maximize the dollars over time, you have to look at the debt that way and then accept a certain level of risk and volatility.

Rob Finlay
Sure. Sure. But you could, as I said, I would challenge you to think of debt just as a lever. Yes. If you're going to hold it for ten years, that's great. But that doesn't mean that in that ten year horizon that the situation for the asset is where it makes sense to refinance, pull equity out. You have asset appreciation. There's a whole bunch of other things out there that you might have demands on equity that you might not have had five years ago. My only point is just to think about it as a bigger picture. It's just a part of the equation.

Spencer Levy
Let me ask one more technical question, because this is a new concept to most of our listeners about defeasing a in the money loan. So let's assume for the moment, just ease of discussion, you got a loan four years ago, your interest rate was 4%. Today, if you were to get the identical loan for the identical asset, your loan would be 8%, and you've got seven years to run. About how much money, let's assume it was a $10 million loan. About how much money could you get by defeasing that loan today? Is it a $1,000,000 win? Is it a $500,000 win? How do you look at it?

Rob Finlay
You don't look at it like that, right? There's several elements of the way you look at this and you evaluate this, right? The defeasance cost is just the differential between the average portfolio that we can buy on the treasuries or securities versus what your loan coupon is. So if you're over 4%, yeah, maybe it's a few points, maybe it's a hundred grand, maybe it's a couple hundred grand. So the question has to be, that's just part of the equation, right? Now you look and say, okay, I know what I can get for my new loan. Am I pulling equity out? And then most important to that is why are you doing this transaction? What is it that you're going to do with this money that's left over from this transaction? And that's what you're evaluating, right? I'm pulling cash out. You're obviously not going to swap coupons, right? You're not going to say, oh, I've got 4%. I'm going to go to 6%. I'm just going to go do that for fun, right? You're not going to do that. But you might do it to say, hey, I can pull out maybe a couple bucks and I might need that a couple bucks because I want to have my coffers full. Or maybe, maybe I need to do it because I need to support my organization because I no longer have acquisition fees coming in for the next year or two, and I need to keep my team, right? How are commercial real estate firms paying for themselves right now? If you're not doing acquisition fees and you only have a handful of assets, maybe you're pulling asset management fees out, how else are you making money? How are you supporting the organization? So those are things that you have to think about. As an owner of a real estate company, you have to think about how you're going to support the business, how you're going to cover the business so that you can be around so when the market rates come down, asset appreciation comes up. Heck, transactions happen, right? That's what everybody's waiting for. People aren’t waiting for rates to up. People are waiting for transactions to happen.

Spencer Levy
So let's now turn to the book *Beyond the Building*. Congratulations on being a Wall Street Journal best seller. Just give us a 30,000 foot overview about the book and then we're going to dig in. Tell us about “Beyond the Building”.

Rob Finlay
So *Beyond the Building* is sort of a framework on how commercial real estate firms can be more innovative and act more like a technology company whose product is real estate.

And that's really what it is. It's a framework. It's a framework that we've utilized for companies that I built up in the past, that I've sold off to public companies. I've had four or five businesses that I've sold in the last 20 years that I've been doing this stuff. But it's built on sort of the best practices, but it's also taking this collection of for the past 20 some odd years, my whole focus has been working with some of the best commercial real estate firms in the country. There are so many that are out there that we've worked with and we've taken some of their best practices and we've said, yes, yeah, that's what they're doing and that's what they're doing. And so by taking this framework together, we're trying to give it to real estate owners so that they can use this and take it and take their business to the next level. The past ten years were the easiest in real estate for the most part, right? I mean, obviously if you're in office, it might be a little bit different. But if you're a multifamily, let's just make an example. If you were a multifamily syndicator in the last ten years, it was probably the easiest time ever to be in commercial real estate. You buy, you sell, you buy, you sell, you buy, you sell. Now you're focused on operating the properties. And in order to operate the properties at the highest level, you really have to do something differently. You can't just hope for rates to go down. And so this book is truly just about providing people the framework to do things differently, to be able to be innovative. It doesn't just mean technology. It doesn't mean buying the latest cool AI tool, but it's about thinking differently. Starts with leadership, it goes into your employees, finding people that you need, working and using the people in the right place, understanding who your customer is, planning…. so it's these general themes, but it is a framework to help you think differently.

Spencer Levy
What I liked about your book, because I've read a lot of real estate books and we've been fortunate to have a lot of real estate authors on the show, is that your book was more talking about the enterprise than it was talking about the dirt. It wasn't getting as much down to the level of you need to put it in X building systems to keep your heating and cooling costs below this. You weren't getting to that level. You were above that level talking about leadership. You even used several examples of companies that were not in the real estate business as Templars, like IGT, Mondelez and others, talking about how they run themselves and maybe real estate companies should run themselves similarly. Explain.

Rob Finlay
Yeah, absolutely. Look, this isn't about dirt, and I think that's the biggest takeaway. And I'm glad you felt this way about the book, right? It's not about the real estate, right? The real estate is your product. I'm not going to talk to you about your product because your product could be multifamily, it could be industrial, it could be office, whatever. It doesn't matter. It's the way that you do your organization. So many real estate shops are basically fundamentally the same. You got a group that does acquisitions. You have your group that does operations and you have your group that does finance, and they sort of sit there in their own little silos and sort of do the same thing. They buy real estate, they operate some real estate, and they sell it. And that's great and that works, but that only works for so long. And now it's about taking that and how do you really create enterprise value. We really do think the industry for so long has been focused on individual asset and not necessarily the company whose job it is to run those assets, to manage those assets, the private equity side, the capital markets side, whatever you want to call your organization that owns the real estate.

Spencer Levy

Let's do a couple of case studies here. Outside the industry, I found some of your case studies persuasive. I found one of them not as persuasive. Now, you talked about different types of enterprises, the large companies, small family owned. So this is not one size fits all for sure. But you use the ITT case study in the book, and ITT for people who are Rob and my age, remember ITT was a hugely successful enterprise in the days when you could do enterprises that had multiple business lines like a G.E. did at its peak as well. But was very much a command and control structure, so much so that you mentioned the CEO used to have monthly meetings, you know, 10 a.m. to 10 p.m. with every manager. That seems to me, and I'm not trying to say new school, old school, but it seems to be a disfavored management style today. And I can give you other examples of management that was so command and control that haven't worked today. Your thoughts.

Rob Finlay
Oh yeah, absolutely. Harold Geneen was not, who was the CEO of ITT, and was credited with their success, their acquisition. Absolutely would not fly today in today's market, in today's world. I wasn't trying to use Harold Geneen as this should be or management style. My point for using Harold Geneen and ITT was the way that he took information in to make decisions. And that was the key point of why I spoke about him. Being able to operate the number of businesses that they did was no different than a real estate firm having to manage the businesses of the real estate. To what I was trying to get across on this was, it was his ability to understand that in order for him to be able to manage effectively, he had to get information in from each one of these business lines and use his collective organization to help make the right decisions. So, for example, if he saw that he was having a branding issue with one of his organizations, I'm just making this up, but if he saw it as a branding issue. Instead of just addressing it at that company's level, he wanted to address it at the corporate level to be able to think about it from a perspective from all of his organization. So I think that was the key thing. It is understanding that your business, the ITT business, just like your real estate business, is all about making decisions and solving it at the corporate level, and then taking it, once you've solved it, applying that to the rest of the organization.

Spencer Levy
Well, there was a tremendous amount of the book that also talks about data analytics. I don't recall if it used the word data scientist in there, but it certainly had echoes of that. And I would put that at one end of the spectrum. But then you have the other end of the spectrum here. And the other end of the spectrum, I would call more behavioral economics. The psychological element, which is the knowing your customer, because you can reduce all of the objective elements of your customer to numbers. But you still don't know your customer unless you know your customer. Maybe you don't need that next data analyst. Maybe you need a psychologist on your staff to understand not just your customers, but maybe your own employees. How do you react to that?

Rob Finlay
Oh, oh, absolutely. In the book, I say, look, for most real estate shops, you don't need new people, right? First of all, data scientists, you don't need it. You don't have data. You don't need all that stuff. That data stuff is all misnomers. Don't pay attention to anybody who tells you you need an AI tool or a data scientist because quite frankly, you don't have the stuff needed. But I say that you do need somebody who can help you understand numbers and data and things and help you organize it better. The other side of that is the other person that you need is engagement, somebody who knows your customer. And I think in the book I have a whole section: Who is your customer? Knowing your customer. Your customer is your tenant, your resident, your employee, your banker, your broker, your

investors, right? So it comes down to actually knowing who your customer is across the entire spectrum of the organization and knowing their wants, their needs and their fears is a very key component. That is a dynamic change for an organization. And I think that's where you're absolutely right. It is absolutely psychology and data. That's why I think we have such a big push on data and analytics and all this stuff, which I do in the book. But it's important for people to preface and understand that you need to have human intelligence alongside business intelligence and artificial intelligence to make sense of any of it. And that's a key thing. Real estate people are not going to be replaced by AI bot's right now. Parts of you will, right, pieces of us will. But for the most part you need the human concept, the human feel, the human psychology in order to make all of this work.

Spencer Levy
Well, I've certainly put a lot of my thinking into the behavioral economics camp, much more so than I do in the data camp. And maybe that makes me a dinosaur or somebody who's not going with the trends. But I still think that our data is in the stone ages when it comes to the data when we look at other industries, which makes the behavioral or the psychological components so important. What's your point of view?

Rob Finlay
Yeah, I think you're partly right. I'm going to challenge you a little bit here, Spencer, because I do think the real estate industry is working to get better data, right? There's good data, bad data. We all agree on that. But the most important thing is understanding what is data. I think if you have this conception that data is this huge structured data warehouse, database, data lake, and it's all this stuff that's all cool. Like you would see at Bloomberg or see what some oil commodities trader has. It's not like that. The data can just be as simple as saying, hey, I've got four competitive properties here. I'm going to look at their financials and put them together and compare how my financials look compared to theirs. That's data. That's data and analytics. So I think it's important for us to realize that the use of data in this industry comes down to first understanding what the data is and then second, how to use it to your benefit. There's no magic button no matter what, I think and that's how I hear about AI. I get probably 20 calls a day about people talking about AI. Hey, AI is going to solve all my problems. I don't want to do this. I'm just going to wait for an AI. I'm just going to attach all my data to chatGPT and I'll be done. But that's not going to happen, right? So just like BI tools, it won't happen until you have real data. And still until you have structured data, there's nothing there. So people are looking for this, just the same people that are looking for interest rates to go down to save them are the ones that are looking for chat and artificial intelligence to save them on that. So I do think data is good. I do think data is important, but it does take the combination of taking data in its form, analyzing it with the right tools, but also applying a human element to it.

Spencer Levy
Let's just backtrack and then come forward for a second. Let's say 10, 15 years ago there were six, seven data points. Things about what rent are they paying, how long do they stay, what's your CapEx as a percentage of your total cost? I mean, we know what the old school metrics were, but now we have new school metrics with a lot of them have to deal with mobility, with cellular phones and how people walk and where they walk and where they live versus where they go. But just give us a sense of what types of new data has evolved today versus 15 years ago. And then where do you think it's going to go over the next 15 years?

Rob Finlay

Yeah, so I go back to the same thing. We need to crawl before we can run, right? Walk before you can run, whatever the expression is. For the most part, yes. There's all sorts of data sources out there, right? There's mobility studies, there’s senses, there's traffic from ports. I mean, there's all sorts of data that is relevant to you. But I think to me, the most important thing is starting with some basic stuff, which is just basically getting a better visualization of the data that you have. Every single person who's in real estate has walked out the door, they get a print, they get a weekly. If you're in multifamily, you're getting a weekly leasing report, right? That's a delinquency report, a weekly leasing report, a market report, like all these different reports. You're not pulling anything from that. You've got to go through these reports or you work for some asset manager that wants you to cut and paste all those and put them up to the top. So first things first, just organize, get your own data in first, before you even worry about all this other data stuff, make sure you have your own data. Data is an asset. Your own data is an asset. There's no way that you could ever be able to go and create growth or create great strategies without having your own data first. So before thinking about all these great models and all this other stuff, how do you get your own data in one place that you can organize it and look at it? Because you can't have a BI tool without it, can't have AI tools without it, you can't have anything, right? So that's just sort of the basics. Where it's going to go? Sure. You're going have these wonderful, complex, structured data models. You're going to have natural language processing. You're going to be able to have the Alexa and the Siri and be able to ask questions and be able to get answers and insights and all that kind of stuff. That's where it's going. It absolutely is going there.

Spencer Levy
Your examples, and I don't mean to diminish your examples, but they were very tactical. The place where we're nowhere is in the predictive ability to say, I'm going to buy or build this asset here, not there, and it's going to make me a better return over my investment horizon. That's where I think we are lacking in data and predictability. What do you think?

Rob Finlay
No, I think you're actually, I think the data in a property level on an asset level is absolutely… I agree with your statement, it’s drawn down to a number. It's absolutely drawn down to another data point. But if you don't have that data in a repeatable and standardized fashion and a way to report on it and look at it, it means nothing. So yes, I can go month by month by month by month. But if you ask me, hey, what's your trend on this for a specific property or what's your overall trend? How is your whole property, how is your whole portfolio working with this? You can't do it. So in order to build, in order to get what you want, which is, hey, where do I build? What do I build? How do I build it? All of those things probably already exist, but you won't be able to take advantage of it because you don't know where you start. Think about this benchmark and I come back to it, which is the simplest form of data and analytics, right? Benchmarking. I have a property. This is my property right here. There are five properties around me. There are data sources out there that can give me how these properties are operating relative to mine. Who has a higher expense margin? Who has a higher occupancy rate? That's data and analytics just on its simplistic layer, level, to see where you are relative to the market, because anything outside of that is why, if you can't fix yourself first, you can't be the best in the market. It doesn't matter what you build. Why build something else in a different market if you can't be the best? And I think that's where the opportunity right now in real estate is not, what do I buy? It is how do I operate my real estate, the stuff I own? How do I operate it at the highest level? Because that's where the opportunity is. The opportunity is in the properties that you've already bought that you already own.

Spencer Levy
Let's just go to a case study in your book. You had a case study about Sandeep Mathrani when he took over WeWork, and I'm going to quote him because it's in your book. He said, "The failure of companies is due to the arrogance of the leader. The failure to reinvent, and they lack fear and humility". So even his answer is coming down to not data, it's coming down to psychology. And obviously the results of WeWork speak for themselves. So how do you analyze that situation and Sandeep's point of view?

Rob Finlay
Yeah, I think we might be saying the same thing, but I'm going to check. If the property level data was so great and so wonderful, why would anybody be in trouble right now? Why would any property have had difficulty? Right? Why would you have cash concerns? Why wouldn't you be making your promote? Why wouldn't you be doing this? Maybe for BlackRock and Blackstone and of the highest institutions that spend hundreds of millions of dollars, millions of dollars a year on tens of millions of dollars a year on technology and infrastructure that might be the case. But when you go down to the mid-markets, that's not the case. That's not the case. They do not have… They get financials. Yes. RealPage, Yardi. These property management systems are phenomenal, right? They can give you every bit of data. They spit it out. But that's property level data. Now take that property level data and you have to now put in demographic data. You have to put in debt, equity returns, waterfalls. All of that has to come together in order for you as the real estate owner, whose job it is to take investors money and make something happen with it in real estate. It's at that level, the data and analytics, that's where the investment needs to happen. That's where people need to focus and that's where our market isn't doing a good job at it. And by doing that, and I think go back to Sandeep. Yes, it is at the enterprise level, because ultimately each individual one of these assets roll up to the bigger enterprise. And yes, the enterprise needs to do a better job. Relying on property management, monthly reports or weekly reports is not going to do it.

Spencer Levy
Let's shift from the book to the market. And Rob, I happen to agree with your point of view. I think there's tremendous opportunities in office right now. I mean, you use the old Warren Buffett statement: Be greedy when people are fearful. Be fearful when people are greedy. So given your company, tell us a little bit more about what you find most attractive today and why.

Rob Finlay
As I said, I like suburban office. There are some people who are buying it and could be buying some good assets, but I think it really comes down to finding the right investment based upon the appropriate risk adjusted returns. And that's what we're looking at. We do not go out and take in billion dollar funds, so we don't have to worry about deploying capital. We can be very specific and very methodical about the deployment of capital, but quite frankly, until the market breaks, corrects, whatever you want to call it. When real estate shops run out of money because they don't have acquisition fees and then people are buying and selling. Until that really starts to happen, there's really not a lot to do other than focus on your own assets.

Spencer Levy
What does 24 and 25 look like for the real estate industry?

Rob Finlay

As I mentioned earlier on, if you're waiting for rates, I think you should be thinking about something else. Sure, the Fed might cut. Fed starts cutting just means that there could be a potential of a recession, right? So now you don't get your soft landing, which I don't think is going to help the real estate market if it's a hard landing if we're in a recession. What I think is the key is what's going to start people selling. And I think that's going to become a lack of liquidity that's in the market. I think the ones who aren't doing acquisitions, they don't have their acquisition fees, they can't support their organization will have to start to sell. They won't be able to do capital calls. Perhaps the ones that maybe spent a little bit more on personal items when the market was good and they thought it wasn't going to end, those will be the ones that are going to go first. So until we start to see more of those, and quite frankly, on the multifamily side, the agency lenders have to be tougher. They've got to say, we're not going to just give you a 90 day forbearance. We're not going to extend and pretend. If they start to do stuff, they'll open up the liquidity in the market, or open up transactions, which will set valuations, which will then create the rest of the market. But until then, we're all sitting here waiting, unfortunately, just waiting for rates to drop, which isn't going to do anything.

Spencer Levy
Well, in the famous play *Waiting for Godot*, Godot never showed up. Maybe Godot doesn't show up here either. Maybe we don't get to that point. Maybe the can keeps getting kicked down the road. And if that is, in fact, the case, that is when your thesis of focus on your existing assets matters the most.

Rob Finlay
Yep. Look, we've lived in higher interest rates. I think we're just skewed from what it was the last few years. That it's just, yeah, you have to remember, it hasn't always been this low. Or was that low. And so I think people need to realize, and say yeah, okay. Yep. You bought at the peak of the market. Well, guess what? You're not the first one. You're not going to be the last one, right? You bought at the peak of the market and you have to adjust for that. And I think we're just outside. There's other factors that are allowing us to continue to hold on as opposed to just clearing out and letting the market settle.

Spencer Levy
Well, on behalf of The Weekly Take, I want to thank Rob Finlay, Founder and CEO of Thirty Capital, author of Wall Street Journal bestseller *Beyond the Building*. Rob, great job. Thanks for joining the show.

Rob Finlay
Spencer, thank you so much for having me. I really appreciate it. Had a lot of fun. Thank you.

Spencer scratch
From *Beyond the Building*, we go deeper into the business in the weeks ahead. We're already at work on programs exploring the ongoing issues of office and workplace, including deep dives into design, co-working, property management and more. If you want more info, please visit our website, CBRE.com/TheWeeklyTake. Make sure to send us your feedback, including on what you'd like us to cover this year. Also, remember to share the show and to subscribe, rate and review us wherever you listen. For now, thanks for joining us. I'm Spencer Levy. Be smart. Be safe. Be well.