What Athletes Should Know When Entering Into The Real Estate Industry

AN EXPERT IN ATHLETE INVESTMENTS SHARES HIS TIPS AND POSSIBLE PITFALLS FOR OFF THE FIELD ASSETS

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Every athlete, despite their level of fame or on-field achievement, knows that their playing career is finite and limited. It is, therefore, no surprise that professional athletes have long looked for the post-career silver bullet investment, with a number of professional players finding success or failure in the high stakes world of real estate investing. ESTATENVY recently spoke with Terry R. Yormark II, CCIM, Founder of Beimeni, LLC, a brokerage specializing in athlete investment consulting, to get his thoughts on what athletes need to know before getting into the real estate game.

1. Get your investment advice from the right people. We have all seen the news articles and reports about people, especially athletes, getting ripped off because they were put into bad investments based on the recommendations of friends, family and even their agents. We all

hope that agents have their client's best interest at heart, but often this advice is driven by potentially lucrative commissions.

For example, with a 10 million investment, the agent may have been promised up to a 3% commission, so there is a real incentive to get the athlete to into the deal regardless of the fit or viability of the investment so the agent gets their six-figure commission. The advice may not be in the athlete's best interest, so it is important for athletes to also seek the advice of licensed real estate professionals who know the ins and outs of the business and can inform them of all the possible risks, some of which may not be so obvious.

2. Greed works both ways. Contrary to popular belief, not every athlete is rich. Greed can be a problem on the athlete's side as well, as players will sometimes take unnecessary investment risks. Athletes are built for competition, that's what makes them successful on the field. It is this personal quality that attracts them to the next big, splashy investment. Their competitive 'winner take all' attitude often leads them to Hail Mary type investments, when a more calculated, measured approach is what delivers them to the Championship. So many of these athletes have already hit financial home runs in life and only need base hits moving forward.

3. Keep and sustain what you have. So many athletes get into trouble because they are going for too much, too soon, placing their current assets at risk. We tell our clients to be steady and smart, with the goal of not only setting up their families, but for future generations as well. For athletes that have already accumulated massive wealth their financial priorities should focus on capital preservation not necessarily capital appreciation. Of course we aim to achieve growth and accumulation as well, not not at the expense of preservation. There are plenty of commercial real estate investment opportunities that offer both.

4. Any idiot can find the positives in no-brainer deals....but...It takes the next level of critical thinking to find all the ways a deal can go wrong. And they can. Without that next level of thinking, athletes can get into trouble. For instance, a single tenant investment opportunity might appear to be a perfect, conservative investment, but what happens if the tenant vacates? What happens if its' parent company goes bankrupt? In these situations it is imperative to understand the value of the underlying real estate. At what rental rate could we obtain a new tenant? What special build-out requirements might a new tenant require? At what cost? These are all questions, amongst dozens of others, which must be asked and analyzed before an investment is made. Also, in commercial real estate, some product types include retail, industrial, office, multifamily, self-storage and others. Each of these types of real estate comes with their own unique positives and negatives. For this reason, all of our initial meetings with athletes begin with a brief education on all of these different types to better match the athlete's investment goals and interests with the deal they eventually acquire.

5. Good investments can become bad in a moment, but there are ways to insulate oneself by diversifying. Every situation and client is unique, but diversification can be done a few different ways. One way is to have different real estate product types (some retail, some multi-family, etc.) and another way is to diversify geographically. Again, each presents its own benefits and drawbacks. Most often my advice is to find the real estate product that makes the most sense for the client, and then have them diversify with the same product to different

markets and different states. That being said, should they buy 20 properties at once all over the country? No. I always say dip your toe in to test the waters, and if the temperature is at a level of your liking, then let's grow when you are comfortable and it makes sense. In my experience, the best people get good at one type of real estate, master it, and grow effectively when the timing is right.