



Executive of the Month: Chopp, managing partner at Case Property Services: Helps borrowers in workouts with special servicers

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The New York Real Estate Journal recently sat down with Shlomo Chopp, managing partner at Case Property Services, for a question and answer session.

Q: How did you get started in the real estate business in general, and loan workouts in particular?

A: In 2003, I was working with a commercial mortgage company as they were developing real estate software that organized real estate brokers' and commercial mortgage brokers' personal office space by combining the documents, deals and contacts into one central system, thereby making their operations run smoother. My job involved business development and customer interaction with some of the largest N.Y.C. brokerage houses. I would assess their needs and work to help the development team address those needs. In the process I got to understand various parts of the brokerage business and how it is run.

From there I transitioned over into the investment side of the business, where I was involved with several acquisitions of real estate property across the country. As the markets declined I found a glaring inefficiency: the inability of the CMBS trust representatives and commercial borrowers to agree on a mutually beneficial workout. Often borrowers do not understand the various limitations that the parties representing the CMBS trusts have from a legal and treasury perspective. On the other hand, special servicers - the parties who represent these trusts - often do not understand what it takes for a borrower to turn around a property.

Q: What does Case Property Services do, and how have you been able to help your clients?

A: Case Property Services helps borrowers succeed in their workout attempts with special servicers. We work to eliminate cash flow shortfalls, potential maturity defaults, and incorporate all possible sources to help turn around the client's property. This includes new equity capital, tax incentive financing, and possible alternative uses. We help them understand the variables involved, and how each and every step can affect the ultimate goal. We combine the borrower's property knowledge, our valuation, due diligence, and CMBS expertise - as well as counsel's legal expertise - to craft strategies that will help achieve the client's goals.

Often people will attempt to approach these servicers on their own, and the results can be disastrous. While it seems to make sense to first try it on your own and then hire a consultant if needed, doing this leaves room for potential mistakes (such as giving up leverage or disclosing information in the wrong manner) that could cause irreparable harm. The moment a client approaches us is when the education process starts. Many retain us because they assume we have an "in" or a great relationship that can help achieve their deal. Yet the idea that it's even possible to have a substantive relationship or rapport with a special servicer that could result in favor-pulling on every deal is not plausible or realistic. As the client comes to learn and understand our process, and

that the servicer's strict constraints prevent them from "coloring outside the lines," they gain the appreciation of the many intricacies involved.

We also help our clients understand the key differences between special servicers - who are more focused on probability and risk management - and operators and borrowers, who are more involved with the operations behind the numbers. While the latter understands the various pitfalls that come along with making money and maintaining a property, lenders are concerned primarily with maximum recovery, no matter how it is achieved. For a distressed asset owner looking to do what they believe to be in the best interest of the property, this can prove to be a challenge.

The special servicing asset manager will not guide the borrower, for risk of giving up leverage in negotiation; on the flip side, the borrower's distrust of the special servicer grows with each interaction. Our role and responsibility is to come in and help bridge the communication and negotiation gaps between the two parties, and come to a resolution that is acceptable and sustainable to each.

Q: Is there a guiding rule or philosophy that you go by when dealing with clients/conducting business?

A: To paraphrase a saying I heard often as a child, it is better to take the long path and arrive at your destination unharmed than take a shortcut wrought with thorny bushes. In other words, while there will be an urge to accelerate the process before becoming fully aware of the involved "unknowns," it is better to err on the side of caution and employ a more thought-out approach with a keen knowledge of the counterparties thoughts and guiding principles. We are particularly careful about managing clients' expectations for the process and the probability of achieving their goals.

In addition, we make sure to always complete tasks with efficient speed and decisiveness; uphold integrity at all times; and handle our business with pleasantness and professionalism.

Q: How do you think the industry has changed in the past 5-10 years? Do you think it will look vastly different in the next decade or so?

A: Technology, for one, has made a huge difference. In the past twenty years it's become much easier to track down information on a property for acquisition or research. In the 1960's and 1970's, even in the 80's, if one wanted to buy a property they would have to go through the local broker in town who knew someone with a piece of property for sale. Today all one needs to do is go online and conduct a simple online search. There are also many services such as Costar and Trepp that have proven very helpful. Overall, this access to mass information allows for greater transparency, which in turn allows real estate investors to better quantify their risks leading to increased deal-making velocity.

Another change has been the dominance of the mixed-use property. Over the next few years, I think we will see growing diversification among property owners who may have previously focused on only one specific market sector. As we see an increasing number of properties maximizing value by incorporating mixed-use components, I think we'll find more and more owners seeking to expand their horizons, leveraging the mass availability of information and taking that next high-tech step into uncharted yet increasingly lucrative territories.

Q: What advice would you offer young professionals coming up in the commercial real estate industry today?

A: I would advise today's young up-and-coming professionals to approach each endeavor with the mindset to learn and be a sponge. Absorb everything you can and realize that no matter what your academic background is - Bachelors, Masters, PhD - learning about and doing are two vastly

different things. If your goal is to buy properties make sure to learn how others have done it by studying their successes and failures. If you want to negotiate - which is absolutely key to prospering in the real estate business - you must learn the principals and nuances of being a great negotiator. If you make money quick, that doesn't mean it will happen again soon, so save up. The final and most important piece of advice is to always protect yourself and get everything in writing. The real estate industry has a tendency to show great promise, and then at the closing table snatch defeat back from the jaws of victory. If you don't protect yourself, you will certainly end up getting hurt.

Q: What can we expect from you and Case Property Services for the rest of the year?

A: Case has already begun transitioning into the first comprehensive property turnaround firm, comparable to the ranks of corporate turnaround specialists. We will be sharing news over the coming months as we roll out new programs and a comprehensive turnaround platform. Stay tuned.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540