

**EPISODE 220**

[INTRODUCTION]

[00:00:30]

**FT:** Welcome back to So Money everyone. Thanks for joining me! I'm your host Farnoosh, Torabi. It's real estate Wednesday! It's not gonna always be real estate Wednesday, just today, we're gonna focus on Real Estate. It's one of my passions. I know many of you listening love to talk about the housing market and several weeks ago my friend Kathy Braddock, who is the managing director of real estate company William Raveis, joined me for an interview. And during our conversation we learned so many things about how millennials can really do well in the real estate market, what you need to buy a home. And today I'm continuing that conversation with the founder of William Raveis, Bill Raveis himself.

Bill founded William Raveis in one room over a grocery store in a small town in Connecticut in 1974. He borrowed \$2,000 to launch his firm, which last year sold more than \$8 billion worth of real estate. It is now the largest family owned real estate company in the northeast, over 100 offices. Bill was the 1988 recipient of the Ernst and Young Entrepreneur of the Year Award, among many others, for his achievement in business. He also gives speeches across the country and has been published in numerous financial and real estate publications including Forbes, and Real Estate Today.

In our conversation with Bill I ask him, "You know there's this growing ideology that buying a home is no longer really a secure way to build wealth." What does he think about that? Is it still a part of the American dream? How have intentions perhaps changed over the decades? How would Bill characterize the real estate market today? Are we in a buyer's market or a seller's? And his best advice for first time buyers in this market in 2015.

So without further ado, here is Bill Raveis.

[00:02:22]

[INTERVIEW]

**FT:** Bill Raveis, welcome to the show. A pleasure to have you. Real estate is a very hot topic on So Money.

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**BR:** My pleasure being here.

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**FT:** Let's start back to how you began this real estate empire. I think it's super inspiring for anyone out there looking to start a business. You began William Raveis in a room over a grocery store in Fairfield Connecticut, you borrowed – I read – \$2,000 to launch the firm.

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**BR:** That's right.

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**FT:** Now worth billions of dollars of real estate. Take us back to that time in your life. What was going through your mind as you are starting this company? Did you ever believe that it would become the empire that it is today? What was your goal at that point?

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**BR:** Well first of all, I worked in New York in what was called the PanAm building now, the MetLife building and I worked for Westinghouse as assistant analyst there and I actually helped build the international company and the domestic company's technology system and became very successful at it up to the point where the company had a big meeting. The president of the company was there, the chairman of the board, Don Burham was there and everybody was just proud in how beautiful this was, that they connect international and domestic trade with our

system. During the entire course of the meeting, not once did they mention my name and the five years that I put into it seven days a week along with our 30 programmers and I said at that time, "You know what? This is probably not for me. I'm just working too hard here and everybody else is taking the recognition."

So I said, "What else could I do?" My father was a small time contractor. I love being in the houses, smelling sawdust and doing all the construction. So I said, "Why not I'll try real estate?" I got my real estate license decided at 27-years-old, "I'll give it a shot." So myself, a phone and a desk above a grocery store and became obvious to me very, very quickly that I could not do this by myself. If I wanted to make anything off the company I needed people around me that were good. Again, to the lack of recognition from Westinghouse, I actually said, "I'll make sure I'm going to recognize everybody who works for me."

So the agent basically became my customer. My job was really to build their systems, the technology, their marketing, give them the infrastructure and let them be their own entrepreneurs. Basically, that's the foundation of the company, as everybody we hire, we look as independent entrepreneurs and our job is to help them to be successful. So, I started 41 years go, now we have 4,200 people working for us.

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**FT:** You've been through a lot of ups and downs in the market. For younger audience members, we may only remember the bust and not the booms. There is a growing ideology, Bill, that buying a home is no longer a secure way to build wealth. What's your perspective on that? Do you still believe that it's an integral part of the American dream, or is it something redefined these days?

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**BR:** No, actually you're home is a statement of who you are. It's a big deal, still. Occasionally you go through this blitz where the value goes down, the value goes up, but at the end of the day if you trace it out over 10 years, you're always ahead of the stock market. Even though we may have a slow growth because of the economy presently, it doesn't mean necessarily that's

the way it's going to be forever. But at the end of the day, it's the statement of who you are where your kids go to school and everything about you is your home. Whether in fact [depreciate] is going up 20%, 5%, 2%, it still goes. You do have your downturns, but everybody powers through it eventually and gets back into the real estate business again. Renting is sending money to somebody else. At least with your own home, you're investing back into your home.

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**FT:** But there's a certain, I would say, profile of the right kind of homeowner. If you're somebody who is transient, maybe doesn't have a family, doesn't have a lot of income, maybe home ownership isn't right for you. Today, maybe it's something to aspire to?

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**BR:** No, I don't buy that. I don't. For instance in China, you can't own real estate, but state does. In most of the world basically it's a land lease. There are very few countries in the world that you can own real property. The reason why the Chinese are coming, are buying up real estate and years before that, Japanese, because the home ownership process does not work well around the rest of the world. It does work very well here in the United States.

My point is get into the game. Buy a small condo. With the interest rates that are so low right now, it's cheaper than renting.

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**FT:** Are we in a buyers' market and what's going to happen when say, rates are expected to go up later this year? How will that change the market?

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**BR:** Well, we're throughout the northeast. We're in nine states throughout the northeast and the supply right now is very low. Usually supply of houses, if it's six-month supply, meaning it's six

months to sell a house, usually that's a good market. Well, in some markets, that's a good market. If it's at nine months, it's a slower market. Right now in most markets, we're under six months and some were at three months, two weeks. The market is very, very good right now. It has turned dramatically within the last year. You don't see that in newspapers, you don't read it. I'm in the field, I see it.

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**FT:** As someone who's in the trenches, in the field, when you look at a piece of property, what makes you think to yourself this is a still or this is a value, relative to price? What are you looking for?

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**BR:** Well, the beautiful thing now is it's all on the internet. What you look at is very, very simple, it's price per square foot. So therefore if you have a house in New York City. Let's say New York City is \$2,500 a square foot, if you're buying a \$2,200 a square foot, your buying great. If you're buying at \$3,000 a square foot, you're buying high. You look at these square foot prices, it's a really good check on whether you're getting value whether it be the co-op condo or a house that you're buying.

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**FT:** Demand has something to do with it, too. Right? I for example live in a condo in Brooklyn. I'm converting my two-bedroom into a three-bedroom.

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**BR:** It's very, very hot.

[00:09:30]

**FT:** Very hot, you telling me. If I was to go solely on price per square foot as now as a seller of this three-bedroom that I'm constructing, I think it will be a great deal for anybody, but I also have to recognize that when you look for three bedrooms in my neighborhood, there's about nine pieces of property that show up. So I'm hoping that's going to work to my advantage when it goes to sell.

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**BR:** Well, what you do is you look at the ones that are in your marketplace. You look at this price per square foot, it gives you an indication it's going up, and up, and up because there is no inventory. Therefore you may be underpricing your particular property. You should be looking at the future pricing. By the way, on our website we have a forecasting tool. We have an algorithm so I can forecast the future prices of the units that you're buying.

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**FT:** That's brilliant.

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**BR:** Yes. The things are just really terrific now. There's a lot of tools out there that are just different and that you see. Look in a newspaper, you see a house, you go look at it and a realtor shows it to you. You have no other data. The data is all online, it's a beautiful thing. When you have forecasting tools – go on our site yourself, put your own house in, go on Raveis.com, it says, “What is my house worth?” It's right on the front page and we'll tell you what your house is worth.

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**FT:** So don't go to Trulia, or Zillow?

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**BR:** Yes, they have inaccurate data. I have all the multiple listing data. They get it from different sources. They gave us the pathway on how to do this, but their data is wrong.

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**FT:** Interesting.

Bill, if you have to start your business today, how would you do things differently now that you have decades of experience? You can look back and think, “Maybe I wouldn't have taken this opportunity. I would have skipped to this. I would have skipped to that.” What would you differently in 2015?

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**BR:** I don't think I could start a business today in the real estate business. It just takes too much money, it takes too much infrastructure, too much technology. The world would change on us and there are very big players now. Therefore there's a lot of capital and it's based upon the money of this business because the technology is really changing – the entire scope of it. For me, the goal to start today, it would be very difficult, mainly almost impossible.

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**FT:** Do you see any opportunities within the real estate market? Maybe it's not a broker agency, but it's something else – a website, a tool, a way to...

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**BR:** Well, yes, that's the key. What's happening now is the marketing of houses has changed. Usually you just come into the office, wait for a phone call to come in and you go show so many house. In today's world, you got digital marketing now. You got yourself technology. Therefore you're redirecting your marketing dollars to retarget customers that may have been on your site, that maybe have gone looked on whether the weather channel site and therefore your ad pops up because they've been on your site. So therefore, you say, “Oh by the way, did you see this?”

You forgot to look at this house. You've been looking at a million dollars, we just got a new one.” And it pops up on your cellphone. You have actually digital [fancying] their own houses, so therefore if you're doing an open house and somebody has been on your site, if they were then say a mile of that open house, it will appear on their phone. Say, “By the way, do you know that there's an open house in this particular neighborhood that you live in?” The thing has just changed tremendously. Marketing and technology basically is the foundation of real estate now.

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**FT:** I'd love to transition, Bill, now to some of my financial questions I ask all of my guest on the show from Tony Robbins, to Margaret Show, to now Bill Raveis. Starting with your financial philosophy, perhaps as it pertains to real estate, if you had one, what is it?

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**BR:** You deal in cash. When you take all your risk, you make sure you put enough cash available to take the risk. We have 110 offices, we got 4,200 people working for us and we're growing and I'm actually will be opening an office in Florida in two months. But you don't take this risk anymore unless you've got enough cash to sustain the risk. For instance we open our office in New York City. That's a slow rose. We're the first company ever that came out, out of the city to open up a company in the city. It's a slow rose so therefore you got to spend some time and capital to get through the marketplace. Cash is king more so than leverage. Leverage, you can get some property, you can get into some problems and I've done that and I've been in those problems. I'm never going to go do that again. Cash is really you're taking your risk, make sure you got the cash to take the risk.

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**FT:** I like that. Speaking as the man who borrowed \$2,000 to launch his firm. That's probably not the kind of risk that you're talking about.

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**BR:** No. Then that was easy. Now, today is harder because everything is just turned on to technology and marketing. Therefore you got to reinvest a lot, your infrastructure has got to be very, very – it's a heavy infrastructure investment. When you go into like New York City, it's millions of dollars and you just got to make sure you're not leveraging yourself, that you're using your own dough.

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**FT:** What was your exposure to real estate and money growing up, Bill? I ask my girls all the time, “What's the pivotal financial experience that you had growing up, that really shaped the way that you behave with money today, or even within your industry, look at real estate?”

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**BR:** That's a good one and I really thought about that when I was looking at that. I said, “Let me just think about that.” The first thing that pops in my mind was when I was a news boy, a newspaper guy. I used to deliver newspapers to people's houses in the neighborhood. The thing we also did, too, is we collected newspaper and went to the local scrap metal place and got a dollar for every £100 that we would collect back. I remember knocking on doors and one day there was this place, “Oh, yes I have some newspapers that I've been saving down the days. You can have them.” It's the entire basement and I made about \$50 from taking her newspapers and bring it.

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**FT:** Nice.

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**BR:** The thing that I learned is more doors you knocked on, more newspapers you can get from their houses and deliver to the scrap metal and the more money we'd make. Prospecting was really very, very early in my career and I figured out the more I touch people, the more influence I had within the neighborhood, the better the opportunities I had in terms of making money.

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**FT:** And there began your entrepreneurial pursuits.

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**BR:** That's correct. It's all about prospecting. The series of influence, the people you know.

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**FT:** What's a failure that you experienced along the way? A stumbling point as you were building your business?

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**BR:** Well, what I did was Angie's List. I'm sure you're familiar with that where they do all the services around the house, you call contractors.

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**FT:** Sure.

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**BR:** I, along with the private equity firms raised \$40 million to sell the services online or around the house whether it be utilities, telephones, roofers, gardeners, electricians, etc. When you bought a house, you will have an online component that you can go search for these other things and I built up a software company which I took out of my real estate company and got \$40 million from private equity to build this thing on a national basis – which we did. That's something about 250 real estate companies along with several thousand agents on this system. The private equity guys kept on telling me, “Ramp this thing up faster.” Usually I build for these over a slow growth. Well, they wanted in and out for years.

What happens, we spent \$40 million in three years. They eventually sold – the company that I was using for the technology, they owned and they uploaded that company to another company called CMGI and made \$800 million doing that. Therefore, I was looking for my third trench after the \$40 million and I said, “We're finished.” Basically the company went broke, but they made \$900 million. The interesting lasted on financial engineering, they used our company to support another company that they had that they uploaded and meanwhile to reinvest back into the company that we had was really [interest] in that. I learned a lot on that one.

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**FT:** Also a learning lesson in who to trust, sounds like.

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**BR:** Probably if I were to finance, if I were the private equity guys, I probably would have done the same thing because it was all about money, and nothing about survivability of anybody's company. Can they push me real hard to do something in three years, what I probably would have done in 10 years? As a result of that, I lost that company. The real estate company would have no effect, but I had a separate company that basically went bankrupt.

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**FT:** Let's flip it and talk about success, Bill. Your body of work, your decades of experience, and in business experience, and in real estate is accomplishment speaks for itself. But if there was a moment throughout the years that you felt was a bit of a pinnacle, a financial pinnacle for you, what was it? And take us there.

[00:20:11]

**BR:** I don't know if I can ever say there was a moment for a financial pinnacle. The moment that really made this company and still makes this company that I view, the people that work for me as my customer. My job is to help them succeed and if I help them succeed, I succeed. That is

the culturally vetted within this company. Therefore the financial success is always there. You had to come up with a cultural philosophy that ensure your financial success. So, there's not one moment, it's just that moment. What you do is you keep on pushing that model. Right now we have 115 offices, 4,200 people and that model still exist from the day I was above a grocery store. It just keeps on growing, and growing, and growing. There's no like big home runs, but I've hit, it's just the smaller singles I've hit for 41 years.

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**FT:** So throughout the years there have been some pretty good habits, I suspect, that you've incorporated into your practice in your financial life. What's your number one money habit?

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**BR:** I look at my cash all the time because I have work – in late '80s which was a very, very difficult time for the real estate business, Trumpman broke, there are a lot of folks that were going down that were in the real estate business. I own shopping centres besides the real estate company and those shopping centres were killing me. I had to go through workouts with banks. Therefore I was borrowing a lot of money and like my accountant said to me, “You think you borrow money and it's your money. You got to go pay it back.” Okay, that's a lesson I had to learn back in the '80s.

Therefore, learning the lesson that leverage can hurt you and you're going to deal with banks, it's something that I'll never forget. Therefore, our leverage is minimum now and cash is really part of our scenario. If we've got enough cash, we're doing it, if we don't have enough cash, we're not doing it. Even though I have credit lines because we have a mortgage company of \$300 million, but we use the credit lines properly. But our cash – I always sleep with my cash than my credit. It's always there.

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**FT:** Well, even as a home buyer, I know, you know, that when you go in with cash, that gets you a lot of leverage. What would be your number one bit of advice for a first-time home buyer?

Maybe it's a mistake that you see happen too often that you'd like to address, or something that is related to the current marketplace and how young buyers can take advantage of it?

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**BR:** Yes. First of all, most of the times, don't use your friends to buy a house. Most of the people in the real estate business aren't well-suited for the real estate business. I'm not saying it negatively. A lot of folks just don't spend a time at really understanding the business. Therefore, if you're going to get somebody to represent you, either buyer or seller, interview people. Interview two or three people and understand who they are, because the people that represent you, basically either help you succeed or fail. That's the piece of advice. Make sure the people you're associated with know what they're doing.

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**FT:** Yes. Any red flags that the person you're working with is not the right person for you?

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**BR:** Ask him what a square foot price is for a house and they say they don't know, then that's a very good sign that they don't know what...

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**FT:** They don't even know the basics. Right.

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**BR:** That's correct. Everything is on the internet now. You can actually do a lot of homework on the internet by yourself and if somebody is not as informed as you are because you're doing your homework, is not somebody you want to be associated with.

[00:24:13]

**FT:** But the good ones are out there, so just keep pushing.

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**BR:** Yes, you got to interview. You just got to see how well-informed they are because you should be informed yourself. You should be getting on Raveis.com would be an example. We have all the data there about all the houses, all the communities, everything is there. Do some homework first before you hire somebody.

[00:24:35]

**FT:** This is the section of the interview, Bill, where we do some fill in the blanks and I sent you the fill in the blanks ahead of time, but hoping we'll have some fun with this.

If I won the lottery tomorrow, unlimited number of dollars, the first thing I would do is \_\_\_\_\_.

[00:24:52]

**BR:** Well, I'll spend it on myself, that's for sure.

[00:24:55]

**FT:** You're the first person to ever say that. I often get, "Well, I'd give it to my family. I'd buy a house." You'd spend it on yourself, good for you.

[00:25:04]

**BR:** Yes, that would be first. I've got it at anyway, I can do it anyway, so I don't need to hit the lottery. But yes, why not enjoy your life, enjoy yourself and your family of course, too. Then if you got a certain – cancer research is a big deal for us. My wife has leukaemia, so we've been very involved with cancer research. That would be first, on us, second on my family and then third on some sort of organization that you really enjoy being associated with.

[00:25:35]

**FT:** Excellent. The one thing I spend my money on that makes my life easier or better is \_\_\_\_\_.

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**BR:** My wife.

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**FT:** Your wife or your life?

[00:25:46]

**BR:** My wife.

[00:25:47]

**FT:** Your wife? Happy wife happy life.

[00:25:49]

**BR:** She's a nurturer, I love her very much and she does really nothing she can ask for that I wouldn't...

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**FT:** Wow. Must be nice married to Bill Raveis.

[00:26:03]

**BR:** Well, maybe it's nice being married to Candy Raveis.

[00:26:05]

**FT:** Oh! That's a wonderful, wonderful answer.

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**BR:** It's true, by the way.

[00:26:12]

**FT:** Yes, I believe you. Here is the next one.

My biggest splurge, my biggest guilty pleasure that I spend a lot of money on is \_\_\_\_\_.

[00:26:21]

**BR:** I was thinking about that. I don't have any. I won't do anything that makes me feel a little guilty.

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**FT:** Well, perhaps I should rephrase. Something that you indulge in?

[00:26:31]

**BR:** I like cars.

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**FT:** Okay.

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**BR:** I have four Bentleys.

[00:26:37]

**FT:** Because one can never have enough Bentleys. Why would you have two when you can have four? Are they all different colors? They're all unique?

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**BR:** Yes, they're different colors, different makes. That kind of stuff.

[00:26:48]

**FT:** Alright. See? I knew you had a good answer.

When I was growing up, I wish I had known this about money: \_\_\_\_\_.

[00:26:56]

**BR:** Well, if you're going to borrow it, you got to pay it back.

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**FT:** Yes, you mentioned that. That was a hard lesson for you, wasn't it?

[00:27:03]

**BR:** Yes, that was a tough one. Yes, sir. I always thought – well, that's my accountant in the office says, "You thought the bank's money was your cashflow? It's not. It's their money. You got to pay it back."

[00:27:15]

**FT:** Believe it or not, that's still something that doesn't click for a lot of young borrowers, first-time borrowers.

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**BR:** It's a big deal.

[00:27:24]

**FT:** Yes, "I have to pay this back on time." Yes, you do or they come after you.

When I donate, I like to give to \_\_\_\_\_ because \_\_\_\_\_.

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**BR:** Damon Runyon Cancer Research Fund. I give 100% of the money to budding scientists. That's our cause. Yes, cancer research is the big deal for us.

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**FT:** And last but not least, I'm Bill Raveis, I'm So Money because \_\_\_\_\_.

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**BR:** I don't understand that one.

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**FT:** "So Money," it's a catch phrase and really it doesn't have a single definition. We like to say on the show that it means that you're doing great things with money, you're financially fit, it's another way to say you're financially fit, or you're very accomplished, or your life is good.

Anything that equates to that. I'm So Money because perhaps I'm doing this podcast and I can get to connect with so many amazing smart people everyday and learn.

[00:28:25]

**BR:** The thing that I like is that we have a family business and I have the ability because of the financial resources of the company to pass this to the next generation and for them to pass it to their generation. We have a vision. I've always had a vision when I was 27-years-old, to make sure that this would be a family company and that my kids could pass it to their kids. We're building something that is important for all the Raveis family to say [live in a bus].

[00:28:55]

**FT:** Wow.

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**BR:** It's an important thing that it's passed on and we have the financial resources to do that and to make everybody secure while they're working here.

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**FT:** It's a wonderful story. A great American slice of life story. Bill, thank you for spending time with us and sharing your insights, and your advice. We have a lot of...

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**BR:** Well, read my book. Read my book *The Way of the Entrepreneur* is coming on September. Go to Amazon, just put "William Raveis" in there and it will give you the 41-year history of this company.

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**FT:** Thank you so much, Bill. We will check that out, *The Way of the Entrepreneur*. We'll have that on the website and good luck to you.

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**BR:** Thanks. Enjoy.

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**FT:** That is a wrap. If you'd like to learn more about Bill Raveis, his website, Raveis.com. He's on Twitter at @WilliamRaveis. All this information at Somoneypodcast.com where you can also find the transcript and comments from this episode and all previous episodes. As a reminder, Bill's book *The Way of the Entrepreneur* comes out in September.

And if you'd like to connect with me either through the show or one-on-one, here is how to do it. First, if you'd like to connect with me and send me a question to be answered on the show, you can go on to Somoneypodcast.com, click on "Ask Farnoosh" and submit your question there. Every weekend, I answer your money questions. Then if you'd like to connect with me one-on-one for a free 15-minute money session – I can't give away too many of this – but every week, I do give away one to a lucky listener. The way to qualify is to hop on to iTunes and leave a review for this show.

Once you do that, stay tuned for the Saturday episode where I'll pick one new reviewer, and that person and I will have a 15-minute money blitz for free. So if you're interested in that, I hope you'll do it. Thank you in advance and thanks for tuning in everyone. Hope your day is So Money

[END]