

“Success Spotlight – Meet Rachel Gerstein”

by Todd Viani

Rachel Gerstein grew up in New Jersey, went to law school in New York and is 100% Californian. Rachel says she became an “LA addict” when she moved to California from the recession of New York after completing her law degree at Fordham University.

Early Years

Her childhood was spent in Montclair, New Jersey where Rachel says she became fascinated with the architecture of homes and that translated into a love for residential and commercial real estate. “None of my family members know where my love for business or real estate comes from”, she claims. Her father is a radiologist and her mother is a speech pathologist. Rachel is the second of four children. Both of her brothers live in Los Angeles while her sister and her parents still reside on the east coast.

Rachel was a tennis player in her youth and had a sideline passion to become a sports agent. At the age of 15 she began traveling the Professional Men’s Tennis Tour during the summer, and by 17, she was working with NBC sports as a tournament liaison. Besides earning money while doing something fun, like watching tennis all day, Rachel was able to travel the United States and Europe. Rachel socked her “NBC money” away and used it to purchase her first property.

First Opportunity

After graduating from Brown University, Rachel moved to New York City to attend law school at Fordham. New York City was in the midst of a recession and Rachel saw an opportunity to purchase a piece of property. She had the down payment, but without any credit history needed her parents to co-sign the note. They balked, fearing that Rachel would either get trapped in New York or be unable to make the monthly payments. Rachel was discouraged, but in hindsight says her parents were right and their decision freed her up to move to Los Angeles when she passed the bar exam.

Upon arriving in Los Angeles in '94, Rachel used her schooling to land research jobs with film and music companies. A year later, she got her real estate license and began working for a friend who had a business purchasing and managing property in Arizona, Nevada and Texas. Rachel now found herself doing what she always wanted and quickly familiarized herself with the nuances of real estate.

By late '95 she was ready to make her first deal on her own. Rachel says, “You don’t fully grasp the business until you own your own property.” This thinking led her to her first purchase of a \$10,000 condo in West Los Angeles. It was a foreclosed property, and she did not believe the market could go down any further.

First Big Risk

In 1998, Rachel moved to Hollywood and has been here ever since. There was something about the buzz of the city that attracted her enough to make it her new home. Soon, she was looking for her first multi-family purchase. Rachel found an 8-unit complex in Hollywood and made an offer. She told me that the apartment market was depressed, but the numbers just made sense. Using \$20,000 of her own money earned from commissions from other deals, \$40,000 dollars from credit cards and a 10% seller carry back, Rachel made the deal and it’s been a great building for her. She added, “We have only had one turnover in five years. Half of my tenants in this building are Section 8 and they are great tenants.”

A few more commissions later in the year enabled her to buy a home in Hollywood. When asked if she was overextended she replied, “Very”. However, Rachel says that after she bought these properties she was elated “and even with all of the leverage, I was still in a positive cash flow position.” She added, “You have to be able to stomach leverage or you are in the wrong business. I was so young in 1998 that I thought if everything goes wrong, so what, I’ll just rebuild.”

On Her Own

In 2000 Rachel came to a turning point in her life. She wanted to go out on her own, but wasn't sure if it was the best idea. Rachel turned to an old friend for advice and he encouraged her to go into business for herself and stay with real estate. Rachel listened and started the Gasworth Brokerage Company, named after her grandmother.

Her enthusiasm for real estate caused her to start giving in-home classes called "salons" to her friends. Rachel would have 10-15 people over for an informal tutorial on real estate basics. She said, "I wanted to involve my friends and family in the viability of income producing assets." By now the market had shifted and her properties were experiencing a rise in values.

A Family Affair

Rachel is not afraid to take risks, but if the numbers don't add up it is time to walk away. Rachel began investing with her family in 2000. In late 2000 her family purchased a 22-unit building in Atwater Village for \$1,400,000 with 25% down.

In 2001 they added a 25-unit in Hollywood for \$1,475,000 and a 28-unit in Glendale for \$2,400,000 each with 25% down. Rachel tells us "2001 was a crazy time when real estate got really hot. I really didn't care if the market slowed or even went down, because these were positive cash flow purchases and we were planning on holding the properties for the long term." Atwater Village is made up of mostly 1-bedroom cottage style units. Rachel is currently working with the city to beautify the Atwater property and expand the property units to add 12 loft-style residences and says "As an owner of multi-family properties, I feel it is important for me to increase the aesthetic appeal of the community by upgrading my properties when feasible." Rachel and her family own and manage a total of eight properties together all purchased within the last three years.

Current Investments

This year, as prices have continued to soar and inventory has remained low, Rachel has been careful to scrutinize her purchases. However, a 15-unit Pacoima property for four times gross has caught her eye. This building closed with the seller carrying \$50,000, a 10% loan, and Rachel putting 19% down. Once again, the numbers just made sense to her.

Her firm is close to closing escrow on their first commercial property. A mixed-use property in Hollywood. The building will provide space for her newest venture, Rentbox.com a web-based property management and marketing system, as well as house a myriad of other businesses.

Market Outlook

When asked about the market being overpriced Rachel responds, "When we bought the Glendale property in 2001, people said the market was high. I've seen nothing in the market to concern me. Most of Los Angeles is under rent stabilization so there's room to grow. I'm a long-term buyer, not a flipper, so when I analyze a piece of property I ask myself if I want it for the long haul. I also have a cushion, because I always price my rents a little under market. California is one of the few places all types of people want to live. Many of my tenants are transplants that came here chasing their dreams. California provides an unsurpassable lifestyle. Because it is such a high demand location, there are few places to build homes and therefore, you have to buy the existing structures."

Indeed times are good in real estate. Rachel recalls another owner saying to her, "I wish we could move the clocks back a few years and do this all over again."

Parting Thoughts

"You don't have to be Einstein to be successful in real estate. A lot of it is feel and knowing your neighborhoods. Also the numbers are one thing and the tenants are another." Rachel adds, "If you cannot change a bad tenant situation, it is a deal breaker and you have to walk away. I love creating with my buildings. When I look at a space I try to envision what I can do with it in a few years and ask myself if this is the best use of the land for this property." Rachel summed up her philosophy on life saying, "Anything you do in life has to be done with passion or it's not worth doing."