

apartment management

HOUSING TRENDS | BUSINESS RESOURCES | LEGAL Q&A | ENERGY | LOCAL POLITICS | RESIDENT RELATIONS

the cost of excess

Waterwaste Can
Overflow Your Budget

Efficiency Now—
Or Government
Mandates Later

plus:

Go Sasaki: Resourceful
Real-Estate Investor

Streamline
Your Business

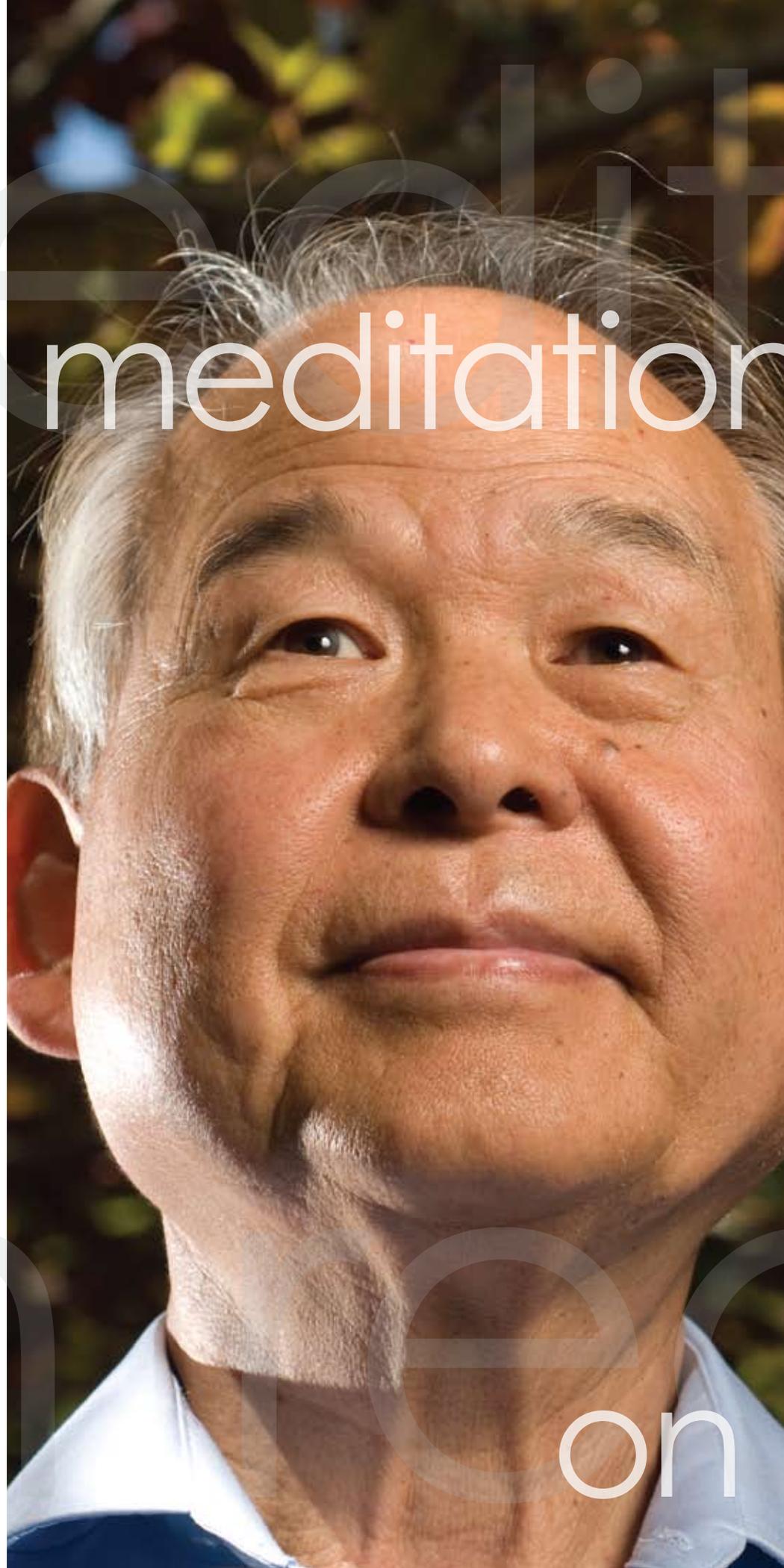
CAA Tri-County
June 2009
\$7.00

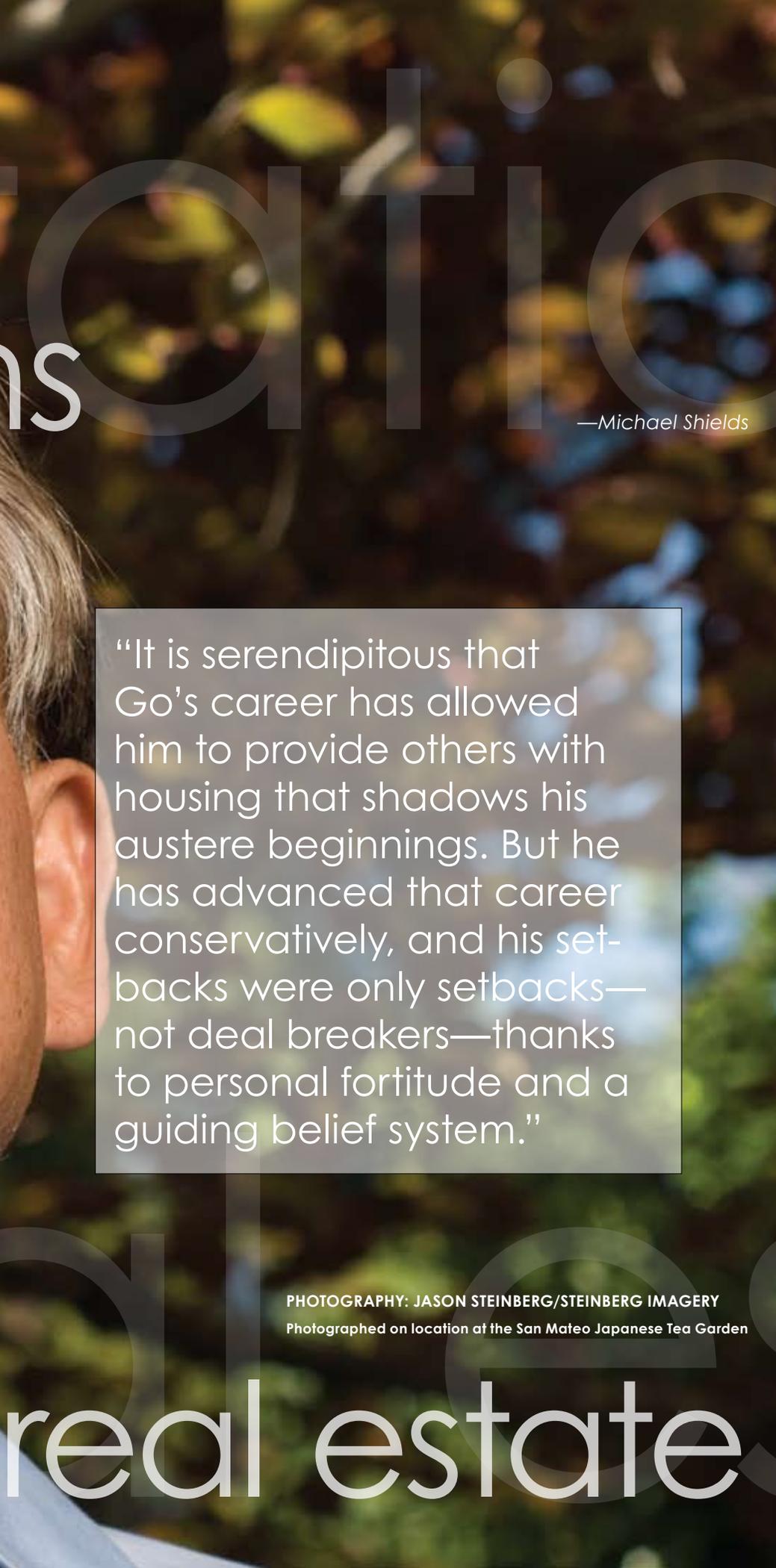
As real-estate values fall and foreclosures rise, Go Sasaki is experiencing something akin to a past life. "We took a beating," he says, with shifts in the market and the learning curve that is often a rite of passage in the real-estate investment business. But Go is referring to the early 1980s, not today. "I made so many mistakes," he says with a smile, as he recounts story upon story of investments turned sour and others that bore fruit. Go, a quiet, humble man with a beaming smile, was reluctant to be interviewed, but his experience and its relevance to today's real-estate market proved too compelling to ignore.



Born in post-war Japan, Go was raised in a one-room home. "They were like barracks," he shares. "You could feel the wind blow right through." When he first came to the United States, the housing amazed him. To a person whose family literally ate, slept and entertained in the same room, a three-bedroom house was "luxurious and humungous." It is serendipitous that Go's career has allowed him to provide others with housing that shadows his austere beginnings. But he has advanced that career conservatively, and his setbacks were only setbacks—not deal breakers—thanks to personal fortitude and a guiding belief system.

"When I started, I didn't have a mentor or a financial backer, so I had to struggle,





ns otic

—Michael Shields

“It is serendipitous that Go’s career has allowed him to provide others with housing that shadows his austere beginnings. But he has advanced that career conservatively, and his setbacks were only setbacks—not deal breakers—thanks to personal fortitude and a guiding belief system.”

PHOTOGRAPHY: JASON STEINBERG/STEINBERG IMAGERY
Photographed on location at the San Mateo Japanese Tea Garden

real estate

learn by myself, read a lot of articles,” he notes. The irony was that Go’s mistakes led him to become one of the more successful investors of multifamily properties in the South Bay, with five apartment buildings totaling more than 300 units.

Yet it seems an unlikely career for an engineer with a PhD from the University of California, Berkeley. After graduating in 1973, Go married his wife Kay and moved back to Japan. But he soon returned to Northern California to work in iron and steel with Bechtel. “We loved it here,” he says, and soon thereafter he became a proud father of a son and a daughter. Ultimately though, and despite job offers in engineering out of the area, what Go wanted was not to leave the area but to leave engineering. He followed his interests into real estate, where he joined Kay, who was already working in residential real estate. Almost immediately, Go was drawn to the investment side and discovered a strong desire to be self-employed.

His investment career began small with a house, then a duplex, then a fourplex, and soon his path became clear. He loved providing renters with a good home. He admits that growing up in Japan had a



profound impact on his business. “Some of my best deals were found after returning from trips to Japan, where everything is packed so tightly together,” he explained. “That gave me a better appreciation of



the properties and land in the Bay Area. So I bought more."

In the early 1980s, Go formed joint ventures with a small group of investors and in so doing founded Altos Associates/Sasaki Investments, which still operates today. He and his group were ready to buy properties locally, but the market had a different plan. In 1978, the average price of a San José home was \$30,000 to \$40,000, but by the early 1980s that price more than doubled to a staggering \$70,000 to \$80,000. Since rental rates would not cover his mortgage payments, Go began looking for property out of the area and ultimately decided upon Phoenix. Leading his investment group, Go purchased a 75-home community and a nearby retail strip mall. In Phoenix, Go learned some of his most important lessons. One was the cost of tenant turnovers. Repairs, carpeting and painting—all normal wear and tear as rentals shift from one tenant to another—depleted cash flow. In 1983, this led Go and his investors to sell their Phoenix

homes, and in so doing barely preserve their initial capital. Go and his team did not fare as well on the strip mall. Within months of purchasing the retail property, an office complex was completed within just a few blocks and lured his tenants away. With an unanticipated high vacancy rate and unable to make the debt service payments, the investors ultimately relinquished the property to the seller. "We took a beating on both projects," he said. But what Go lost in money, he gained in experience. By the end of 1983, he was back in the Bay Area to begin again. This time his timing was excellent.

After the run-up in home prices, the Bay Area—much like this market of late—was overheated. Moreover, rampant inflation had caused interest rates to rise to 17%. The combined effect of high home values and high interest rates spurred a wave of foreclosures mirroring today's rush. Go kept a close eye on fundamentals, changed his strategy and turned to foreclosures. "Foreclosures are a lot

of work," Go contends, "with notices of default, trustee sales and of course the delays." His advice is that "you have to do your homework and know the values!" Go did his homework and made good buys by participating in auctions on the courthouse steps in San José, Oakland and Redwood City. In three months, he had flipped three projects and was back on a strong financial footing. By 1985, however, the foreclosure market had become overheated, and properties were being auctioned at market value. So Go stopped buying. "Sometimes," he observes, "the best deal is the one you don't make."

Go then focused his efforts solely on multifamily properties. In 1985, he bought a six-unit building in Sunnyvale. He refurbished the property, raised rents, refinanced and used the profits to expand his investment group's multifamily portfolio. This strategy continued until the 1986 Tax Reform Act unraveled Go's limited partnerships by no

Meditations on Real Estate ...continued on pg. 52

Management
Investments
Sales
Consulting

Serving San Mateo, Santa Clara and Santa Cruz Counties since 1993

1098 Foster City Boulevard, Suite 301
Foster City, California 94404
650.578.9661 • eprodesse.com



DECK WATERPROOFING & RESTORATION SERVICE



Licensed • Bonded • Insured

We cover the entire Bay Area Serving Apartments • HOA's • GC's
RMO has 29 years experience in this field

Call for a free quote 888.909.9229

925 Lakeville Street, Suite 400 • Petaluma, CA 94952 | Lic. No. 918434

Meditations on Real Estate ...continued from pg. 16

longer allowing passive investment losses to be written off against active income.

Go then disbanded the investment group and continued on his own, buying and refurbishing apartment complexes, improving their cash flow and refinancing. Sometimes the market won, like when competing offers led him to pay too much for a property. Then, like now, fundamentals were in a downturn, and the complex did not generate the anticipated cash flow. "I got wrapped up in the competition; but if you don't over-leverage and you persevere for a few years, you'll be okay," he points out. Go did just that, by waiting the market out, improving the building along the way and ultimately turning a profit when he did sell.

Sometimes the market shifted significantly in his favor. In 1997, just as apartments were heating up, Go signed an option to purchase a 77-unit building in Mountain View. By the time he exercised the option in 2002, values had skyrocketed and Go was able to finance for well above original value. With a hefty profit, he purchased additional properties in the area.

In 2001, Go looked once again at the market and made a shift. "As you get older, you look for more quality-oriented projects," he stresses. "Santa Clara County was good because it was the center of high-tech and had a better infrastructure with more jobs and better schools." He exchanged his smaller properties on the Peninsula and the East Bay for larger properties that were closer to his home and office in Los Altos. Over the years, Go has honed his strategy to reflect a common theme heard among successful investors: know your market and stay close to home.

But Go is quick to share the credit for his success. He fondly refers to his wife's organizational and management abilities. "Kay manages all the properties. I could not do this myself," he shares. Go also quietly admits that his upbringing in Japan and his belief in Buddhism play a very strong role in how he operates his business. He

also believes that keeping harmony with employees and tenants is good for business and one's well being—a philosophy founded on Buddhist teachings.

Today, Go spends his time looking for opportunities, analyzing prospective properties and, when the time is right, buying or selling. But despite a strong work ethic surprisingly influenced by John F. Kennedy's inaugural speech back in the 1960s, Go finds time to volunteer at the Buddhist Temple in Mountain View, play tennis, hike and mushroom hunt, collect Japanese woodprint art, and—as of recently—to learn to play the piano. And, of course, he spends much time with his family. His children, whose photos and accomplishments he's quick to share, lovingly refer to him as a “kind and generous father and a good friend.”

“I would do it all over again,” observes Go. To new investors, however, he encourages careful due diligence and detailed consideration of all the costs of a property before buying, “because investments don't always work out as you expect, and you can't control all of the factors influencing a tenant's decision to stay.” Go maintains that “you don't have to do it alone.” Go has been a member of the Tri-County Division of the California Apartment Association since 1977 and thinks it is an invaluable resource. In fact, Go's only regret is that he didn't volunteer what little time he had to help new members find value in the organization's information, resources and professional recommendations.

And even today, in one of the worst real-estate markets in recent history, Go is optimistic and believes there is great opportunity. “There were so many Wall Street investors buying in the last few years. The competition was too fierce,” he complains. “Now, values have dropped and investors can fulfill their dreams if they are okay with hard work and don't over-leverage. It is a great business. Everyone needs not just shelter but a place to call home.”

Michael Shields, CCIM, CCRM, serves as a senior investment advisor for Sperry Van Ness. He specializes in marketing multifamily properties and distressed assets in Silicon Valley and publishes a quarterly newsletter, Advisor Insights. He can be contacted at michael.shields@svn.com and (408) 354-7470.

CAA tri-county membership application

Quality Housing | Ethics | Professionalism Information | Compliance

In the competitive world of rental housing management, membership in the CAA Network provides you with a unique advantage because your membership includes local membership in the Tri-County Division, the California Apartment Association and the National Apartment Association. Your local association is at the forefront of the rental housing industry and works in concert with the state and national associations to provide you with your membership benefits.

We provide our members with the resources and knowledge to operate their rental properties efficiently, ethically and profitably. By becoming a member, you are protecting your investment.

KEY MEMBER BENEFITS

- Free Subscription to Apartment Management
- Free Legal Forms
- Discounted Tenant Screening
- Discounted Group Workers' Compensation Insurance
- Legislative and Government Relations
- Advice and Guidance
- Education

CONTACT INFORMATION

company		
contact person		
title		
address		
city	state	zip
business phone		home phone
email address		website

COST

base dues	\$207.00
number of rental units = _____ x \$5.51 per unit =	
voluntary contribution CAA PAC base donation number of rental units _____ x \$1.00 per unit =	\$ 45.00
voluntary contribution (CAA legal fund)	\$ 30.00
online form service (optional)	\$ 59.00
TOTAL AMOUNT	

PAYMENT METHOD

check	mastercard	visa	american express
card #			exp.
cardholder name			
authorized signature			

20863 STEVENS CREEK BLVD. | STE 250 | CUPERTINO, CA | 95014 | FAX 877-999-7881