

Rustling Up Home Sales

Syd Leibovitch built Rodeo Realty into a regional powerhouse.

By Eric Billingsley

In the early 1980s, Syd Leibovitch and a former college roommate were looking to make a little extra cash during the summer, so they took the California real estate licensing exam together.

Leibovitch passed the exam, even though his friend did not, and decided to work at a real estate company during winter break from UCLA. At the age of 23, he sold four houses in three weeks at a time when interest rates were about 18 percent.

He was hooked, and quickly became a top producing agent. "I was planning on going to law school," he said, "but I was making so much money and loved what I was doing I decided to stay in real estate."

He founded Paramount Properties a couple years later, and grew that business into one of the largest independent realty firms in California, Bel Air-based Rodeo Realty. The firm now has 12 offices in Los Angeles and Ventura counties, more than 100 employees, and about 1,000 brokers and agents.

Leibovitch, now 48, also has two affiliated companies, L.A. Mortgage and Encore Escrow Co. And while 2007 was a rough year for Rodeo, he said 2008 and 2009 have been stellar and he has big plans for the firm in 2010.

What got you hooked on residential real estate, beyond the money?

Answer: It was fun. I would show homes, sell homes, and not only did clients get a good house out of the deal, I made a lot of friends. For many of my former clients, the bulk of their net worth is from houses that I sold them. I started out selling in the Valley and as time went on I focused more of my energy on high-end homes in the Valley and some on the West side.

Compare and contrast the residential real estate business today to when you got started.

A: It's very similar, because it's still a people



business. Now technology makes it a lot easier to market homes. Back when I was getting started there was no Internet, cell phones and e-mail. But there's so much technology today that some agents forget about the fact that this is a service and people business. They end up spending more time on their computers than getting out there and working with people face-to-face.

Homes are all different...the lots, setup and décor. And looking at a house on a computer compared to touring it in real-life is a very different experience. I don't think Realtors are as knowledgeable as they used to be. But the benefit is they can work a larger area. And used right, technology is awesome.

Believe it or not, it's easier to get loans now than in the 1980s and 1990s. FHA goes up to \$729,000 with 3.5 percent down. There was no financing like that back then. But stated income loans are harder to get, and that's something I haven't seen in my 26 years in the business. I think stated income loans will come back though.

Why did you start your own real estate firm?

A: I had been an agent for only two and a half years before starting Paramount Properties when I was

25-years-old. At the time I talked a lot about how I wanted to run a firm better and different than others out there.

I created the company to have all of the benefits and services Realtors need. We currently have our own print shop, marketing department, public relations people, and Internet advertising department. In real estate, it's important for agents to feel like they have more support than just, 'Here's your desk and phone and good luck.' I'm not knocking the old company I worked for, but I didn't feel like they had the vision or desire to give great customer service and get to the next level. When a client is taken care of, we get taken care of automatically.

What have been the stages of Rodeo Realty's growth?

A: In 1986 it was just me. By 1990 I had more than 90 agents and opened a second office. In 1994 we were up to 150 agents and opened a third office. By 1996 we had 240 agents, and in 1998 opened another office. Between 2000 and 2006, we opened the rest of our offices to bring the total to 12. We took on the Rodeo name in 2001.

Rodeo has also increased its number of agents in the past couple of years. Our sales volume is 30 percent higher than the peak of the housing bubble in 2006. And what has grown the company lately is the fact that while many other firms are cutting back we've hung in there and increased our marketing and advertising.

What led to the housing bubble burst?

A: The availability of sub-prime loans, and letting unqualified people buy houses. Mortgages were available to practically anybody who could sign on a dotted line. This created more buyers than sellers and demand outpaced supply. The drop was so much bigger because they took away those loans so quickly, and there was not a plan in place to soften the blow.

At the end of August 2007, you could get a 0 percent down loan. Literally within a day it shot up to buyers needing 20 percent down. Also, FHA limits did not increase until approximately May or June of 2008. This helped bridge some of the gap but it took many months. During that period, prices dropped 30-40 percent in many areas, especially in homes under \$1 million.

The bubble also couldn't have happened without rating companies. Mortgages were bundled into investment vehicles that were then financed by other investment vehicles (mortgage backed securities).

The rating companies rated many of these investment vehicles as "safe" when in fact they would

have never made those loans if they had to keep them. We should have never allowed sub-prime. But once we did, it changed the whole pricing structure. And taking it away shocked the market and led to a re-pricing.

Has residential real estate in the Valley hit bottom?

A: I think in the homes less than \$800,000 category, prices are above the bottom we experienced back in March and April. But part of the reason prices went up is because lenders held back many of the foreclosures. When those foreclosures are released, we'll see a bit of settling. But I think prices will still be higher than they were in March and April.

What's in-store for high-end home sales?

A: I think it's going to continue to drop until June. It always follows the low-end markets. There are a lot of high-end homes in foreclosure, now that many people's 20 percent down is gone, or almost gone. When all is said and done all houses will be worth 30 percent less than the market peak. And that's when they will start selling again.

But if you think about it, prices will still be almost twice what they were in 1999. The people who bought between 2004 and 2007 are victims of bad regulation and many of these people have been wiped out.

And commercial real estate?

A: I think it's going to be very difficult. Rent are decreasing and re-setting from the peak in 2007. And decreasing rents mean decreasing prices, because property values are based on income. Cap rates are also going to increase, because people will want a high rate of return since they're not expecting a lot of appreciation on the property. There are going to be a lot of foreclosures; financing will be harder to find; and we're likely going to see more bank failures tied to commercial real estate.

Where does all of this leave Rodeo Realty?

A: We're going to have the best year ever because of the volume of sales. I have been saving to get through a hard market since 2005. In 2007, I thought the market was worse than imaginable. But 2008 and 2009 have been far better than what I planned for. Because of that, we are planning to open two new offices in 2010 on the West Side. We're looking at opening one office on the Sunset Strip and another in Santa Monica or Brentwood. I want to be the largest residential real estate company on the West Side by 2013.