

## Weekend Interview: BH Properties President Jim Brooks

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*[This series](#) gets into the heads of the decision-makers of CRE, the people shaping the industry by setting investment strategy, [workplace design](#), [diversity](#) initiatives and more.*

[Jim Brooks](#)' 30-year-old Los Angeles-based company, [BH Properties](#), focuses on distressed debt and value-add opportunities. With recession worries, high inflation and rising interest rates hanging over CRE, Brooks is watching and waiting.

"It may not be 'blood in the streets,' but the patient is hemorrhaging, creating investment opportunities for those with patient [capital](#)," Brooks said.

Brooks got his start in commercial real estate in LA in the [1980s](#), working for [Koll Development Co.](#) He went on to join the [Morgan Stanley Real Estate Fund](#) in the early 1990s, where he oversaw the restructuring and [liquidation](#) of a \$1.4B portfolio of [distressed assets](#), including performing and nonperforming [mortgage loans](#). His company has regional offices in Phoenix and Dallas and owns and operates nearly 10M SF across 19 states.

**Bisnow: Baron Rothschild once said the "time to buy is when there's blood in the streets." Where is the blood today?**

**Brooks:** Following a pandemic-fueled course correction, the real estate industry faces a transformational shift in how buildings will be used, valued, financed and transacted. Pre-pandemic it was retail, post-pandemic it was hospitality, today clearly it's office. Although much has been written about the discrepancy between Class-A, highly amenitized office buildings, and older Class-B and C properties, office is in triage. As the economic disruption expands and the long-awaited return to office drags on, whether you own it or have financed it, the office sector has become very challenged. It may not be "blood in the streets," but the patient is hemorrhaging, creating investment opportunities for those with patient capital and who are comfortable with demand drivers and alternative uses.



*Courtesy of Jim Brooks*

Jim and his wife, Kim, on a recent trip to Amalfi, Italy.

**Bisnow:** What is your most controversial CRE opinion and why are you right about it?

**Brooks:** Despite mandates to return to the office, the reality is with a remote workforce, population shifts and work-from-home arrangements that have become the norm, use of traditional office space has forever changed. Traditional office users have migrated out of CBD markets seeking lower density, highly amenitized space, in tax-friendly locations. The great return of vibrant CBD office locations will look much different in the future as companies reconsider their space needs and locations further accelerating the demise of Class-B and C office as obsolete.

**Bisnow:** If you weren't in real estate, what path would your career have taken?

**Brooks:** When I was much younger, I had always wanted to be a pilot, which I am not sure how that started as my father was a pharmaceutical salesman and my mother an English professor. Moving through high school though I always had an interest in drawing and sketching and thought a career

in architecture would combine those two interests. When I did not get accepted to Cal Poly's school of architecture, I decided to pivot and ultimately earned a degree in civil engineering from UCLA, exposing me to the design and construction field.

**Bisnow: If you could make one change to the industry, what would it be?**

**Brooks:** One change on the table is the potential elimination of or a significant reduction to the value of real estate that may be exchanged tax-free, under the 1031 like-kind exchange rule. Although the details surrounding this potential change and its timing are unclear, changes to this benefit would significantly impact the U.S. real estate industry. As an industry, we must continue to lobby to ensure this benefit survives.

**Bisnow: What is one thing you would do differently from early in your career?**

**Brooks:** Although I graduated with an engineering degree, I quickly knew that I didn't want to be working in an engineering capacity. I spent the initial six years of my career working for a general contractor learning the business side before an opportunity with a large developer presented itself. Although the experience provided a good foundation, I wish I had made the career switch faster and supplemented my background earlier with a better understanding of overall real estate analytics.

**Bisnow: As a leader, how do you decide who is worth mentoring and who is simply not a good fit?**

**Brooks:** The competition for talent has never been more challenging. The time we used to take to evaluate talent, before making a hiring decision, has been greatly compressed leading to some missteps in hiring employees today. I recall from my early days in the business, we would hire a pool of entry-level talent and assign them to different rotations and disciplines over 18 months or so designed to further evaluate and identify future contributors. For those that demonstrated leadership qualities, we would continue to mentor and encourage, for others their time was limited. Although some roles can be classified as more "commodity" our philosophy runs top to bottom. Everyone is a contributor, everyone participates, everyone is encouraged to present new ideas. When you create that type of visibility it becomes much easier to identify those with potential.





*Courtesy of Jim Brooks*

Jim with friends Mike Sadelik, Tim Kelly, David Rone and Louie Tomara at a popular Manhattan Beach restaurant.

**Bisnow:** What are your thoughts on the metaverse? Does it have any relevance for CRE?

**Brooks:** We have explored using the metaverse as a technology tool to connect people and offices and at this point have passed on integrating this technology across our five regional offices. The technology we have explored is still in its infancy stages and doesn't replace the relationship business the CRE business was built on. I would imagine as further advances are made it may have a place, but I remain skeptical.

**Bisnow:** What do you see as the lasting impacts of the pandemic on CRE?

**Bisnow:** The impact on our young people today that are graduating and starting out in their careers, are largely working hybrid schedules, and failing to benefit from the socializing and calibrating that



comes with working in an office environment. The potential for cultural erosion is very real and if not addressed through other creative means will be felt for a long time. It is unfortunate, but I know of many stories where young people today are simply not interested in working five days a week in an office and only interested in hybrid schedules even if it impacts their compensation. The proliferation of hybrid-related technology improvements, and flexible work-from-home schedules continues to promote these attitudes. Companies today need to acknowledge the trend and adapt at some level.

**Bisnow:** As you know, there is a massive conversation underway regarding advancing more people of color and women into the C-suite. What are you doing to address those voices and that movement within your own organization?

**Brooks:** As a father of two daughters, I agree that more can be done to advance careers for people of color and women in leadership positions. The advent of ESG (environmental, social and governance) is bringing to light some of these important initiatives and narratives. Our recruiting process and team works to identify qualified candidates irrespective of race or gender and encourages all qualified candidates to apply. We are providing more recruiting outreach to social platforms that largely cater to this audience as an adjunct to more traditional sourcing methods. I am pleased to see this issue come to the forefront, but we have a long way to go.

**Bisnow:** So, this is the weekend interview. What's your typical weekend routine?

**Brooks:** I try and not overschedule weekends since unstructured time is at such a premium. Dinners out with my wife and friends, walking our two dogs and playing the fastest-growing game in America — pickleball.