

# FROM CRISIS TO GROWTH

How Real Estate Professionals Can Cope With  
The Challenges of COVID-19 and Other Crises

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Preparation Matters

# FROM CRISIS TO GROWTH

## How Real Estate Professionals Can Cope With The Challenges of COVID-19 and Other Crises

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Written by Sheryl Sitman & Dror Gliksman, April 2020.



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## **Introduction**

We are currently in the midst of what is arguably the strangest, most stressful and interesting time that most of the people alive today have ever experienced. It would be fair to say that never, have we seen a phenomena that is so globally pervasive. Each of us, without exception, has found themselves thrown into the unknown. Who will survive? Who will emerge from this smarter, stronger and changed? Time will tell. No doubt many of us will be forced to face tragedy, most of us will experience some degree of hardship and hopefully more than a few of us will discover our abilities to adapt and thrive. In this book, we will help you to focus on how to manage through the crisis and beyond in your life as a real estate investor.

Shortly after the new reality began to set in, we started to re-evaluate our real estate investing strategy and to plan for the "day after". Our own backgrounds and experiences had perhaps prepared us a bit more than the average real estate investor to handle crises of this magnitude (combat military experience, life in a war zone with small children). We already started to talk about how we needed to prepare and adapt early on, before many people around us understood that a world crisis was about to land on their doorstep, literally.

### **Around the World in Thirty Days**

In early December, our youngest daughter completed her semester studying aerospace engineering in Arizona. She headed overseas to visit family and friends, flying through three major US airports within a period of two weeks. Upon her return on January 4, we headed for a family vacation in Belize. The morning we left, her throat started to hurt. Eventually, she developed a high fever while we were in Caye Caulker, a tiny island in Belize and then Sheryl followed suit. End of story? We thought so. But who knows now?

After Belize, at the end of January, we traveled to Israel, where we conducted a follow up meeting with a major investment fund with whom we were building close cooperation. The Fund has offices in Singapore and Switzerland. The meeting was a success and upon our return to the US in mid-February, we started to vet investment opportunities for them. When the first promising opportunity came to light, we shared it with the Fund manager. He had just returned

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from his Swiss office and was in quarantine in his home in Tel Aviv. Gradually, his enthusiasm about getting started turned to caution and then to a suggestion of “let’s hold off on any decision for now”.

Another small investor, who had instructed us just months before to source half a dozen single family homes in appreciating areas, went under contract in mid-February for a property in a newly gentrifying part of Philadelphia. It was a fantastic deal and we were all excited about it. Some issues came up in the title search and it took an extra week to prepare for settlement. That was enough time to sabotage the deal.

She was in quarantine in Israel after returning from Germany. At the same time, our son, who had recently started a job in the Vienna airport in Austria, was sent home. Sheryl expressed the urgency to the title company to minimize the delay as each day that passed would mean a bit more doubt in the investor’s mind. Then the day before settlement, in early March, the investor pulled out, even willing to lose her deposit money. She noted a fear of the unknown and the need to hold onto cash, given the situation.

### **A Life Spent Preparing**

While we were disappointed at these developments, we made sure to not waste too much time feeling sorry for ourselves or worrying. The behaviors and reactions we were seeing around us were familiar. As an Israeli, Dror lived through countless wars since he was a child and eventually as a soldier in Israel’s IDF. Even Sheryl, having grown up in the US but raising her family in Israel until several years ago, had managed to get some wartime experiences under her belt. We raised our children in Israel and lived in an area that was particularly vulnerable to violence for a period of time. In 2000, our young family experienced the strange blend of war in the evening and normal life during the day. For months, tanks were parked outside our home, machine gun fire was a constant evening sound and occasionally we needed to gather with our three children in our specially built shelter in the middle of the night. But during the day, we worked our 9 to 5 jobs, Sheryl as a marketing manager for an international communications company and Dror as VP for a leading data center. The good news is that we can attest to the

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resilience of people. When you are able to take the right approach and you have the proper support around you, what does not kill you, really can make you stronger.

### **Why This Book Now? Shouldn't I Focus on Staying Healthy?**

We hope that by reading this, it will help you to think in a way that pushes you to make better decisions and come out of the current crisis with new ideas, tools and increased confidence. In no way do we minimize the seriousness and difficulties that people all over the world are experiencing right now. We acknowledge that the loss of life is the saddest tragedy of all and that right now, we are all potentially vulnerable. Our intention in providing you with this book is not to suggest that anything is more important than your health and your life. But rather, if it is possible to learn to manage through this, to minimize the damage to your emotional and financial health and to even draw important lessons from the experience, then we have done our very small part. Our sincere hope is to make a small contribution to making it a little easier. You are about to find out just how strong a person you are and what incredible things you are capable of doing not despite crises but by virtue of taking this on and coming out of it on top.

There is no precise manual for managing through a crisis like this. We are not providing you with step by step instructions how a real estate investor can handle a pandemic. In this guide you will find discussions, examples and direction for managing through and developing appropriate responses and tools of your own. We hope to ignite your creativity so that you will find your very own special way to adapt to the change and leverage the opportunities.

It is precisely at these most critical junctions in life that you need to be capable of making decisions and not freezing. It is these types of moments when the winners leap ahead of the crowd. The tools and methodologies are out there for good business decision making -- all accessible to you and now put together in this easy to read format that will be your springboard to leap ahead and move forward from this turning point in our history. So let's get to it and start building your pandemic pivot in real estate.

If ever there was a time to think strategically about your finances and your investments, now is the time. Most of us have an opportunity to slow down, evaluate and make better decisions.

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While we wish these circumstances were not due to a global health crisis, we can still take advantage of a very unique opportunity to take our foot off the accelerator of life and re-evaluate our strategy and next moves. The President has been describing the COVID-19 pandemic as a war. Slowing it down and eventually stopping it requires military style thinking and planning. A good operational plan must be dynamic, based on data, statistics, trends, expert opinions, research, crowd wisdom, reconnaissance and creativity.

So let's get to it. Let's make lemonade from these lemons and not just survive the COVID-19 pandemic but be prepared to come out of it stronger and better real estate investors!

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## Chapter 1: Coping with a Crisis, Body, Mind and Money

*"There's always an opportunity with crisis. Just as it forces an individual to look inside himself, it forces a company to reexamine its policies and practices."*

-Judy Smith

### Should I Be Worried?

Yes, absolutely. To pretend otherwise would be a mistake. This is serious and we all have to be aware, take precautions and understand how serious a situation this is. But worrying about something in and of itself is useless if you are not also proactive. We all worry about things and anyone who says they do not is not being truthful. But if you get lost in your worry and ruminate on all that is wrong, could go wrong or about how tough your situation is, you will not improve your situation, quite the opposite. You risk becoming frozen in fear and letting circumstances control you. But the good news is - you are here, reading this book. You are actively searching for information and solutions because you already acknowledged to yourself that you are worried and that you need to act to do something about the things that you are worried about. So congratulations! You are already on your way to taking positive action and leveraging the current situation to your advantage.

### The Five Stages of Facing a Crisis

(Adapted from David Kessler's website [www.grief.com](http://www.grief.com))

#### 1. Denial

Remember way back when people from professional athletes to politicians were outright making fun of the hysteria around COVID-19? An NBA basketball star playfully touched everything in his vicinity after a press conference only to test positive days after. News commentators and some politicians poked fun at the idea that we were facing a pandemic. And many people latched on to that attitude because it felt a lot better than the doom and gloom of those who were predicting devastating times ahead. Whether these people were being

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naive or trying to be positive or just being irresponsible does not matter. What matters is that it was a common initial response. Across the country, people were not accepting the fact that this was serious and headed in our direction. Certainly, almost no one understood the speed or gravity of what we were all about to experience.

It did not take much for those same people to change their views. The NBA player apologized and publicized the need to take the outbreak seriously. Cable news personalities apologized for their dismissive attitudes. Politicians stepped up and started to lead. And gradually, across the country, people were realizing that their lives were about to change.

## **2. Frustration/Anger**

As the reality of the crisis started to be undeniable, people started to turn to feelings of anger - asking everything from why we are not better prepared to why the government is closing businesses and causing financial hardships for many. Friends started to judge friends about who was not doing enough social distancing, who still went to work, etc. Some outright refused to follow the guidelines issued by their governors and local governments. From every sector of society, frustration and anger could be heard -- medical professionals, local government officials, small business owners, tenants, landlords, etc. Underneath all of this anger lies fear of the unknown and a concern for how we will survive the situation and for the still unknown situation lying ahead of us. Of course we are all angry - this situation is hard on all of us and scary and it's precisely when we need our government, business, education and medical leaders to step up and tell us how they are going to fix everything and make it all okay.

But some of us are starting to recognize that now more than ever, we better be able to take care of ourselves - to prepare and plan for how to manage through a crisis and to emerge from the crisis as unscathed as possible. Anger is natural and understandable but can be counterproductive if not managed.

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### **3. Regret**

While you are sitting at home in quarantine, you may find yourself dwelling on the past. Why didn't I wait until after this is over to buy that property? Why didn't I sell some stocks before the market crashed? Why didn't I stock up on essentials?

*We were in Costco a week before everyone started to hoard toilet paper and actually made the decision while in line that there was no reason to walk all the way back to the end of the store to grab the toilet paper that we forgot -- who could have imagined that a week later it would all be gone?! Took a while to be able to laugh about that as a real tp shortage started to emerge.*

But we need to recognize that negotiating with our past, even about a thing as basic and seemingly silly as neglecting to stock up on toilet paper, is not useful. We end up beating ourselves up for the past instead of finding ways to move forward in our new situation. In our case, we just ordered some overpriced toilet paper from Amazon to feel assured that we would not be left needing to beg neighbors to lend us what has oddly become a precious commodity in this absurd situation we find ourselves in today.

On the real estate front, we noted the fact that we had five projects at various stages and the importance to decide how to handle each one to produce the best outcome possible within the difficult circumstances.

### **4. Depression**

Of course, it is normal when you lose someone, to feel intensely sad. It is very important to understand that this is normal and accept the sad feelings. In the case of the Coronavirus crisis, we are all suffering some kind of loss, even if we are among the fortunate to not have suffered the loss of a loved one. People are losing jobs and money, some are losing the plans they had made - from vacations to weddings to tickets to attend a concert. Athletes are losing the opportunity to play entire seasons; students are losing their graduation ceremonies. It is endless. And it all has a heavy and legitimate impact on our psyche. Expect to have days that you struggle. But also make sure to maintain connections, join in webinars and other activities

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that allow you to stay in connection and build new connections to others. It really is true that "tomorrow is another day".

Already, we see signs of how government programs will mediate the difficulties to some degree. And in virtually every domain of life - family, friends, work, etc. we see people helping one another through empathy, through sharing and through humor. A crisis can bring a lot of good out of people and organizations.

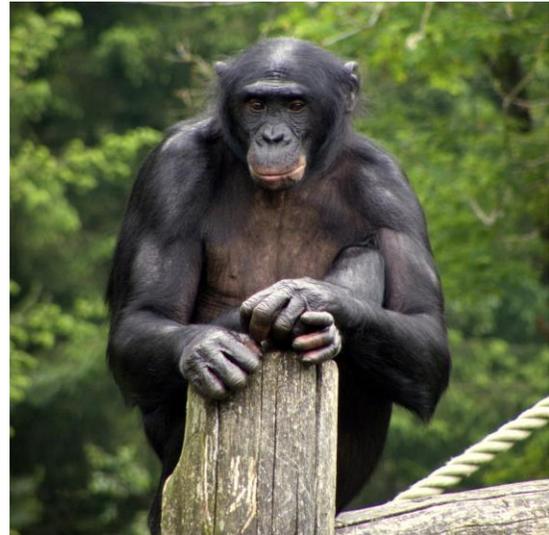
## **5. Acceptance**

This is the stage you want to reach. Some of us will get there sooner than others. The important thing is to get there. Do not get confused - "acceptance" does not mean defeat. It means that you are no longer trying to deny it and no longer trying to push it out of the way. Now you know that and accept that you have to accept the new reality and manage it. Constantly wishing to return to the past will not serve us well. The past is in the past and new circumstances have now made it impossible to return to the way things were. Those who know how to accept that and adapt accordingly will come out of this stronger and maybe even happier. It is also important to be okay with being sad or frustrated about what has been lost. But it is important to simultaneously build the new ways of thinking and working and to leverage the new ideas that have come from this new paradigm that is evolving from the crisis. Change is a constant in our lives -- it is just not usually anywhere near this fast or this all-inclusive.

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## **Fight, Flight, Freeze or Cope**

Humans are animals and so are Real Estate investors. Millions of years of evolution shaped us into who we are. If you take a close look and analyze the DNA of a chimpanzee and a real estate investor, you will find that [we share 99%](#) of our DNA with chimpanzees and we are close in nature to the bonobo monkeys of West Africa. So bare with us while we explain a bit of evolutionary psychology - because it really does apply to how we see investors behave during crisis times and it will help you to understand your own thought processes and reactions. The more you understand this, the more likely you are to slow down impulsive reactions and to gain control. So take the time to read through this. We promise it is helpful!



*1Bonobo Monkey*

Imagine that you're a bonobo monkey, walking in the jungle, minding your own business, all of a sudden you sense danger. A tiger appears behind the bush and you will only have a split second to react. In that split second, your body will react without the need for your brain to take time to ponder the situation - because otherwise, you would be dead. Extreme danger triggers an instant hormonal change in your brain - a tsunami of adrenaline gushes through the endocrine systems and generates an instant neurological storm and blood flow through the body. Heart rate speeds up, blood sugar may shoot up, rapid breathing and blood pressure will allow millions of muscle cells to receive the oxygen needed to contract and act. Meanwhile, digestion and immune systems shut down in order to divert energy needed for dealing with the crisis. Millions of years of evolution help that poor monkey assess the danger and react.

There are three possible responses to the situation - Fight, Flight Freeze

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**Fight:** You are a monkey about to be overpowered by a strong hungry tiger so no, your monkey brain is not going to react by telling you to tempt fate by trying to overpower a clearly stronger rival.

**Flight:** Your monkey brain will assess in seconds how far you are from the tiger and the possible escape routes - can you outrun him, is there a tree to climb or some other shelter to escape to?

**Freeze:** Let's say you are so close to the tiger; in that split-second assessment you conclude that you do not have a chance to escape. The tiger is starting to pounce and if you run, he will catch you. So, you freeze. This temporary paralysis allows you not to feel the pain. Your body even releases chemicals that act like an analgesic and allow you to survive the pain and intensity of the moment. It is even possible that by not resisting the tiger, he may lose interest and leave you alone. Essentially, if you can not escape, you try to "disappear" and remove yourself from the horror of the situation. This is a natural way that animals and humans adapt to situations that are too terrible to accept.

So, what does this mean about COVID-19 and real estate? There are no tigers lurking around the corner in most neighborhoods and we have more sophisticated brains than the average monkey. The point is that understanding our reactions will help us cope better when faced with trouble. Anyone at this very difficult moment in history, who claims to not be experiencing feelings of panic, fear or uncertainty is simply not telling the truth. But some people will handle it better and even know how to leverage those difficult feelings. Let's try to understand how Fight, Flight and Freeze come into play into the COVID-19 pandemic and Real Estate.

### **Fight Mode**



Pressure, fear and anxiety about the situation may trigger a fight reaction in some investors. Especially when the narrative on the street is militant. President Trump has declared that "we are at war" with the virus described as an "unseen"

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enemy and doctors and nurses called to the "frontline" to fight and truly experiencing real danger and sacrifice.

For many businesspeople, the fight reaction is their automatic reaction to the circumstances. While being a fighter will get you moving, it has serious pitfalls. Fighting can expose you to unnecessary problems. For example, you might find yourself fighting over every penny and lose sight of the bigger picture. This gut reaction, if not controlled, could cause you problems and damage your relations with partners, employees, tenants or vendors. You might find yourself dragged into petty fights that could save you dollars in the short term but will be detrimental to relationships that you have built over years. Worse yet, fighting can damage your reputation, and in the age of social media our reputation and self brand is one of the most important assets we have and must be protected at all costs.

A great example of this comes from a Facebook group of tenants/residents in the Lehigh Valley in Pennsylvania. A professional landlord with many properties decided to be proactive, but with a contentious style. A letter was sent to tenants in the early stages of the shut down when people were just beginning to lose their jobs. The landlord talked about the expectation that they will pay rent on time, that their other bills and expenses should be a lower priority and threatening consequences if rent is not paid. The natural reaction of many tenants was anger and resistance and the letter backfired. Later the landlord issued an apology. Sometimes, the same message and/or desired results can be achieved with a different method. The Fight reaction can cause the other side to react with an equally fierce reaction and this could be one of the causes of a nationwide attempt to organize a rent strike, for example. Now imagine those tenants who are truly fond of their homes and their landlords. Do you think they are likely to join such a movement? Probably not.

### **Flight Mode**



Some investors will not feel an urge to fight but rather to run. That may sound tempting at this particular time with COVID-19 spreading throughout the country and causing havoc everywhere. Why not just sell everything and make a run for it? Well, the way our modern world

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works today, there are many reasons why running is not an appropriate or realistic response, tempting as it may be. Businesses with offices and employees, assets, debt, long term responsibilities can not just be sold easily. And investors that will flee the market and sell their assets at such a time will end up losing substantial money.

Many stock market investors fall into this flight mode all too easily. They witness their portfolio's value plummeting in real time and feel the urge to take immediate action and save themselves from total devastation. Most people who do so, tend to lose money they would have been able to recoup if they had been able to resist the urge of flight and calmly wait. In stocks, when there is extreme market turbulence, experts will even suggest that amateur investors not log in to their accounts to observe the drop and that they should remind themselves that they are invested for the long term. Account managers may stress to their clients that what has happened in the past with a market crash, is that the market will rebound over time and patience usually wins out over panic.

In real estate, it is perhaps fortunate for the less savvy or impulsive investor that he can not react as quickly as he can in the stock market. Selling a property requires preparation and while taking the necessary steps to sell, some investors will find that their flight impulse begins to abate - even if the circumstances that caused the flight reaction still exist - and they will step back and refrain from a rash decision. That said, realistically, there will always be investors who are forced into flight. If one can not make mortgage payments, rent is not forthcoming, expenses are growing, there will be investors that will be forced into a flight reaction. Do not let that be you. Be prepared. Do not allow for surprises. You do not need to be a fortune teller. You just need to plan for the possibility of crises and change because there will always be something that shakes up the market periodically.

Take time now while in the midst of a crisis to learn lessons for next time, because there will be a next time. It may be a very different type of crisis, but there will be one and you can benefit from lessons learned. Without making any political commentary or judging whether the current leadership is doing all that is possible or making the best decisions, we can observe that action to mitigate the economic impact is being taken. The government reacted quickly to implement

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a relief package for businesses and individuals and on a daily basis as problems come to light, those economic programs are getting revised to fit the needs. Those who reacted impulsively, may end up regretting allowing their panic to take control.

Over time being under the stress of the flight mode can take a toll. Physically, prolonged stress can hurt your body in many ways. It can even hurt your immune system, which is the last outcome we want during a pandemic. Stress can cloud judgment. You might become hyper focused on details and get tunnel vision. If you lose your peripheral vision and just focus on survival techniques instead of managing the crises as a whole, imagine how many mistakes you could make.

Over time, you can even develop an ongoing anxiety disorder. While the pandemic will go away and things will go back to normal, a prolonged PTSD (post-traumatic stress disorder) may develop in the future. If you suffer from acute anxiety and PTSD, get help immediately. Ask your doctor or therapist about existing therapies.

### **Freeze Mode**



We are currently confronting a recession and economic downturn. That can trigger panicky reactions among the best of us. Some investors, for example, might enter a freeze state, combined with denial. Yet, doing nothing or trying to act as though nothing has changed is usually enormously unproductive.

While it might buy you some time to think and assess the danger, if you are not truly acknowledging the reality of the situation, you are not being proactive and you can miss out on an opportunity to mediate the risk or even benefit from the situation. It may prevent you from actively taking actions and defending your assets and positions. And if the tiger will find you sitting frozen behind the tree, you might very well end up as his lunch. By freezing, even if the tiger does not turn you into his daily lunch special, you inevitably will miss opportunities that often appear during troubled times and you will miss the opportunity to adapt to and mitigate the current circumstances you are facing.

A lot of real estate investors are in that freeze mode right now. We participate in many real estate forums and of course the main topic of discussion during this crisis relates to the challenges people are facing, the actions people are taking, etc. It is easy to identify how someone is reacting from comments they make in these discussions. Many investors are like deer in the headlights. They are literally doing nothing, just remaining in place. Those who are landlords, are not reaching out to tenants proactively because they fear waking a sleeping dog - as though acknowledging that there is a worldwide crisis and its effect on the economy and our individual lives will lead their tenants to decide to not pay rent. This is of course an exceptionally obtuse approach. One investor in a forum of foreign investors in which we are active repeatedly comments every time someone starts a discussion about the possibility of increasing numbers of tenants who will be unable to pay their rent. "Silly", " and "No pay No stay is my policy," he frequently comments in those discussions.

<h3 style="text-align: center;">Fight</h3> <ul style="list-style-type: none"> <li>-Aggressive and angry reaction</li> <li>-Explosive temper and outburst</li> <li>-Self preservation at all costs</li> <li>-Controlling others</li> <li>-Can't hear other points of view</li> <li>-Sense of entitlement</li> <li>-Demand perfection</li> <li>-Acting like a dictator</li> </ul> 	<h3 style="text-align: center;">Flight</h3> <ul style="list-style-type: none"> <li>-Obsessive / Compulsive behavior</li> <li>-Panic &amp; anxiety</li> <li>-Running around</li> <li>-Over worrying</li> <li>-Can't stay still or relax</li> <li>-Micromanaging situations and others</li> <li>-Striving to be perfect</li> </ul> 
<p>Which is your FFFF response?</p>	
<h3 style="text-align: center;">Freeze</h3> <ul style="list-style-type: none"> <li>-Spacing out</li> <li>-Feeling unreal, brain fog</li> <li>-Hibernating</li> <li>-Socially isolating yourself</li> <li>-Indecisiveness</li> <li>-Achievement phobic</li> <li>-Feel lifeless</li> </ul> 	<h3 style="text-align: center;">Fawn</h3> <ul style="list-style-type: none"> <li>-People pleasing (yes man /woman)</li> <li>-Scared to say what you really think</li> <li>-Flattering others to avoid conflict</li> <li>-Over-caring</li> <li>-Secretly feel like a victim</li> <li>-Easy target for others</li> <li>-Can't stand up for yourself</li> <li>-Crave acceptance to fit in</li> </ul> 

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## **Coping with your Gut Instinct**

### **Get Perspective**

First you need to recognize whether threats are real or imagined. You may discover that what you perceive as a threat in the here and now is only a vague reminder of an earlier threat from the past. Communicate with your partners and other people in your community. Social media can help you to connect to other people in your situation and this will allow you to get a wider, more realistic perspective and assess the problem more objectively. To better choose the appropriate response from your arsenal, rely on input from others as much as you rely on your own personal perspective. You should be able to see that there are long term and short-term business cycles with ups and downs and over time you inevitably will win some and lose some.

With respect to the COVID-19 crisis, this is a unique situation to be faced with as a business person. There are multiple perceived threats, an abundance of news, data, information and statistics and many narratives to choose from. Take for example, the threat to your health. Many elements come into play here - your geographic location and the level of infection, your ability to effectively quarantine given your personal and family situation, your personal health and age. And from a business perspective, your real estate investments will likely be affected but to what degree will depend on many things from who your tenants are and what they do

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for a living to how effective you are at leveraging government assistance. Many factors must be considered.

**TIP:** WHEN THE COVID-19 CRISIS STARTED IN THE US, WE BEGAN TO REACH OUT TO OUR CIRCLE OF FRIENDS, COLLEAGUES, PARTNERS, CLIENTS, ETC AND JUST ASKED ABOUT HOW THEY VIEW THINGS, WHAT THEY SEE IN THEIR LOCAL COMMUNITIES AND BUSINESSES. WE ARE FORTUNATE TO HAVE FRIENDS, COLLEAGUES AND PARTNERS SPREAD AROUND THE WORLD AND THAT HAS ENHANCED OUR POINT OF VIEW PROFOUNDLY. NO SINGLE PERSON HAD A “RIGHT” ANSWER BECAUSE THERE IS NONE. RATHER, THE MORE INPUT WE GATHER, THE MORE BALANCED AND INFORMED OUR PERSPECTIVE BECOMES. DO NOT RELY SOLELY ON THE MEDIA OR ANY SINGLE SOURCE NO MATTER HOW GOOD IT MAY BE, TO FORM YOUR PERSPECTIVE. KEEP IN MIND THAT EVERYONE HAS SOME AGENDA OR BIAS. WE SPEAK ON A REGULAR BASIS TO LAWYERS, CPAS, REAL ESTATE PROFESSIONALS, RESTAURANT OWNERS, CONTRACTORS, STUDENTS, MEDICAL PROFESSIONALS, FINANCIAL ADVISORS AND BANK EMPLOYEES. WE TALK TO LOCAL INVESTORS, TO INVESTORS FROM AROUND THE COUNTRY AND TO INVESTORS FROM OUTSIDE THE US. WE EVEN TAP OUR CIRCLES FROM OUR PREVIOUS TECHNOLOGY CAREERS. THE MORE ANECDOTAL DATA AND THE MORE VARIED THE SOURCES, THE MORE EVEN TEMPERED OR REALISTIC OUR PERSPECTIVE BECOMES. ESSENTIALLY, WE INFORMALLY CROWDSOURCE A CONTINUOUSLY EVOLVING EVALUATION OF THE LANDSCAPE AND CHALLENGES. WE HAVE EVEN ORGANIZED GROUPS OF LANDLORDS IN THE COMMUNITIES WE WORK IN TO FACILITATE AN ONGOING DISCUSSION ON COPING WITH THE CRISIS SPECIFICALLY AS LANDLORDS.

### **Act or Accept**

When you are confronted with something you feel threatened by, you can react by taking action or calming yourself. Choose your battles carefully. You can not win every battle, but you can win the war. Acknowledge that you might win some and you might lose some and that is

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okay. There are many resources available now to learn to integrate methods for coping with stress and learning to allow intense feelings of fear and panic to pass, from breathing exercises to mindfulness practices to meditation, and endless other outlets, find the things that you are comfortable with and that help you maintain your calm and mental wellbeing.

### **Make Rational Choices**

Because the fight, flight, or freeze response is an automatic physiological response, it can be challenging to think about it rationally. But you are not a monkey. You have the mental capacity to stop and think and to use techniques and tools and support systems at your disposal to manage difficult circumstances. Acknowledging the *stress reaction mechanism* will increase your ability to respond to threats appropriately and dynamically. Choose the right reaction to the situation. Unlike a threat of a pouncing tiger, in business and in our personal lives, we don't always need to make instant decisions in real time. Though our brains have developed out of these evolutionary and primitive experiences, we actually have the option of thinking and weighing our options. Make sure to eliminate, to the extent possible, pure gut reactions, from your repertoire of business instincts. Implement your abilities for reason and rational analysis whenever possible (See SWOT below). Learn to recognize, quantify and assess perceived threats.

### **Example: Acting under stress when you own investment property**

Last year we acquired a distressed property in a neighborhood that was just at the very beginning of a transition. After a partnership we had hoped to form with a contractor did not come to fruition, we decided to hold the property and wait for prices to rise. However, the roof was leaking badly, and we were concerned about the structural integrity of the house. We got an estimate to stabilize the property which made no sense financially. While meeting the contractor, Sheryl was verbally accosted and shaken up by the experience. She came home the same day and made an emotional proclamation, "Get rid of this property now!" Within days, the property was sold at a breakeven price.

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In our business we are highly selective in the properties we acquire. This house was in a great location and had been acquired for a good price with a well-defined strategy. While understandable that Sheryl had a harrowing experience, she was not in any physical danger when she came home and made her emotional proclamation. We could have found a solution that would have allowed us to keep the property, make it safe and benefit in the coming years from the prime location and changes in the area. Months later, similar opportunities, at the same price point, were not to be found. This was a purely emotional driven decision that was not beneficial to the business, even if no actual monetary loss was incurred. Time was lost and the opportunity to develop a project in that neighborhood was lost.



*Making emotional decisions in Philly cost us a lost opportunity in this flip.*

### **Learn, Give and Connect**

The German philosopher Friedrich Nietzsche said: *“That which does not kill us, makes us stronger”*. Assuming, physically you are doing well, hardship can be a unique opportunity to work on your mental resilience and professional growth.

Spend some time defining your challenges. Even the greatest businesspeople face challenges and in this current crisis, no one is spared. Find groups through social media and online platforms that are working in the same geographic areas and have similar business strategies and concerns. You will be surprised to learn how many people are facing similar issues and you can receive valuable input and tips, not to mention some good, free psychological support. We live in an extraordinary time in which we can easily share our thoughts, fears, feelings and knowhow with our community. If you want to become a thought leader, this is your opportunity. Networking, even digitally, helping others cope with the situation, offering

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support and advice, will help you feel better. Brainstorm with friends and colleagues and gain

**TIP:** IF YOU ARE NOT ALREADY ACTIVE, JOINING FORUMS LIKE BIGGER POCKETS AND MORE LOCAL INITIATIVES LIKE FACEBOOK GROUPS AND MEETUPS FOR REAL ESTATE INVESTORS IN YOUR REGION OR IN THE REGIONS YOU ARE OPERATING OR INTERESTED IN. WE LEARN SO MUCH ABOUT THE INS AND OUTS OF THE AREAS WE INVEST IN JUST BY MONITORING COMMUNITY GROUPS AND STAYING IN CONTACT WITH OTHER INVESTORS. YOU WILL BE SURPRISED AT JUST HOW MUCH INFORMATION GETS SHARED AND HOW WILLING PEOPLE ARE TO HELP ONE ANOTHER - IT'S HUMAN INSTINCT TO WANT TO HELP SOMEONE WHO ASKS YOU FOR HELP! DO NOT FORGET TO ALWAYS PAY IT FORWARD AND TO CONTRIBUTE WHEN YOU CAN. AND DO NOT UNDERESTIMATE YOUR ABILITY TO DO THAT. SOME VERY GOOD TIPS COME FROM NEWBIE INVESTORS THAT COME TO THE MARKET WITH A FRESH PAIR OF EYES AND THEIR OWN WEALTH OF EXPERIENCE FROM OTHER INDUSTRIES AND MARKETS.

insights into additional techniques and tactics. It can be fun, interesting and empowering!

Many people make the mistake of believing that they should know everything themselves or that relying on others for information and advice is a sign of weakness. But it is truly the opposite. One can observe in any given real estate market today in the USA, the natural growth of eco-systems of investors, service providers, experts, professionals, etc. forming relationships and working informally to support and complement one another. Now it is more of a "coopetition" and interesting melding of cooperation and competition. It is not unusual for competitors to be friends on Facebook sharing resources, attending one another's Meetups, Zoom sessions, sharing contacts. One thing is for sure, if you try to go it alone, you will miss a whole world of opportunities. Competition is alive and kicking in real estate investing but looks very different than it used to.

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## Post Traumatic Growth

An unexpected, frightening experience such as preparing for and living through a pandemic can leave people with newfound confidence. People who endure trauma or adversity—such as an illness or accident, death of a loved one, or a natural disaster—often find that they feel stronger and more confident afterward. Some may even feel that their life has new meaning. Psychologists call this phenomenon “post traumatic growth (PTG).”

The concept of PTG is a striking contrast to PTSD, or post-traumatic stress disorder. In fact, PTSD is relatively rare. According to statistics from the Department of Veteran Affairs, an estimated 3.6 percent of Americans will experience PTSD during the course of a given year, a fraction of the more than fifty percent of those who report at least one traumatic event. Many more will find that they have gained something from their ordeal. “A small percentage of people cannot return to their previous level of functioning after a traumatic event, yet most people emerge from a trauma wiser, with a deeper appreciation of life.” Anna A. Berardi, Ph.D., who directs the Trauma Response Institute at George Fox University in Portland, OR.

Researchers have identified five core areas of posttraumatic growth. Some people experience growth in all five areas, some in just a few:

- Greater appreciation of life
- Enjoy enhanced relationships
- Discover new possibilities
- Increased sense of personal strength
- Discover a spiritual or existential change, meaning you connect more with something larger than themselves.

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## Chapter 2: Combating the Epidemic

What's the first thing you should do?



When Dror served in the Israeli Defense Forces (IDF), one of the most basic and crucial training exercises he underwent was to prepare for reacting to incoming fire. No need to explain why it is so important to learn how to react to being shot at right? An acute crisis like COVID-19 presents a similar situation to coming under fire. Fast reaction time is imperative, so the training is focused on creating an immediate, automatic reaction to imminent danger: GCORF

### GCORF - Take Cover and Recover

**Get down:** Immediately dive from a standing position to lying down with your weapon pointed up front to reduce body exposure to enemy fire.

**Crawl:** Crawl to the nearest optimal position, a place that will provide cover and allow for observing (i.e. a rock or wall) .

**Observe:** Survey the area to locate the source of the shooting.



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**Range:** Estimate the distance to the target, and the direction and the weapon that is firing on you.

**Fire:** Shoot back at the target.

This regimen is relevant for most incoming fire situations unless you are fired at in close proximity, which in that case you should shoot back standing up while simultaneously closing in on the target. If you are at a disadvantage, such as being shot at from above or from multiple directions, if you are short on ammo or your weapon is not ready, your best chance of survival is to maximize the distance between you and the enemy and buy some time before reacting. You also need to sound the alarm to your fellow squad members and coordinate a response.

How is this military battle knowledge relevant to real estate investing during a crisis? A common mistake during a crisis is to act quickly and out of instinct. You may feel compelled to run to fix the problem in the fastest way possible. But quick fixes and knee jerk reactions are likely to lead to a bigger problem in the long haul. If you apply the GCORF drill you can buy yourself time to be able to act more rationally, coordinate with others and consider the long-term outlook.

Take the example of the landlord who immediately reached out to tenants to tell them that they should not even consider not paying rent in the first month of the economic shut down. Not only did he provoke a negative reaction from his tenants some of whom surely intended to pay their rent, but he likely damaged his long-term relationship with those tenants and possibly his reputation in the market.

If you do not like the image of being shot at, so imagine that you are the captain of a ship in a storm. The waves are high, and you are at risk of tipping. You need to lower your sails and stabilize your boat. Any unsettled movement in the boat or in your business will put you at risk of tipping over. While the storm is surging and the winds are still blowing hard, that is precisely the time that you need to maintain calm and do everything you can to stabilize.

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Imagine the captain who panics and tries to make a sharp turn away from the storm. What do you think will happen to his boat?

Your employees and tenants are under COVID-19 quarantine. The government is figuring out how to manage through the situation. The healthcare system is scrambling to minimize the impact on the population. The stock market is volatile. Most businesses are shut down and those that remain open are forced to adapt to new rules never before implemented. And no one knows when this will end and what is going to happen. In the midst of such a storm, you should not take any actions that might rock the boat or amplify the effect of the storm. First, you need to observe the changed environment in which you are operating and make note of the new set of challenges. Be mindful of the direction the wind is blowing, assess how high the waves are, and observe the strength and the direction of the ocean current. The information is there if you are able to take the time to observe it. Then once you do, you will be far more prepared to safely steer your boat in the right direction. Maybe you need to carefully circumvent the storm and steer away from the eye of the storm to calmer water where you can wait and weather the storm, regroup, plan and only then continue towards your original destiny.

Once you are physically and mentally available, you should start planning your next move. But moving without a sense of direction and planning can lead you back to the eye of the storm. Businesses of any size need **crisis management and planning**. If you try to wing it, you might endure a lot of pain and it could even cost you your business. Too many business owners in times of trouble are only focused on the here and now and fail to plan for their future.

## **Strategic Planning**

Companies work with strategic plans for normal times. During times of crises, your goal is to get your business back on track as quickly as possible and align your business with your strategic plans and goals. A strategic plan usually includes a short term and long term framework. Short term is usually composed of processes for generating results within a year. When faced with a crisis, the short-term strategy and goals will need to be redefined. Long

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term plans include the overall goals of the company set four or five years into the future and usually are based on reaching medium term targets. Structuring a plan in this way helps the business to complete short-term tasks while keeping longer-term goals in mind. A crisis does not usually force a company to alter its long-term plans, but it could be an opportunity to revisit and adjust your long term goals.

### **Short Term Planning**

Short term planning looks at the characteristics of the company in the present and develops strategies for improving them. During a crisis your short-term goal might focus on stabilizing your business but should also consider future growth and opportunities. To address these issues, you put in place short term solutions to address problems. Employee training courses, equipment servicing, and quality fixes are short term solutions. This might not be the best time to launch new expansion campaigns or start new ventures, but you might encounter exceptional buying opportunities, foreclosures might be abundant or there may be businesses available for acquisition. A crisis will always present opportunities for savvy investors. Sometimes playing offence is the best defense. If you have the ability, you should consider leveraging available opportunities that could be a steppingstone towards growth.

### **Long Term Planning**

In the long term, you want to solve problems permanently and to reach your overall goals. You might not have the time now to focus on detailed long-term plans but you can create the vision for your business and outline how you want to get there. Long term planning builds on the short-term achievements to preserve accomplishments and ensure continued progress.

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## Chapter 3: Assess the New Reality: Covid-19 Impact on Real Estate

*"When written in Chinese, the word crisis is composed of two characters -- one represents danger, and the other represents opportunity."*

- John F. Kennedy

Unfortunately, it is apparent at this point that the real estate industry is going to get hit hard by the coronavirus. Most likely it's going to get worse before it gets better. However, before we hit the panic button, we should break down our thoughts and predictions to assumptions regarding various variables. We need to break down our predictions regarding the influence of the crisis to short term predictions and long-term predictions. This will better enable us to make good business decisions. Next, we should examine the effects by sectors, products and geographic markets. All these variables will also strongly be affected by the duration of the economic shutdown and the transition to stability and predictability.

We shouldn't generalize our prediction. For example, we know that commercial real estate is fragile, however, some sectors within the commercial real estate industry will be hit harder than others. We see a surge in demand in warehousing and storage thanks to online retailers and shipping companies (Amazon, Walmart, Target, Fedex) that expanded their operations worldwide. Sectors of commercial real estate that have been hit hard include hotels, restaurants, bars, entertainment, particularly in tourist areas, retail and housing (particularly second homes and luxury homes), Airbnb's in some areas have seen small surges in demand for the need of quarantining or housing medical staff yet there is a lot of uncertainty surrounding the short term rental industry overall and some states have shut the industry down completely.

Ongoing new construction and rehab projects may be delayed by a lack of materials, by workers staying home, by business shutdowns, quarantines and curfews and a variety of new trade boundaries that are changing on an almost daily basis. Massive country wide layoffs will lead to a further shrinking in consumer spending, starting a downward spiral of economic activity recession or even worse.

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The impact of the economic disruption in real estate will depend on the location and some regions will fare better than others. Let's compare Florida, North Carolina and Texas. We happen to have single family properties in these 3 states in our own portfolio. Florida, for example, is exposed across a number of important industries, including hotels, theme parks, conference centers, casinos, sports venues and the cruise ship industry. Florida is also home to the largest senior housing industry in the country and sadly, seniors are impacted directly by the coronavirus more than any other single demographic. The high mortality rate and infection spread in assisted living facilities is apparent in every state, but Florida will feel the impact more than any other region.

In North Carolina, the main growth engines are universities and the research triangle that hosts many technology, medical and biotechnology startups. Many of these schools and businesses are able to remain operational during the crises, thanks to remote tools and the inherent nature of their activities which do not absolutely require employees to be present. Clearly, such industries are far less susceptible to the challenges posed by this crisis.

In Texas, the coronavirus' economic impact is compounded by the effects of the oil price collapse. Low oil prices are impacting oil producers, which will have an inevitable economic impact on parts of Texas.

What is obvious is that the entire US market is not a single entity but many small entities each with its own set of advantages and disadvantages for this particular crisis. Add to that the influence of government officials - at every level -- with decisions about how to manage the crisis, what tactics to implement and how to set priorities varying from state to state. Even within any given state, the impact on the real estate market will vary significantly.

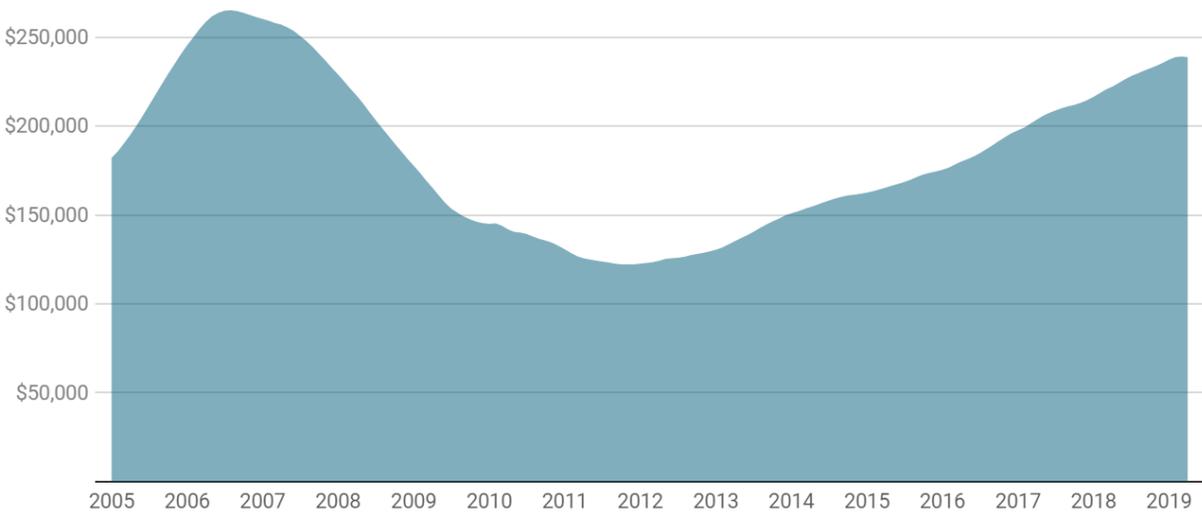
As you consider your next moves you should carefully examine the impact of the crisis on the niche markets that you focus on. How coronavirus affects the housing industry, construction, commercial property or rental markets, might vary substantially from one sector and even neighborhood to the next. But one very important fact to be sure to consider is that the bigger the blow is now, the bigger the potential rebound in the future. Depending on your risk tolerance you may find opportunities in the markets that will be hit the hardest but also have

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the greatest potential for recovery. Take a look at how Orlando, Fl responded to the last housing crisis.

### **Metro Orlando home values have slowed in recent months**

2005-2009 data from Zillow Home Value Index



If prices fall sharply in this crisis, markets such as Orlando could take a direct hit and dive sharply. However, once the crisis has passed, say by way of a vaccine rollout or real containment of COVID-19, the city of Orlando could again be well positioned for a fast rebound. We can even make an educated guess that people who were under prolonged closure and distress would want to compensate themselves with a nice comforting Florida family vacation when it is all over.

### **Effects on The Rental Market**

At the time of this writing, the multifamily and single-family rental industry is in the midst of preparing to handle countless unemployed tenants who are unable to make the monthly rent. Many tenants will ask landlords for assistance. Landlords will focus on tenant retention and likely will exercise some leniency with tenants in the short term. There will be downward pressure on rent and property owners will be requesting deferments and forbearance from their lenders. As a result, there will be added pressure on lenders to more carefully vet

prospective borrowers. With an increase in loans defaults, struggling banks will need to execute foreclosures for quick cash injections.

### The Good, Bad and the Ugly, Our Rental Market Assessment Tool

Experts believe that the long-term outlook for the rental market is bright. However, the level of immediate disruption in the market varies considerably depending on the market sector of the property. To analyze how each segment will fare the crisis, we created this table which we call, “The Good, The Bad & The Ugly Analysis”. It is based on the Delphi Method for decision making described previously, which special thanks to Clint Eastwood for inspiration. You can duplicate it for any market in which you invest.

Effect of Covid19	Term	Single Family Class A	Class B	Class C	Multifamily Class A	Class B	Class C	Short term AirBNB	Commercial Retail & Office Space	Commercial Warehouse
Demand for rent	Short term	Low	Average	High	Low	Average	High	Low	Low	High
	Long term	Unknown	High *	High	Unknown	High	High	Unknown	Low	High
Inventory	Short term	Average	Low	Low	Low	Low	Low	High	Low	Average
	Long term	High	Average**	Low	Un known	Low	Average	High	High	Average
Cap rate	Short term	Low	Average	Unknown	Low	Average	High	Low	Average	Average
	Long term	low	High	Very High	Low	Average	High	Unknown	Low	High
Sale Price	Short term	High	Low	Low	High	Low	Low	Low	Low	High
	Long term	Low	High	Average	Average	Low	Low	Average	Low	High
Risk & disruption ***	Short term	Average	Average	High	Average	Average	High	Very High	Very High	Low
	Long term	Average	Low	Average	Average	Low	Average	High	Very High	Average

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#### The Good, Bad & the Ugly

Assumptions for the COVID-19 Philadelphia RE markets using Jan 2020 as the benchmark Based on a real estate professionals survey

\*Increased demand due to downgrades

\*\*\*mis-payments evictions or vacancies

\*\*Due to foreclosures and bankruptcies

The above analysis is an example of how you can make educated forecasts for different rental market segments. We did this for the Philadelphia market where we are very active and connected. We surveyed the short term and long-term effects of the crisis by leveraging the “Wisdom of the Crowd”. It’s yet another important reason to stay connected to other professionals and local market resources such as local news, community Facebook groups and in times of COVID-19, virtual meetings. We check local news of the communities in which we are invested on a regular basis both during the crisis as well as in “normal” times.

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In this analysis, there is a strong case to be optimistic about 'B' neighborhoods where it appears, they will offer both good ROI and stability. Lease renewal rates were strong in B neighborhoods even before the crisis. Class "B" properties will likely fare better than more expensive "A" properties or less expensive Class "C" areas that may be more susceptible to job loss and reduced income among tenants. In C and D neighborhoods some renters will "double up" and join with others to share rent if they can't afford it. We may see a trend of young adults who had already ventured out on their own, moving back in with their parents in the near term. The underlying positive long-term rental trends in Philadelphia should bounce back after the crises. In addition, the above table makes a good case for diversification. Investing in various neighborhood classes and products will help hedge against the unknown.

The single-family rental business may be a long term winner in B and C neighborhoods, as we could also see increasing demand germinating from a shift toward larger units that better accommodate work from home (allowing more space for a home office). With the sudden and vast move to telecommuting brought on by the COVID-19 stay at home orders, some of the crisis mode changes may end up sticking and could increase the demand for larger rental homes in suburbs of metropolitan markets. We already begin seeing people setting a space in their current homes for quiet, clean video conferencing. It would not surprise us to see new technologies and products hit the market soon such as the "home green screen" or rental properties with features like a soundproof room with acoustic insulation and solid core doors for your Zoom conferences -- imagine if you will see the ad:



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Try applying this ad-hoc, “Good, Bad & Ugly” analyses to your own market, segments and specific niche.

### **Effects on Commercial Market - Retail, Office, Warehouse**

**Retail** real estate is getting hammered by the coronavirus. Shops, restaurants, salons and even medical clinics could struggle to generate enough revenue to pay their rent. Already early on in the shutdown, The Cheesecake Factory announced informed their landlords across the country that they would be paying rent. Landlords are bracing themselves for a flood of requests for rent relief from their tenants. And unlike residential tenants who will continue to need a place to live, commercial landlords will be faced with businesses who will file for bankruptcy and never return to paying rent as before. It remains to be seen how much leniency or relief landlords themselves will get from mortgage banks or how the various loans and grants being offered by the government will succeed to keep businesses afloat during and immediately after the crisis. It is already widely agreed among pundits that many businesses will not survive and the commercial real estate industry will, as a result, take a beating across the country. Unlike the residential market the longer-term impact is not as obvious. It will depend on how long the crisis will last, how resilient and adaptive businesses are and how the government and the economy will react.

As for **office space**, the main question can be summed up in a recent conversation that I had with one of my partners, a realtor with a mid-sized office in Philadelphia. He and his employees have all been working from home during the pandemic. They conduct meetings online via Whatsapp and Zoom and find solutions that address each business need. He told me that he now questions the need for holding on to his large office, in a prime location and all the costs associated with that. He noted that “Everybody works well from home; it is quieter with less distractions and we hold fewer meetings. Productivity went up!” The long-term question is of course whether the work-from-home arrangement for the average businesses it is doing now as a survival technique, will stick and become their new norm. We think that there is a distinct likelihood that a percentage of companies, having been forced to adapt, are going to find that it can work well for their business model while others, will eagerly return to their previous set

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up in office space. In any case, office space might not be the best investment out there at the moment, also due to the economic downturn.

**Industrial and warehouse space** is feeling a short-term impact from interruptions in the shipping supply chain, but the long-term effect on this sector of real estate could be bullish. Such space is likely to experience an increase in demand in the long run as a result of growing adaptation to online shopping. A quick look at who is announcing massive hiring - UPS, Amazon, Walmart, FedEx - provides a hint as to which businesses are growing in the crisis environment. There is likely to be an ongoing increase in demand for warehouse construction and distribution centers. Consumers have now been forced to adapt, whether they wanted to or not, to online shopping, and while many may prefer to return to traditional ways of consuming, chances are that many retailers will not go back to their retail space. Consider the

**TIP:** CALL YOUR LENDERS AND YOUR BANK. ASK ABOUT RATE ADJUSTMENTS, RE-FINANCING OPTIONS AND ANYTHING THEY MIGHT BE OFFERING CLIENTS TO RETAIN THEIR BUSINESS. OUR BANKS HAVE BEEN CALLING US AND MAKING INTERESTING OFFERS. THERE ARE SOME SILVER LININGS IN EVERY CRISIS IF YOU LOOK FOR THEM.

many people previously resistant to online shopping who have now caved in out of necessity and many of them will continue to shop online even after the crisis.

### **Effect of the Crisis on New Construction**

According to [Forbes](#) magazine, "Homebuilders are feeling not only the demand pullback from home shoppers staying home in droves, but also the supply impact of materials that they normally import from China. Builders are seeing a large drop in sales. There is also growing concern about tighter lending conditions for non-conforming mortgage loans. Buyers who have a debt-to-income ratio higher than 43%-45% or those who are self-employed are now having a lot of difficulty getting mortgages." With each passing day of the COVID-19

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quarantine, we hear more and more anecdotal accounts of banks pulling out of financing deals. As a result, land acquisition and development spending will slow in the near term.

### **Reasons for Optimism**

Everyone knows that real estate economics are cyclical by nature. We have experienced a decade of expansion since the 2008 subprime recession, with economists even calling this period “an economic boom”. The markets were due for a correction. Some may argue that the COVID-19 crisis was just the trigger and catalyst for what was anyway an inevitable real estate bear market. As happened previously, at the bottom of the housing crash in 2009, real estate investors armed with a long term view, plenty of cash and good credit, will find opportunities and grab assets at discounted prices, all fueled by financing rates that are lower than ever. Smart investors will find discounted, irresistible buying opportunities and the economic cycle will once again spin in the right direction.

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## Chapter 4: Make Decisions

### **Making Decision Under Uncertainty**

Setting and reaching your business goals requires making decisions. How should you make decisions in times of uncertainty? The answer to this question is not simple. In fact, it is at the core of many management, economic and neuroscience studies and disciplines. Many books, university courses and research studies try to answer and decipher the best processes for making management decisions. Decision making under uncertainty or crisis is an additional challenge. As a result of COVID-19 and the impending aftermath of the crisis, real estate professionals and investors will be faced with the need to be proactive and make decisions under a very high level of uncertainty. Anyone who underestimates either the importance to exercise discipline in decision making or the effect of the crisis on their business activity, no matter what they do, will be at a disadvantage at best and possibly suffer heavy losses at worse. The following are practical tools and perspectives suggesting how you can make smart professionals business decisions, despite the uncertainties.

### **Get Use to It!**

As we write these words, there are still many unknowns. While many are guessing, the duration and depth of the COVID-19 crisis is still the biggest question that no one can answer yet. This is due to many factors. The decision-making process, by nature, does not happen under laboratory conditions. You will have to accept that 100% accuracy in your decision making can never be guaranteed. You'll need to acknowledge that making decisions under the cloud of uncertainty is especially hard. Yet it is more than likely that you and your company or the entire real estate industry, will encounter its share of crises and uncertainty throughout your career.

### **Decision Making Fundamentals**

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Scholars who have studied how decisions are made have identified three different decision making environments: **Certainty**, Risk and **Uncertainty**.

We distinguish between these states on the basis of the degree of knowledge or information we as decision makers possess. In **Certainty** the decision maker has complete and perfect knowledge regarding the impact of his actions and of the available alternatives.

**Risk** and **Uncertainty** are not the same. There is a difference between the two concepts. **Risk** is a state in which the decision-maker has only imperfect knowledge and incomplete information but is still able to assign probability estimates to the possible outcomes of a decision.

**Uncertainty** is a state in which the decision maker does not have any of the information needed to make subjective probability assessments. Risk is objective but uncertainty is subjective; risk can be measured or quantified but uncertainty cannot be (Frank Knight).

Most Real Estate investors operate with some level of calculated risks even in normal times. These risks are estimates that may be based on subjective judgments, or they may be derived mathematically from a probability distribution. **Investors who invest in a completely uncertain environment are basically acting like gamblers.**

**During a crisis, our job as business decision makers is to turn uncertainties into calculated risks.**

In general, two approaches are used to estimate the probabilities of decision outcomes. The first one is deductive, and it goes by the name **a priori measurement**; the second one is based on statistical analysis of data and is called **a posteriori**.

With the *a priori* method, the decision maker is able to derive probability estimates without carrying out any real-world experiment or analysis. For example, we know that if we toss a coin in the air, one of two equally likely outcomes will occur - it will land heads up or tails up. The probability of each outcome is predetermined.

The *a posteriori* measurement of probability is based on the assumption that the past is a true representative of the future. For example, insurance companies examine historical data in

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order to determine the probability that a typical house will incur a fire loss and subsequently adjust their pre-mium levels according to those historical findings, despite the fact that they cannot predict the probability that a specific house will catch on fire.

Under a state of uncertainty the probability of a particular outcome is unknown and can-not be estimated. Uncertainty does not suggest that the decision maker does not have any knowledge. In-stead it implies that there is no logical or consis-tent approach whereby you can assign probabilities to the possible outcomes with any level of confidence. For example: Think of an insurance company trying to determine the premium to apply to the first self-driven vehicles. They will not have historical data on which to base the probability of those vehicles being involved in accidents. **Decision-making in an uncertain environment involves more subjective judgment.**

## **Diving Deeper into the Decision-Making Process**

### **Decision trees**

Should you put your house on the market now or wait?

Should you buy into an opportunity despite the turn of the economy?

Should you hire a new management company?

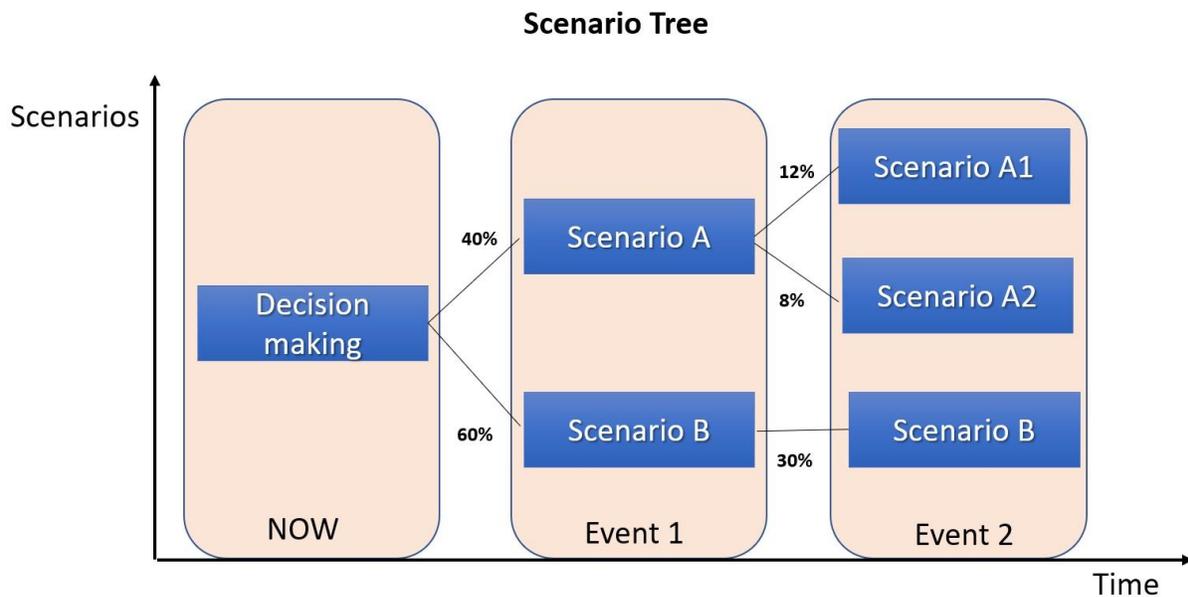
To enable better decision making under risk conditions, a decision tree method can be used. In this method, each tree has several branches, with each branch helping to estimate the probability of achieving a particular destination through a "decision nodes" transition. For example, the decision maker can choose an alternative that is more likely to achieve a smaller target and vice versa. There are several decision tree applications with one being "scenario tree" which means the decision nodes express events on the timeline and the tree branches express the probability of different scenarios.

By breaking up our play into a scenario tree, it's easier for us to map the potential results of our decisions despite the unknowns.

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For example:

Let's say you've decided to put a house for sale on the market at full market value price. Now you try to estimate the likelihood that you will get requests for showings (Event 1) at asking price of \$300,000 (scenario A) or at a discount price of \$280,000 (scenario B). Based on the outcome of Event 1 you are now trying to estimate the likelihood of getting proposals at the full asking price (Event 2).



In this case, the decision maker anticipates the occurrence of two events on the timeline and assesses the likelihood that certain outcomes will develop as a result of the decision. For the sake of this example, let's assume that there is a 50% success in receiving an offer for the full asking price.

There are 3 possible outcome scenarios:

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-*Scenario A1*: estimated 12% likelihood that offers will be under asking (lower than \$300,000)  
Medium likelihood

-*Scenario A2*: estimated 8% likelihood that offers will be for the full asking price (\$300,000)  
Lowest likelihood

-*Scenario B*: estimated 30% likelihood that offers will be for the lower full asking price  
(\$280,000) Highest likelihood

So, what should your asking price be? That depends on many additional factors such as how urgently do you need the money, what is your timeline, what season are you selling in, etc. With the scenario tree, you have a tool that can help you to weigh your options and estimate the probability of the outcome. If you are in no rush to sell and you can live with the fact that there is only an eight percent probability to get your full asking price, you might stick to it for a while. If you need the cash immediately and you estimate that there is a thirty percent chance of getting \$280,000, then you should reduce your asking price.

Another use of scenario tree is the **backcasting technique**, where the scenario runs from the future to the present, meaning that here one desires a desirable future and maps the ways / scenarios to reach it from the present. This technique is appropriate for cases where a well-defined future goal exists (eg, getting \$300,000 for my house) and "obstacles" must be identified along the timeline and conditions for moving between them (with or without probability estimation), and after the scenario mapping defines a desired course of action to reach the goal.

The main disadvantage of using decision trees is that they are effective in analyzing scenarios based on estimation of significant parameters - that is, we know of their existence - but do not address stress scenarios, i.e. external parameters unknown at the time of analyzing the main scenarios such as whether showing the house will even be possible under a pandemic quarantine situation.

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## Choosing the right decision-making strategy for your business

Let's assume you are a developer who was about to start a new multifamily construction project. In order to raise money for the project, the chances of profitability and success of the project must be assessed and in order to reduce the level of uncertainty, extensive information must be gathered, which entails high costs and a long time that can affect the project development launch schedule. In order to decide on the uncertainty of whether and how much money to raise for the venture, the decision maker must define the level of risk he is willing to take. For example:

A. If the decision maker is hoping for a positive outcome he will tend to choose an alternative that may lead to positive results even if this alternative cost is high and / or its chances of success are low, ie he believes in the product and is willing to take a big risk (higher risk tolerance).

B. If the decision maker is not willing to take a big risk (low risk tolerance) and wants to minimize damage in the event of a project failure, he will choose an alternative decision whose result is potentially the least bad, for example building a more simple, mainstream project instead of a fancy, lucrative project, which means that he reduces the chance of damage (monetary or otherwise) that is usually caused by failure to succeed in parallel with the chances of success (Risks vrs Reward).

When making a decision under uncertain conditions when we do not have all the information we need, the factual data should be replaced by **evaluations**. Under uncertain conditions, we cannot simply make a pros and cons table because we are missing key information. In many cases, judgment under uncertainty is based on **intuitive thinking that can be misleading** and push the decision maker in a biased direction. This situation is called "**heuristic-based judgment**." In case A above, the decision is based mainly on intuition and less on a thorough analysis.

One of the advantages of using a decision tree is that it **neutralizes some of the intuitive** tendencies a decision maker often has and limits the risk of the decision maker to mostly trust

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his judgment. Therefore, in case B, is based on "semi-analytical judgment" which combines the analytical element of creating alternatives through a decision tree (or other tool) with the ability to choose the appropriate alternative - the one that represents the least risk for him.

We can find another example of semi-analytic judgment in a military exercise called **Dead Reckoning**. In this exercise, a navigation system (like the GPS on your phone) ceases to function and the soldier needs to decide whether to continue his path based on limited information and less accurate tools like a compass. In this exercise the soldier moved forward based on past information, limited present knowledge and an assessment of the future.



Information from the past is the path to the current point

Present knowledge is the direction (by compass) from the point to the destination (by map).

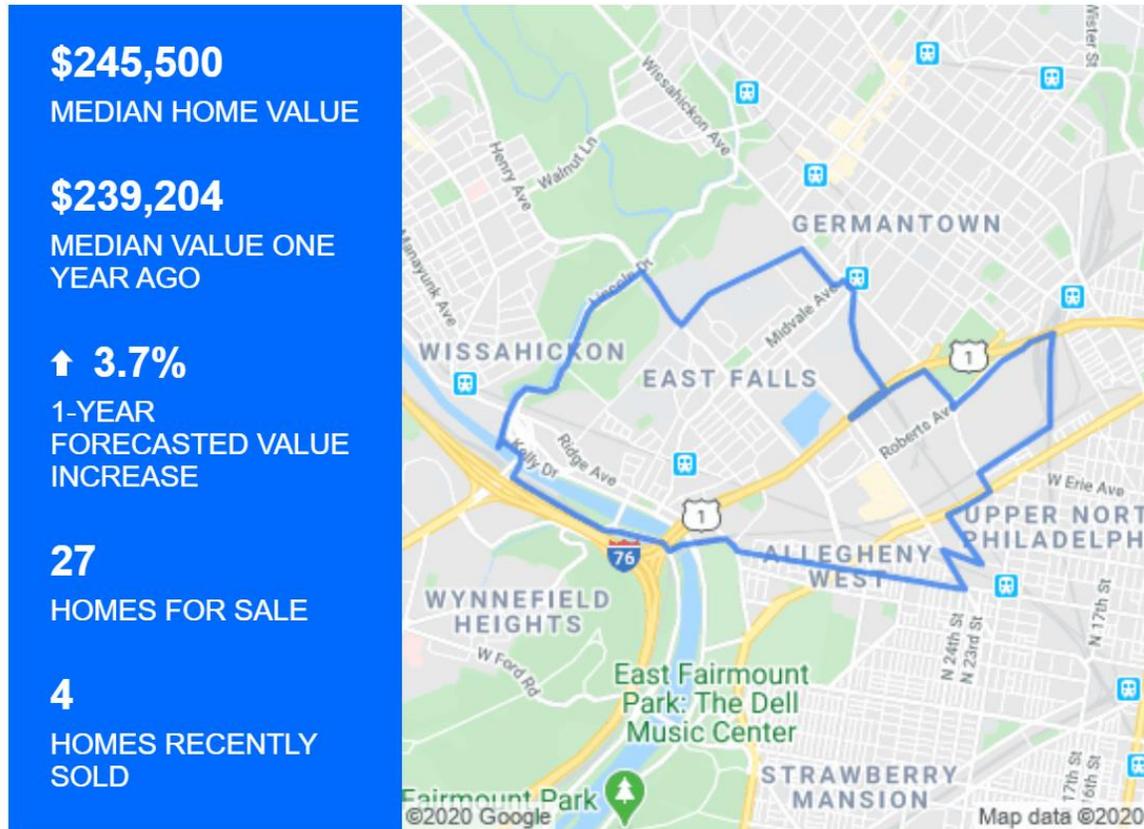
Course evaluation should also account for factors such as winds and air or sea currents that can disrupt the path and cause a trailing error toward the destination, meaning - you must be mindful of your environment.

Makes sense, right? But Dead Reckoning may not be so great if you don't adjust for the new environment. If you are navigating without a GPS during a hurricane (or a financial crisis) you may find yourself stranded on a deserted island.

For example, East Falls is a gentrifying neighborhood in North West Philadelphia. We have been tracking prices in the East Falls 19129 zip code via Zillow updates. At the end of March,

2020, while sitting at home in quarantine, I received this routine update from Zillow:

Here's a monthly local update based on homes you viewed in 19129



Note the 3.7% annual forecasted value increase. That is the same estimate I received the previous month. The problem is that this forecast is based on historical data. It doesn't account for a COVID-19 crisis and markets coming to a standstill. At this moment, no one really knows how to predict the future prices and no algorithm can accurately forecast the future prices in the 19129 zip code. There are simply not enough reliable data points to forecast the markets in the short run other than the general assumption that in the long run prices tend to go up. For obvious reasons, the Zillow model does not account for the current crisis and if you blindly follow the Zillow forecast algorithm, you could make some very bad decisions.

In the business world, the term "**blind sniper**" is often used to describe a critical decision with a clear binary outcome (success or failure) based on past information planning, present limited

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knowledge, and judgment about a future based primarily on past experience. Investors who decide to buy, rehab and flip a house often find themselves in this type of hit or miss scenario.

**The Delphi method** is a forecasting process framework based on the results of multiple rounds of questionnaires sent to a panel of experts. Several rounds of questionnaires are sent out to the group of experts, and the anonymous responses are aggregated and shared with the group after each round. The experts are allowed to adjust their answers in subsequent rounds, based on how they interpret the "group response" that has been provided to them. Since multiple rounds of questions are asked and the panel is told what the group thinks as a whole, the Delphi method seeks to reach the correct response through consensus, and it is the basis for "wisdom of the crowd".

If you participate in any Real Estate forums or Facebook groups, you will be very familiar with this decision-making method. You will surely have seen someone summarize a deal he is evaluating or a decision he is trying to make and turn to the "crowd", the group, to provide their opinions. Valuable discussions and opinions can often be gathered this way.

### **Heuristic judgment**

Heuristics are simple strategies or mental processes. Heuristics are defined as basic thinking based on **simple logic** or **intuition** that offer an easy and fast way to make decisions with low precision. Heuristic judgment can be effective in cases where there is insufficient data or not enough time to analyze alternatives analytically or semi-analytically. Two examples of such a rule are Occam's Razor and the Lindy Effect.

**Occam's Razor** (sometimes called Occam's Razor) is a philosophical principle attributed to William the Occam, a 14th-century English Franciscan monk. The principle is a guideline and heuristic recommendation when looking for a quick explanation of phenomena in different areas and says that when different explanations exist for the same phenomenon - **the simplest explanation must be chosen**, the one that involves the fewest number of "entities", i.e.

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parameters, variables and laws. While Occam's Razor is not a scientific law of logic, some consider it an effective tool for research work.

Example for the simplest explanation: The duck test – "If it looks like a duck, swims like a duck, and quacks like a duck, then it probably is a duck". It could be another animal in disguise, but that is unlikely. The duck test suggests that something can be identified by its habitual characteristics.

We find ourselves using this tactic frequently in order to filter through the many opportunities that come our way. Say there is a property that has sat on the market for over 200 days, has gone under contract and back on the market a few times and has no pictures available. That is definitely a quacking duck.

### **The Lindy Effect**

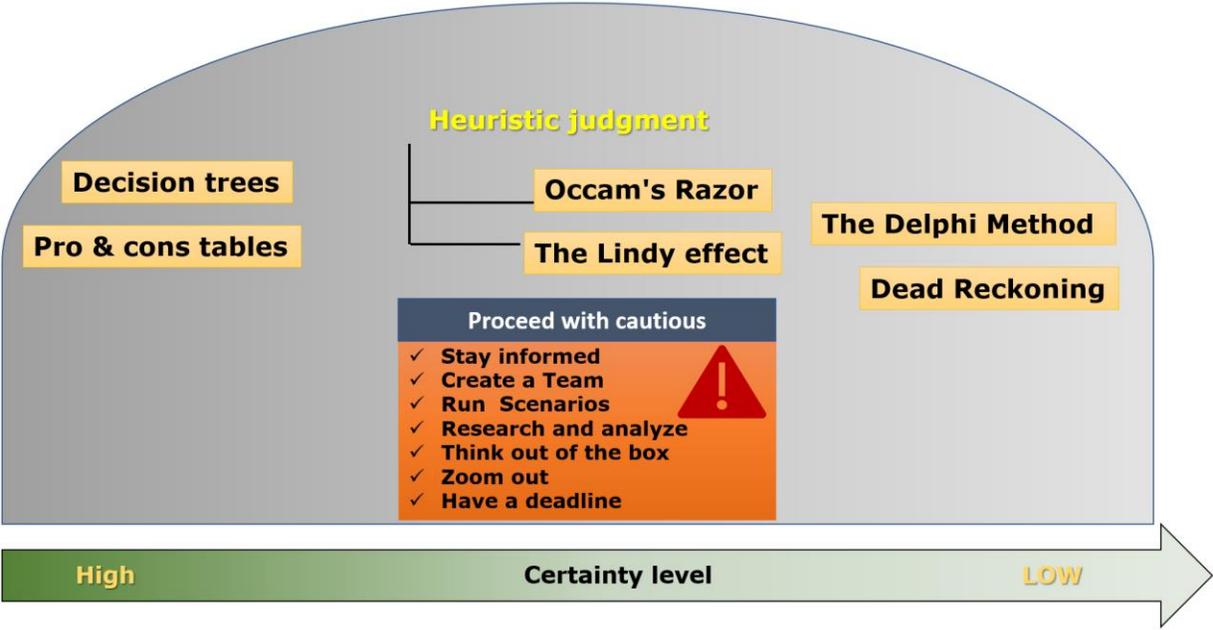
The Lindy effect is a heuristic rule that states that if at any point in time a phenomenon has occurred X times or for X amount of time, then given the same conditions - its length would also be X. The duration of the extension is X or the nearest / proportional number to X.

The rule is named for a New York delicatessen (Lindy's) on Broadway that attracted actors and critics. It evolved out of a "prediction" of the time a Broadway show would run. Over time, the "method" stated that if a particular show ran one hundred times and was sold out, it was estimated that the same show would run about one hundred additional times.

In the world of real estate, a good example could be the demand for 3 beds 2 bath rentals in Philadelphia. For the past fifty years the demand has remained steady, thus according to the Lindy effect, we can assume it will remain stable for another fifty years unless conditions change (the market goes awry). In other words, the future is proportional to the past.

The Lindy Effect has been elaborated on by Nassim Nicholas Taleb, most famous for his 2007 book "The Black Swan: The Impact of the Highly Improbable". Taleb discussed the "antifragile" and the idea that things like businesses become more robust or "antifragile," the longer they exist. This robustness intensifies over time as a function of "skin in the game" especially for

family owned businesses, when the owners who have held the business for fifty years are likely to have significant equity and a personal stake. If the business fails, they stand to lose their reputation and eventually the wealth accumulated in the business. This is an important point to keep in mind when hiring contractors. Consider the difference between the family owned contractor with his father's name on his truck and the newer and perhaps equally talented contractor who recently established his business.



Decision making under uncertainty dashboard

**How to Make Smart Decisions Under Uncertainty?**

Decision making under uncertainty is a process where many potential failures cause the decision maker to be indecisive. In reality, there are varying degrees of uncertainty, each of which requires special preparation. Inexperienced entrepreneurs and investors can become overwhelmed by a state of uncertainty and make bad decisions or not make decisions at all.

The highest level of uncertainty occurs when the information available contradicts our inherent logic, experience and knowledge. In a situation where we have no clear or even partial knowledge of the behavior of the environment in which we find ourselves, making a decision is more of a gamble. In real life, we have different degrees of information and different degrees of uncertainties.

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The greater the uncertainty, the greater the tendency to reject the decision. And failure to make a decision under uncertain conditions can lead to devastating results. For example, the non action of the US government during the early days of the COVID-19 crises caused the virus to spread quickly.

### **Proceed with caution**

Coping with uncertainty is complex but not insoluble. For example, one of the techniques for dealing with uncertainty is to **take severe precautions** to advance the challenges. Immediately after the outbreak of COVID-19 real estate companies had to make sure that all components of closing a deal were functioning prior to committing to a deal.

### **Stay informed, Communicate. But don't over do it.**

It is important to open all communication channels. The authorities and organizations may be providing vital information that you need to know about what precautions you should take or are required to take. Employees may need guidance about how to adapt to new circumstances and depending on the situation. They also may be nervous about their job security. It is important to make sure employees are feeling secure and are given very clear guidance about new requirements, rules or responsibilities. Consider the significant shift that supermarket workers have been required to make during the COVID-19 crisis - employees stationed outside of stores to maintain a 6ft distance between shoppers who wait outside to enter the store. Or wait staff at restaurants obliged to wear masks and gloves and bring orders to the curb while maintaining social distance from all customers.

Depending on whether they are affected, tenant communication may also be vital. Many landlords and management companies immediately took measures to open lines of communication with tenants and to acknowledge the fact that some may have difficulties to pay rent. Keeping all parties affected informed and maintaining transparency will enhance communications, exchange of information and help you to make better decisions. However, decisions have to be made in a timely manner and there is a window of opportunity to make them, to communicate them and to act.

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## **Create a Team**

Conditions of uncertainty require the establishment of a dedicated team to manage the situation and make decisions. Team members should be capable of challenging the temptation to rely on everything working out. They should not hesitate to raise extreme possibilities that might happen and that will require the organization to cope in difficult circumstances.

Remember - this is not about being an optimist or a pessimist. This is about planning for the worst and hoping for the best. It is also important to apply the "pre-mortem" method (as opposed to the post-mortem method). It is clearly better to be prepared to address problems before they happen rather than scramble for solutions when they do happen.

## **Run Scenarios**

Good chess players, before making a move, run multiple simulations in their heads of various scenarios. The best chess players see several moves ahead. You have the opportunity to do that in your business. Ask your team to run various scenarios and outcomes. Collect and analyze all of the simulation outcomes. Build action and reaction outcomes based on possible scenarios. This process can be implemented for decisions that have already been made and for decisions that need to be made.

## **Research and Analyze**

When time allows, do your homework. Collect data, experts' opinions or get professional consultancy. Conducting preliminary and thorough research without blindly following the crowd or the mass hysteria, you can minimize uncertainty and make far better decisions.

## **Apply Out-of-the-box thinking**

Adopt creative, original thinking. Apply out-of-the-box thinking for identifying opportunities, for initiating moves and for acquiring skills that may be needed for making decisions under uncertainties. For example: You have a vacant rental during COVID-19 outbreak and no good applications are coming in? Take a look at the surrounding area - are their hospitals, clinics,

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warehouses . . . nearby that may need temporary housing for their employees who cannot go home at night.

### **Zoom Out**

Look at the situation from above - try to look at the whole situation from all angles. A bird's eye view will allow you the ability to wisely observe developments and react.

### **Ignore the "know it alls"**

Exercise a healthy amount of skepticism towards those who display complete certainty and "know it all".

### **Have an Absolute Deadline**

Set a deadline and stick to it for getting things done. Note that, **perfection is the enemy of getting things done, especially during a crisis.**

### **Be MacGyver**



MacGyver is not just another TV show from the 80's and it is no coincidence that a remake of the show came out a few years ago. For many it's a state of mind. The Oxford Dictionaries state that to "MacGyver" is to make or repair something "in an improvised or inventive way, making use of whatever items are at hand". We could say that the title company we closed with during the first week of the shutdown MacGyvered a makeshift, social distanced office in their parking lot.

*"A paperclip can be a wondrous thing. More times than I can remember, one of these has gotten me out of a tight spot."*

-MacGyver

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## Future Take Away

### **Making decisions in a Crisis Mode**

A crisis is an unusual, unplanned event that has the potential to negatively impact your business, business relationships, good reputation or reliability and could jeopardize its very existence or cause serious harm to it.

In most cases, a crisis is a surprise and therefore, you cannot prepare in advance for the specific incident. Although the idea of a pandemic has been talked about and health organizations and scientists and governments have known there was a likelihood of a pandemic happening, the average investor or small business owner does not take a pandemic into consideration when he builds his business. He actually needs to rely on his government to provide the framework within which he can then act and decide. While the challenges you are facing as an investor under Covid-19 may seem very significant and challenging, imagine having to cope in a third world country where infrastructure, health services and social services are nowhere near able to support citizens through the challenges of a pandemic. Even within the US, when things return to normal, we will likely see a lot of data and anecdotal stories compiled and analyzed and learn about which states and municipalities did the best job in serving and supporting their populations. One of the early guesses we had made and still can not confirm, is that the states with more social programs and tendencies to be more tenant friendly, may actually be the states that are set up to better support all of their constituents and small businesses.

Despite the fact that no one can predict what the specific crisis could be, everyone should have a "**contingency plan**" and crisis management guidelines prepared in advance and built into their organization in order to reduce damage and improve chances of survival and recovery. Anyone who as an individual or business, just waits for life to happen and then figures out how to handle it once they are inside the mess, will never fare as well as the person or company who prepared in advance. Mind you, some people take this to odd extremes, and we are not suggesting filling a cellar with canned fruit. But take time to think about the types of crises that

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have happened in the past and are likely to happen in our lifetime again. Consider on a very personal level, even if it is uncomfortable, about what you will do if a health issue arises, if a fire or flood happens, etc. Dror's military experience has significantly enhanced our ability to be prepared. We run through possible realistic scenarios and create contingency plans on a regular basis. In this current situation, we observed most colleagues were in denial while we were well into shifting our energies and preparing for the quarantine. People often make the mistake of thinking that this is pessimism. But it really is not, and it makes for a much calmer reality.

When a crisis breaks out, it is crucial to respond in a timely manner and in accordance with the contingency plan. This enables analysis of possible scenarios that may develop in the decision-making process and determines the optimal response for each scenario. In crisis you must demonstrate leadership and, if necessary, try to own the situation, take responsibility and steer your business towards safety. Be decisive and keep your cool.

Once you know that a crisis may be imminent, take time to outline an action plan that addresses the business, financial, legal and communication aspects of the crisis.

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## Chapter 5: Adapt or Die! When Business is Not as Usual.

### Adapting to Change



*"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change."*

\*The quote was attributed to the famous scientist **Charles Darwin**, Origin of Species Letter collection, however there is no direct evidence that he wrote these exact words.

In the picture: The famous Edwards's Dodo bird, painted by Savery in 1626 The dodo (Raphus

Cucullatus) is an extinct flightless bird that was endemic to the island of Mauritius

While being dynamic, evolving and flexible can help a business to gain a competitive advantage in periods of stable economy, during a crisis, businesses have no choice but to adapt. Quick and effective adaptation to change can be precisely what ensures survival. When business is *not as usual*, our ability as entrepreneurs, managers and leaders, to change the way we do things, sometimes even for decades, is crucial to our survival. Think about new concepts that have become household expressions in 2020 - "curbside pickup," "social distancing", "sanitizing". For a business to successfully operate in new and unfamiliar territory, it needs to change its mindset, method of operation and even the structure of the organization. Think about the first industry hit by COVID-19, the restaurant business. Did your local restaurants shift to curbside pickup? Did they adjust their menus, provide proper takeaway packaging, shift employee responsibilities? Literally overnight, in order to survive, the worldwide food service industry was forced to change dramatically. When we come out of the pandemic, no doubt it will be clear who was able to make the adjustments successfully.

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Organizational change is an entire academic discipline in business management studies. Imagine how this unexpected shift will be written into the future MBA textbooks and the new courses and disciplines that will result from the pandemic effect on business worldwide.

A discussion of some of the fundamental theories of organizational change will help you to examine your business and apply some of the relevant theories that fit your Real Estate Investing needs.

*"Adapt or Die"*

-Helen Pierce, OZARK Season 3

**Organizational change** is defined as an ongoing process that aims to adapt the organizational systems and processes to the external and internal changes taking place in the environment. The long-term survival of organizations requires adaptation of the organization's structure and functioning to the environment in which it operates. During a crisis the long term becomes short term. Because the success of an organization depends on employees, organizational change requires a focus on changing the behavior of individuals, groups, tools and workflow within the organization.

In Real Estate investing, small and large landlords, management companies, contractors, agents, title companies, lawyers and many other supplementary services have been impacted by COVID-19 and either forced to adapt in response to legal requirements or purely due to the changes that began to take place out of necessity or circumstances.

The best example is how title companies have quickly adapted. Already accustomed to using a variety of tools for signing and managing documents online, the change may not have been difficult for many title companies. We had several closings that were set prior to the crisis but the settlement dates fell early on in the shut-down. There was a noticeable scramble among agents and title companies to figure out how to best handle closings legally and safely. Just one month later, there are already title companies set up to do drive-through closings.

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## The Scale of Change

Organizational change can be **additive**, a gradual change over time of individual components or a more comprehensive **strategic change**. The greater the organizational change is, the greater the pressure and shock wave caused to organizational employees. Again, think about the restaurants in your town. During COVID 19, they are not merely adapting to some menu changes and adding Vegan options to their traditional meat entree selection as diners' tastes evolve. They transitioned their entire way of serving their customers.

### Additive Change

Additive change is focused and specific. The change is limited in scope and focuses on a specific problem. It is usually relatively easy to plan and implement because it requires adjustments or modifications to a limited part of the organization. Additive change requires relatively little administrative innovation. With the additive approach, the future is clear and allows employees and partners to adjust to the change. For example, title companies we work with have maintained closing procedures but due to social distancing they have introduced additional electronic tools for handling paperwork and verification of signatures. We are continuously making additive changes to our real estate investment business - trying new policies with tenants, working with new management companies, hiring a virtual assistant, etc.

### Strategic Change

*"In a chronically leaking boat, energy devoted to changing vessels is more productive than energy devoted to patching leaks."*

—Warren Buffett

Strategic change is a fundamental change in a business. Examples of strategic change would be selling the company, expanding to other industries, or developing new products and in our case, operating under a world pandemic. The characteristics of strategic change are:

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**Fundamental, and Multidimensional Changes:** This is a comprehensive change, which usually concerns all aspects of the business such as moving a brick and mortar store to an online operation.

**Planned and Controlled:** Because the change is vast, it must be well planned and must be monitored in order to know what changes are left to make.

**Requires Reassessment** of various parts of the organization: changes being made to many existing decisions and structures in the business.

**Requires Multiple Administrative Innovations:** Changing the administrative workflow is very critical, and not easy to implement, so it requires a great deal of creative thinking by the organization's managers.

**Could Become a Long-Term Transition Mode:** Such a fundamental, strategic change requires a lot of time to implement, and during a crisis we just might not have that time. Strategic change during a crisis might add to the chaotic atmosphere and uncertain future situation (second order change).

## **Resistance to Change**

In the early days of the shutdown announcements, we started to receive email after email from everyone from our bank to our management company to our cable provider. Everyone was announcing policies and changes to accommodate the requirements of the new policies put in place to flatten the curve. Each of these letters described a change or adaptation that would have a direct impact on the employees of that organization - from the need to sanitize workstations to changes in shifts. Not much was discussed about how this impacted each individual employee, mostly because it all happened so fast out of necessity. But no doubt that companies did find it necessary to address the strain on employees and likely many employees were resistant - some feeling uncomfortable, others unable to perhaps work from home due to

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family circumstances, etc. At the end of the day, every business is made up of the people who work there.

Any change in the business is usually accompanied by a sense of uncertainty and loss of control and can cause a feeling of stress and stress among partners, investors, vendors and employees. Resistance to change prevents adaptation and innovation of the organization and may result in failure to implement organizational change. When employees openly express opposition by striking or a work slowdown, it is easy for management to confront it. But sometimes the symptoms are expressed indirectly by lack of motivation, increased mistakes, expressing disloyalty to the organization and more.

Identifying the root of the resistance and understanding it can help to respond to it effectively. A review of some common causes for resistance can be helpful to prepare you for the future efforts to implement change in your organization as well as to help you be more empathetic and perhaps find better ways to introduce change.

Keep in mind that while you may feel that you are bearing the brunt of the stress and responsibility to keep things running smoothly, your employees all have pressures and challenges. From the older employee who may be intimidated by the need to transition to more digital tools to the highly charismatic employee who suddenly fears his interpersonal skills are no longer as valuable an asset, everyone has a stake in the change.

**Habit:** Naturally, humans prefer to adhere to their own habits and automatic responses rather than deal with changes that require them to adapt to a new situation.

**Economic insecurity:** Sometimes there will be a fear of income loss. An employee or vendor may be fearful about their ability to meet a new standard and that they could lose their job or that their salary will be affected.

**Uncertainty:** Change creates uncertainty for the future, and thus creates a threat to people in the organization. For example, introducing new technology for real estate agents, many of whom are old school and challenged to learn new work techniques, may create a fear of failure.

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**The individual's self-perception:** Each person has a different worldview, and we naturally believe our way is the right way and ignore information that contradicts our own beliefs. Therefore, when implementing a new work process, workers may resist change because it diminishes their self-esteem, and contradicts their worldview.

**Structure and stability:** Organizations and procedures provide mechanisms that maintain stability. Every person in the organization adapts to the laws, work techniques and processes in the organization. When organizational change occurs, structural perseverance serves as a counterweight to maintain stability creating resistance to change.

**Conformity:** Even if the individual is willing to accept the change, sometimes the majority objects and the individual will follow the norms of the group.

**Threat to expertise:** Organizational change can threaten group expertise in an organization. For example, the decentralization of personal computers, which allowed managers to collect information directly from the central computer, created resistance among information systems departments, as this was a threat to their job security.

### **Tools for Dealing with Resistance to Change**

**Information and education:** Resistance to change can be lowered by directly providing information to help others understand the logic behind the change and reduce the sense of uncertainty involved. This can be done with posts and messages, presentations, reports and more.

**Sharing:** If others are involved in the decision-making process, they will be more likely to buy into the change. Opponents must be involved in the change process in order to create a sense of commitment to change, and to increase the level of control over events occurring within the business during and as a result of the crisis.

**Transparency instead of Manipulation:** Distorting the facts to make the change look attractive, hiding unwanted information, and creating false rumors to get employees to accept the change is a low cost tactic, however, the downside is that if your tactics are revealed, the

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organization's credibility will be impacted. Transparency will help the change succeed in the long run.

**Using Force:** Exerting power on partners, clients and employees sometime is inevitable. The disadvantages and advantages of this method are the same as the previous method. Same goes with punishing people who openly oppose change and even those who oppose the new ways of doing business.

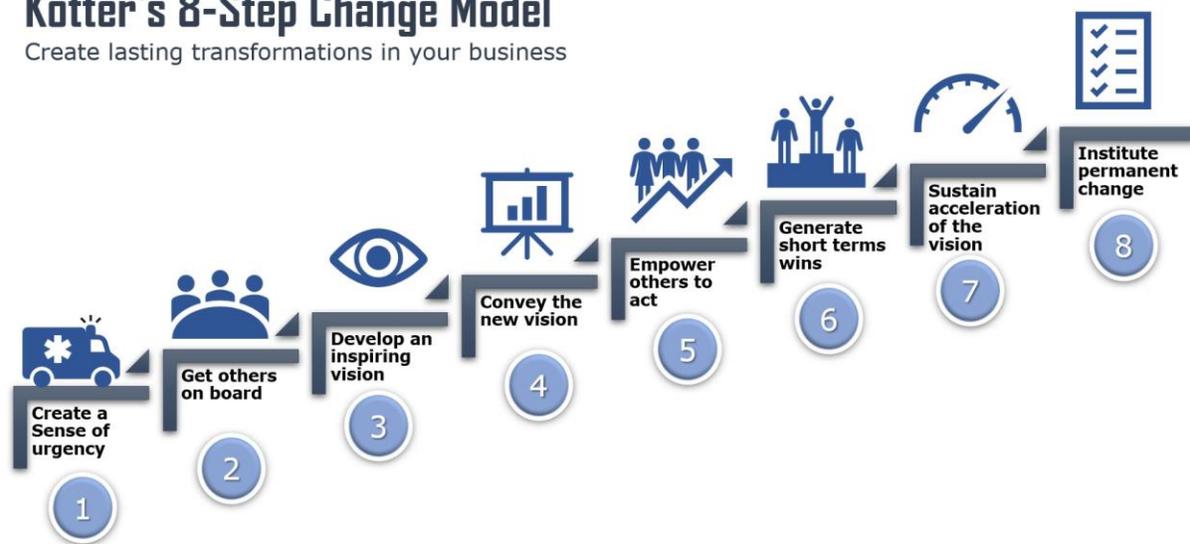
**Negotiation and Consent Management:** Negotiate with people who resist change to reduce dissent and lead change without unnecessary delays. As we all say, money talks, BS walks. Sometimes you have to pay for a partner or employee to adapt to the change. At the end of the day it might be the cheapest way to get it done.

Kotter's 8 Step Model of Change

John Kotter (1996), a Harvard Business School Professor and a renowned change expert, in his book "Leading Change", introduced the **8 Step Change Model**. He developed the model on the basis of researching hundreds of organizations which were going through a process of change. He outlined an effective eight step program to implement change in a business.

## Kotter's 8-Step Change Model

Create lasting transformations in your business



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1. **Increasing urgency:** The essence of this step is the need for change and urgency in its implementation. Possible course of action is a demonstration of the cost-benefit of current versus future status, competitive market position, negative results, etc. The goal is to make everyone around you feel the need and urgency of change not just to understand the logic at its core.
  2. **Building Leading Teams:** Establishing a project and leadership team with the necessary skills, impact and motivation to set an example and lead the change. This is the most important step, no real change will occur without proper leadership.
  3. **Formulating an appropriate vision:** Clarity and agreement among the leadership team regarding the desired future situation so that the leadership not only understands but is also committed to the vision.
  4. **Communication:** Built-in communication that connects the right people, at the right time, through the appropriate communication channel for the desired change.
  5. **Empowerment:** Training the people on ground for action. Leadership and managers apply the change after acquiring the knowledge and skills required while building on tailored organizational infrastructure. The leadership of change must empower and create appropriate conditions for change among all concerned.
  6. **Demonstrating Mid-Range Achievement:** Show some success early on. The experience of small-scale immediate-term success inspires motivation and increases commitment to change. The leadership of change must create conditions for achieving immediate goals and communicate these achievements in order to harness more people to support and act in favor of organizational change.
  7. **Continuity:** Leadership and employees must remain committed and determined in order to realize all change goals. Continuity must be created through which no one is arrested after achieving some immediate achievement.
  8. **Implementation:** When the change goal is reached, new ways of doing business are operational and your business should be ready to develop tools to make sure the change lasts over time. Without the process of assimilation and control, there is a risk

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that when the crisis is over, things will return to normal and you'll lose some of the efficiencies that your business gained.

### **The Action Research Model**

The Action Research approach is an approach that seeks continuous learning and ongoing, never ending, change in the organization based on a cyclical process. There are several steps in this model. Take a look at this example:

A crisis doesn't have to be big, far reaching and catastrophic. It could be as mundane as being late to submit for a tax deadline.

1. Identifying the problem: You are behind on accounting but don't want to spend the money to hire a fulltime bookkeeper.
2. Consultation with experts: You discuss the problem with your CPA
3. Initial information gathering and diagnosis: You recognize that the tax deadline is approaching and, you have too much to handle
4. Key feedback: Your CPA provides a sense of urgency by asking for your records
5. Collaborative diagnosis of the problem (managers and employees): Your partner doesn't know how to assist and agrees that something needs to change
6. Co-planning the problem and ways of working: You discuss getting external help
7. Execute planned activities (implementing a change): Look for a bookkeeper and hire one.
8. Collecting information at the end of the activity, checking and evaluating and, if necessary, re-diagnosing the problem. Trying alternative ways to send materials to the accountant and deciding to keep bookkeeping on retainer.

### **Your Business, Your Crises, Your Change Methods**

*"Give me the strength to change the things I can, the grace to accept the things I cannot, and a great big bag of money." —Unknown*

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Each business is unique. Each business will experience crises and the consequential need for change differently. In addition, each businessperson has personal preferences, inclinations, and skills to help him find the right methods for effectively managing and adapting to changes. Whether it is information, coercion, manipulation or conversation, negotiation and conflict management. It is important to utilize each manager's unique skills, empower them, and enable change management methods through each manager's natural channels. As you climb higher on Kottler's ladder you can leverage the crises for long term change and growth. For example, you might see that work from home helps your team to be more productive and it can save you time, money, travel and other resources in the long run. You can now start planning a gradual change in your business that will integrate working remotely as a long-lasting change. Find and choose from the above change techniques that best work for you.

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## Chapter 6: Crises Ready: The Agile way of doing Business

As we're writing this essay, it appears that COVID-19 is turning into a global disaster. The crisis is a reminder of the importance of integrating **Agile** methods and conducts into your business. The concept of agility in business models and the workplace, has gained popularity because it allows companies to grow and prosper amidst increasing volatility and unpredictability.

The realization for the need for well-integrated business agility came from the onset of '**the age of uncertainty**', which has seen established business models turned upside down by an emerging intensely connected, competitive and fast-moving global economy.

Achieving growth while being resilient to disruption should be on every business owner's agenda as new competitors and new technologies shorten commercial cycles and create new customer demands and new ways of reaching an audience. Large complex organizational structures, embedded processes and cultures of past success exacerbate the challenges by slowing down the rapid innovation or reinvention needed to prosper in this new world. Put simply, companies must be able to assess and adjust ever more quickly if they are to survive and possibly even thrive during a global pandemic.

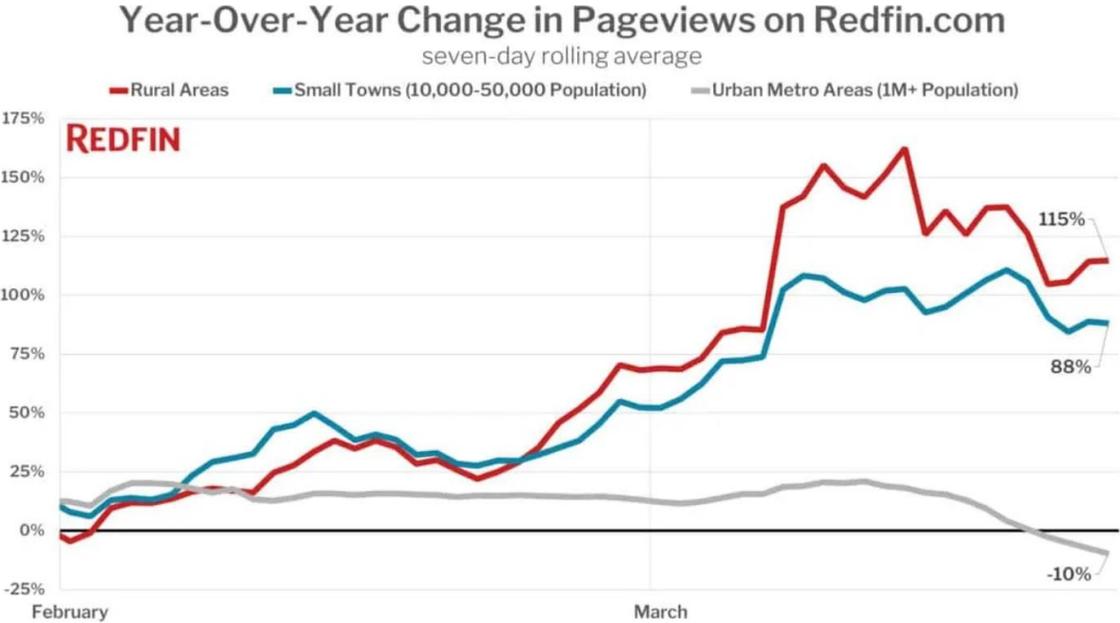
### **So, what is Agile?**

**Agile is the ability to create and respond to change. It is a way of dealing with, and ultimately succeeding in, an uncertain and turbulent environment.**

"Agile" is the term used for the idea of adaptivity in business. The word represents adaptiveness and response to change. It's about understanding what's going on in the environment that you are currently in, identifying the uncertainty you are facing and figuring out how to adapt to that as you go along.

While the agile method was created originally for the software development industry, its principles were eventually adopted by many industries for business development and conduct. We recommend looking at the following agile technique, understanding its basic principles and adopting the relevant aspects to your own business. You will quickly notice how important this is in the Real Estate Investing industry, which has evolved to be a highly dynamic business in the last decade. In fact, without using Agile methods, you will most certainly be at a disadvantage to those that do.

According to some data points, as the coronavirus developed into a national emergency and looked to be centered in NYC, small towns and rural areas may have been set to boom in the wake of the outbreak. Homebuyer interest in these less populous areas experienced an undeniable surge.



It remains to be seen if this shift in demand away from urban metro areas lasts or is temporary. An agile investment firm might want to quickly start exploring rural markets to add to their portfolio mix and hedge the urban risks.

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## Key Agile Concepts

**User Stories:** the work is divided into functional increments called “user stories.” Each user story is expected to yield a contribution to the value of the overall product or service. For example, a Real Estate investment company may assign each team member to command a user story by researching a unique market segment and find opportunities.

**Daily Meeting:** Each day at the same time, the team meets so as to bring everyone up to date on the information that is vital for coordination: each team member briefly describes any “completed” contributions and any obstacles that stand in their way. These meetings could be done online via zoom and should be short and precise. Imagine several team members reporting back to one another about what they have learned about the market that they researched. As each one reports back about the increased sales in their sector, the rise in prices or the lack of inventory.

**Incremental Development:** Nearly all Agile teams favor an incremental development strategy; in an Agile context, this means that each successive version of the product is usable, and each build upon the previous version by adding user-visible functionality. In running your business what it means is that as you change your course and add a new service or a product you make the change in small steps, so your business flow does not get interrupted.

**Iterative Development:** Agile projects are iterative as they intentionally allow for “repeating” activities, and for potentially “revisiting” the same work products.

**Milestone Retrospective:** Once a project has been underway for some time, or at the end of the project, all of the team’s permanent members invest time in a detailed analysis of the project.

**Personas:** When the project calls for it – for instance when user experience is a major factor in project outcomes – the team crafts detailed, synthetic biographies of fictitious users of the future product: these are called “personas.”

1. Satisfy your customers or the needs of your projects, focus on stabilizing and moving your business forward.
2. Welcome change, even late in the game, that will give you competitive advantage.
3. Move forward in small steps, earn small wins. One property or project milestone at a time.
4. Work with your team continuously.
5. Build projects around motivated individuals. Provide the environment and support they need and trust them to get things done.
6. Encourage **one on one** conversations in your teams to iron out critical issues.
7. If your business is continuously working, you are on the right track
8. Moving forward with your business is an ongoing effort and must never stop.
9. Pay attention to how you deliver – **from business cards to virtual tours.**
10. **KISS** Keep it Simple Stupid and get things done.
11. A self-organizing team produces the best results. Encourage agents and contractors to collaborate.
12. Periodic team meetings to **reflect and plan** (\*online).



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*Nothing in our professional history prepared us to do a closing on a house in Pennsylvania from our car in an empty parking lot.. Papers were exchanged on the hood of a truck, pens were held with gloves, cell phones were used instead of copy machines and of course, no one shook hands. It felt weird, but that's what it took to get the closing done during the stay at home order.*

Successfully creating an **agile business** requires the following:

Cooperation to generate the best ideas: If your business is big and distributed, try to break down silos and encourage openness and diverse viewpoints. However, don't lose your ability to be decisive and act as needed.

In a crisis, the real estate markets are a moving target. Each day goods, prices and opportunities will come and go. **Be fast**, if you have employees and or team members, they need quick decision-making and the authority to work and deliver value as fast as possible. This

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means adoption of an '80% right/100% fast' mindset to take decisions, start and enable work that allows for adjustments, redirection, rework or even stopping – which is often very difficult.

Openness and readiness to change: you, your employees or managers must be prepared to leave old ways of doing things behind and focus on the end goal and the best way to get there – you got to keep your eyes on the target and get there, even when it feels uncomfortable.

Being connected and empathetic to your customers (buyers, renters or investors) and partners: listen to, understand, internalize, anticipate, work with and design your solution around customer needs.

With an agile mindset, plans should be made to allow your business to continue to focus on getting the basics done and delivering on your commitments. Having contingency arrangements in place that enable staff to work from home, where it is practicable, is crucial. Doing so involves navigating a host of administrative and technical complexities, but it's a must.

For example, real estate management companies that were collecting rent from tenants by having them drop off checks at their office, need to provide an alternative means for rental payment collection.

Being agile is a business discipline and a mindset. We can assume that rapid change is not only here to stay but set to accelerate at a dizzying pace. Your business has to be ready to 'live agile' and should consider the implications of this as they review how to make their operating model fit the future even after this crisis passes.

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## Chapter 7: Leveraging the Crisis for Growth

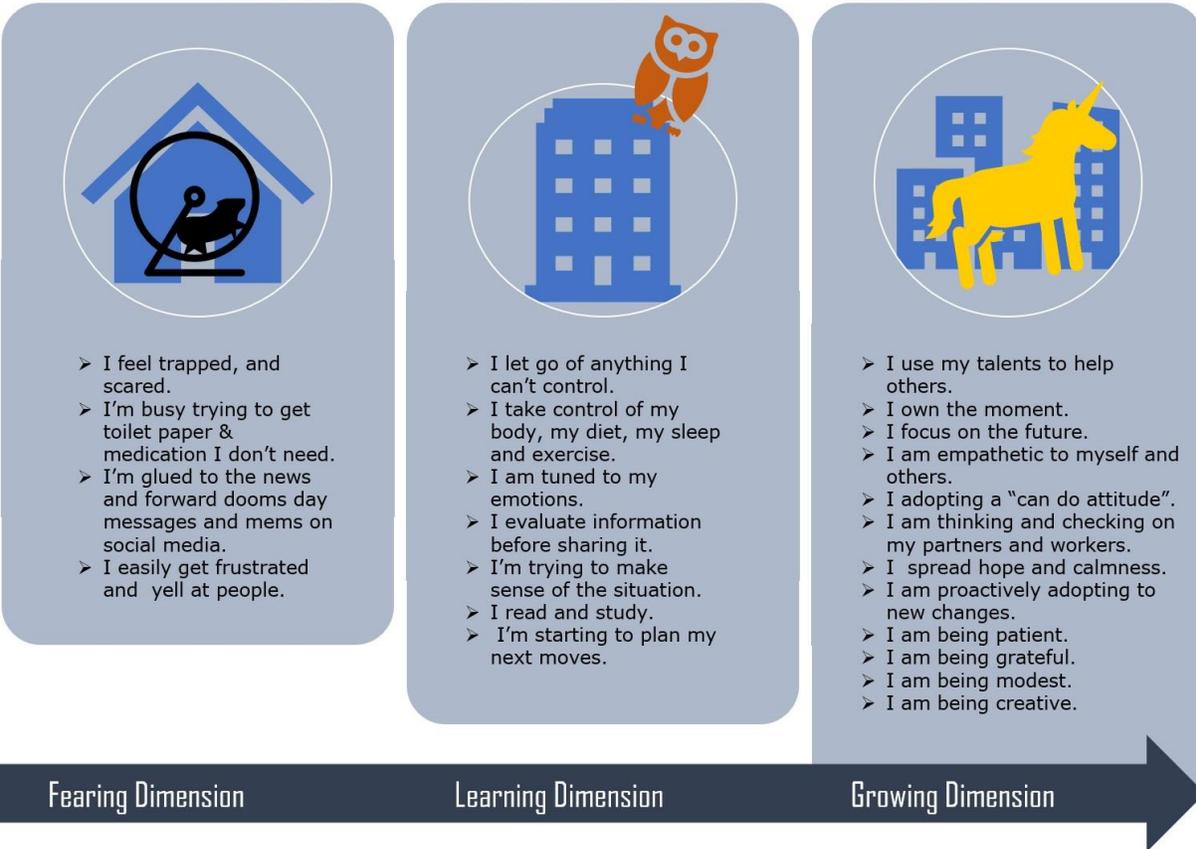
*"You never let a serious crisis go to waste. And what I mean by that it's an opportunity to do things you think you could not do before."*

-Rahm Emanuel, 2008

Every generation has its defining moment. The great depression, WW-II, 9.11, are all examples of events where life took an unexpected turn and our routines, sense of security or even our own lives and immediate future, suddenly feel uncertain. The COVID-19 epidemic is poised to become such a defining moment. While most businesses struggle to make it through, other business owners will seize the moment and leverage it for transformation and growth. Even if we acknowledge that we can't control the situation and some businesses will be luckier than the others, we are not completely powerless. These are the exact moments where colleagues, partners and employees are hungry for guidance and leadership. These are the moments that are being followed with the best investments and growth opportunity.

Leveraging the crisis to growth begins with change in our mindset. When a crisis hits, we close up and enter a survival mode where we act out of fear while we focus on short term survival. Some of us will eventually start to transition and operate in the, earning zone. We become less panicky and more open for assessing the situation with real information and clarity. Once we do that, we can start to rationally plan our next steps.

## From Fear to Growth; Can you Become a Unicorn? Use the COVID-19 as an Opportunity for self growth and leadership.



Few will enter the Growth Dimension. Some shine brighter than others. They can comfortably zoom out and seek growth opportunities by self-growth, helping others, and becoming true unicorns by leading their communities and industries.

### SWOT Your Way Out

SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses/Limitations, Opportunities, and Threats to your business. The technique is credited to Albert Humphrey, from Stanford Research Institute in the 1960s and 1970s.

At times of crisis, performing the SWOT analysis will help you reframe and set new achievable objectives. SWOT stands for:

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**Strengths:** characteristics of the business, or project team that give it an advantage over others.

**Weaknesses** (or limitations): characteristics that place the team at a disadvantage relative to others.

**Opportunities:** external chances to improve performance (e.g. make greater profits) in the environment.

**Threats:** external elements in the environment that could cause trouble for the business or project.

Identification of SWOTs is essential because subsequent steps in the process of planning for achievement of your business goals may be derived from the SWOTs.

During a crisis, first, you need to determine whether your goals and objectives are attainable in light of new market realities, given the SWOTs. Through the SWOT analysis, you'll need to ask and answer questions that generate meaningful information for each category (strengths, opportunities, weaknesses, and threats) in order to maximize the benefits of this evaluation and find your competitive advantage. For example, a Real Estate company in Philadelphia after running a SWOT analysis, may decide to shift its strategy and define new objectives by focusing on investments in rental units in B neighborhoods instead of D neighborhoods due to the increased challenge to manage and collect rent in D neighborhoods. If the threats or weaknesses cannot be controlled, a company should try to minimize or avoid them.

### **Internal and External Factors**

The aim of any SWOT analysis is to identify the key internal and external factors that are important to achieving the objective. These come from within the company's unique value chain.

**Internal factors** – The strengths and weaknesses internal to the organization such as difficulty finding good, reliable workers.

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**External factors** – The opportunities and threats presented by the external environment to the organization such as mortgage rates and new legislations.

The internal factors may be viewed as strengths or weaknesses depending upon their impact on your objectives. What may represent strengths with respect to one objective may be weaknesses for another objective. The factors may include personnel, finance, branding. The external factors may include economic changes, technological changes, legislation, and socio-cultural changes, as well as changes in the marketplace or competitive position.

Here is an example of a SWOT for company X investing in small multifamily rental properties in Philadelphia:



During a crisis, when you do your strategic planning, you should run a **PEST analysis** (political, economic, socio-cultural and technological) and analyze how the macro-environment has changed. It is crucial for you to understand the effect of the changing environment on the market, and how it will affect your business.

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Running SWOT + PEST analysis will help you adapt to change, identify new business opportunities and update your strategy. In the above example, the investment firm might decide to focus on waiting the crises out while focusing on obtaining cash through financing with low interest loans and special recovery opportunities and as soon as there are signs of a change in the climate start looking for special finds perhaps focus on properties returning to the market as foreclosures or pre-foreclosures, (by the way, that's our company we're talking about.)

## **Become a Leader**

*"If your actions inspire others to dream more, learn more, do more and become more, you are a leader."*

*-John Quincy Adams*

## **Leadership in Crisis, Kicking Old Habits**

Thankfully, most of us will survive COVID-19. However, it is worthwhile noting that many people survive heart attacks, and most survivors eventually resume their old habits. Only about 20% give up smoking, change their diet, or exercise more. In fact, by reducing the sense of urgency, the very success of the initial treatment creates the illusion of a return to normalcy. The medical experts' technical success, which solves the immediate problem of survival, inadvertently lets patients off the hook from changing their lives to thrive in the long term. High stakes and uncertainty remain for that heart attack survivor, but the diminished sense of urgency stops him from focusing on the need to adopt a healthier lifestyle. Call it human nature or the modern lifestyle but the statistics don't lie.

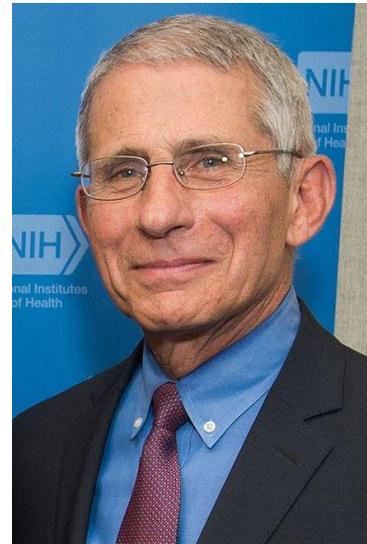
But in those heart attack survivor statistics, there are the outliers who do change. They leverage the health crisis to make the pivot to begin a healthier, more conscientious lifestyle. It is no different in business. People who practice **adaptive leadership** do not forget lessons learned. Instead of hunkering down, they seize the opportunity of moments like the current crisis to hit their career reset button. They use the turbulence of the present to build on and bring closure

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to the past. In the process, they change key rules of the game, reshape their businesses, and redefine the work that they and their team do.

So, **what is leadership?** Leadership is the ability to influence and facilitate others towards common goals, not by force or by the power of an official position. This definition has important implications for leading through a crisis.

This definition challenges the traditional understanding of who leads **during a crisis**. Ask yourself, who do people trust more under the threat of COVID-19: President Trump or Dr. Fauci? If for some reason you just got out of a coma and you don't know who Dr. Anthony Fauci is, he has been one of the lead members of the Trump Administration's White House Coronavirus Task Force addressing the 2019–20



coronavirus pandemic in the United States. According to an April 13, 2020 [Business Insider](#) survey, "Dr. Anthony Fauci is still the most trusted leader in America on the coronavirus, while Trump and Jared Kushner are in last place". It wasn't even close. When the survey asked: "When it comes to the official advice regarding coronavirus, please rate how much you trust the following messengers on a scale of 1 to 5." Respondents gave Fauci an average score of 3.96/ 5 for trustworthiness. President Trump scored 2.48/ 5 on average. White House senior adviser Jared Kushner, saw the lowest score of 2.3/ 5.

So why is this since President Trump is the democratically chosen leader of the country? A common phenomenon following major disasters is the observance of **emergent behavior**, represented by individuals or organizations that **take on new or adapted roles in response to needs presented by the crisis**.

Out of the Coronavirus pandemic, Dr. Fauci emerged as a natural leader due to his formal role but there is more to it than status. While his demeanor and charisma may also enhance his stature, his leadership role is mostly attributed to his knowledge as a physician and immunologist, his consistent firm message, honesty, composure and calmness throughout the

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crisis. He became the man of the hour that people were looking to hear from for reassurance and guidance.

We see this repeatedly. Out of crises, natural leaders almost always will emerge. In the 2018 torrent of natural disasters, residents in Puerto Rico built a pulley system for food and water after a bridge connecting their village was destroyed; bystanders and neighbors in Mexico City organized themselves to save people trapped in the rubble of a massive earthquake; and California wine country leaders turned their resources and network to focus on disaster response and recovery needs during the aftermath of the 2018 wildfires.

Leadership in crisis takes both official and emergent forms. There are common behaviors among individuals that assume and demonstrate responsibility for leading their communities. Following a tornado that destroyed their hometown of Monson, Massachusetts in 2011, sisters Caitria and Morgan O'Neill set up an improvised command center in their local church, gave news media a Google Voice number where they could be reached, and started coordinating residents and volunteers. In their widely viewed TED talk, Morgan explains, "We just started answering questions and making decisions because someone—anyone—had to." The O'Neill sisters have since established Recovers.org, which provides other communities affected by disaster with a framework to organize their own recovery.

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Assuming leadership during economic crises is no different. It provides an opportunity for you to **leverage the crisis into growth by positioning yourself as a business community, local community or a thought leader in your industry.**

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*An immediate concern of ours as Landlords was the effect that COVID-19 and the shutting down of the economy was going to have on our tenants' ability to pay rent. Clearly, it would quickly become a concern for each and every landlord across the country. With most of our rentals located in Philadelphia and knowing that tenants in cities may be hit particularly hard, Sheryl was culling the Internet to try to learn about options for mitigating the effects of an economy on pause. This led her to create a Facebook Group for Landlords Coping with COVID-19. Soon enough, major landlords from the region were joining mom & pop landlords to discuss and share information.*

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## **Leadership Characteristics and Behaviors in Times of Crisis**

There are characteristics and behaviors that are quintessential of effective leaders in crisis situations. You can establish your leadership by building on these characteristics:

**Assume and Demonstrate Responsibility:** Influence and motivate others to navigate complex, interrelated systems. For example,

- If navigating the new economic stimulus laws are confusing and challenging, you can help others and explain how to get it right.
- Take on public responsibility. For example you can become the spokesman or advocate for your professional community.
- Facilitate shared goals and define outcomes across diverse stakeholders.
- Build adaptive strategies that evolve with the crisis.

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**Balance Expertise and Intuition to Act Decisively under Uncertainty:** Acknowledge imperfect information and create frameworks that result in action.

- Leverage diverse experiences
- Be proactive
- Do not over promise and under deliver. Do not spread false hope. Be realistic, honest and straightforward.
- Be open to engage and share effectively with other networks or actors.

**Build Resilience to Cope with Prolonged High-Stress Situations:** Embrace the challenge through focus on values and community support.

## Crisis Leadership: Core Competencies

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**Leaders fall into three types:**

1. Strategic Thinkers
2. Tactical Planners
3. Operational Doers



Source: CDC

According to the CDC, **to become a leader during crises you need to demonstrate the following traits:**

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## **Empathy**

Demonstrating empathy: Deal with the human tragedy as a first priority. In a crisis such as COVID-19, people's minds turn first to their own survival and other basic needs. Will I be sickened or hurt? Will my family? What happens then? Who will care for us? Leaders shouldn't assign communications or legal staff to address these questions. A crisis is when it is most important for leaders to uphold a vital aspect of their role: making a positive difference in people's lives.

## **Decisiveness**

Effective leaders are those who can make decisions quickly with the information they have. Effective decision-making comes with time and experience. As you become more familiar with your specific industry, you'll be able to make decisions faster, even when you don't have all of the necessary information. Decisiveness is seen as a valuable leadership skill because it can help move projects along faster and improve efficiency.

## **Integrity**

Integrity is often seen as just truthfulness or honesty but in many cases, it also means having and standing by a set of strong values. Integrity in the workplace often means being able to make ethical choices and helping the company maintain a positive image. All businesses seek to hire workers who have a strong sense of integrity.

## **Relationship building (or team building)**

Leadership requires the ability to build and maintain a strong and collaborative team of individuals working toward the same goal. Team building requires other leadership strengths, like effective communication skills and conflict resolution.

## **Problem-solving**

Good leaders are skilled at problem-solving issues. Effective problem solving often requires staying calm and identifying a step-by-step solution. Problem-solving skills can help leaders

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make quick decisions, resolve obstacles with their team and external teams alike, and ensure that things are getting done, on time, according to the specifications.

### **Dependability**

Being a dependable leader means that people can trust and rely on you. A dependable person follows through on plans and keeps promises. **The strong relationships built by a dependable leader create a resilient team that is able to work through difficulties that may arise.**

### **Ability to Teach and Mentor**

One of the skills that differentiates leadership from many other competencies is the ability to teach and mentor. This skill requires that leaders think less about themselves and more about how to make their team successful.

### **Become a Thought Leader**

A thought leader or influencer is someone who, based on their expertise and perspective on an industry, offers unique guidance, inspires innovation and influences others. During a crisis, when everybody is hungry for guidance, it is an ideal opportunity to establish yourself as a thought leader by stepping back from your own business agenda, clarifying your area of expertise and listening to others.

You will need to boost your industry presence and build your brand by working with mentors and experts, leveraging social media, and when possible, in person networking events. Focus on getting published, retweeted and quoted as often as possible by providing valuable and relatable content. If you are able to develop a unique and interesting voice, people will listen.

Once your reputation or brand begins to grow, you can start sharing and making bolder claims and predictions about your industry. Continue this cycle to become a trusted thought leader in your industry. In the market where we are most active, there are thousands of real estate investors but only a few genuine leaders. They are not necessarily the most successful or biggest investors but are most certainly people who have mastered the art of leadership. These

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are not people who were appointed to the role of thought leader. They assumed the role and worked consistently and hard to maintain it.

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## Chapter 8: Disaster Recovery and Business Continuity

### Your Wellbeing is Crucial

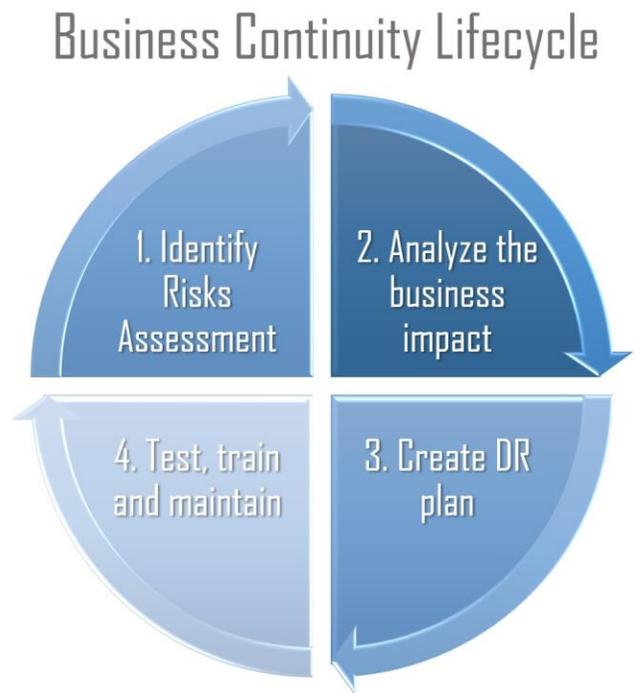
We are all familiar with this. On every flight, the flight attendant explains that should the unlikely need arise, the oxygen masks will fall and you should first attend to yourself before helping others. It is your responsibility to first take care of yourself and ensure your physical and mental health.

As a business leader, your wellbeing is extremely important. Eat well, sleep, exercise and if the news is upsetting, do not over consume. You set an example for your team members in times of trouble and you are their guide and beacon. If you do not make taking care of yourself a priority, you will not be available to be a strong leader.

For shelter in place situations, make sure you have

1. Establish a working environment with a good internet connection.
2. At least two working computers, one for redundancy.
3. Food, medications and necessities to last for a while.

According to Forbes, during the coronavirus's first 3 weeks of shutdown, Americans were consuming more alcohol, smoking weed, playing video games, eating a lot of junk food, binge-watching Netflix and adult films more than ever before. You should be ready to help team members, clients and partners through this because most people struggle to adapt to such an abrupt and extreme change in circumstances. Clearly those who find themselves stuck at home with kids, losing income and faced with a threat to their health will likely struggle. Some may



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even lose loved ones and you might even lose an employee who is a vital part of the team. A good leader will help their team get through and adapt.

**Highlight important announcements and show empathy.** Proactively inform and educate your clients and partners, consider creating an announcement post on your website, Facebook Page and Instagram Business Profile, as well as communicating through email or even a livestream or webinar. Your messaging might include information about the measures you're taking to make sure your employees are safe, showing support for your clients, and your approach to handling ongoing work.

Your reassurances, composure and understanding of their unique challenges can build trust and confidence. You must plan for business continuity to help you cope with possible loss of key people in your team.

## **Do's and Don'ts During Disaster**

### **Provide Clarity on Business Changes**

Equip your team with clear messaging on how they should respond to client questions and concerns about ongoing work, planning, and media spend. Clearly communicate how your timelines, schedules, and showings will be impacted, and think proactively about how your clients' businesses will be changing as well and how that may affect current plans.

If you have agents or a sales team, try to lay out a plan for them to keep working and generate income. You will need to assure your sales team is staying safe, productive and motivated. You should keep track of the productivity of your team. Make sure your reps keep engaging with the customers and maintaining communications and relationships. Even in times of trouble, your team might be able to identify potential up-sell and cross-sell opportunities. You might

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need to fix the communication templates, such as your newsletter per the need of hour. Keep communication flowing with your market and clients, prospective clients and team.

**TIP:** DURING A CRISIS, DO NOT COMMUNICATE BUSINESS AS USUAL IF IT'S NOT. THIS WILL HURT YOUR RELIABILITY AND WILL CAUSE YOUR TENANTS, CLIENTS AND PARTNERS TO LOSE TRUST IN YOU. LOSS OF TRUST AND REPUTATION ARE HARD PROBLEMS TO FIX. KEEP IT CALM AND REAL. YOUR CLIENTS AND TEAM WOULD BE ASSURED THAT YOU ARE NOT BURYING YOUR HEAD IN THE SAND AND THAT YOU DO HAVE A PLAN. SHARE AS MUCH RELEVANT AND ASSURING INFORMATION, PROJECT THAT YOU MANAGE THE CRISIS AND NOT THAT THE CRISIS MANAGES YOU.

WE OBSERVED THAT MANY LANDLORDS CHOSE TO TAKE A HARDLINE APPROACH TO TENANT'S WHO SAID THEY WERE STRUGGLING TO PAY RENT. UNDERSTANDABLY THERE IS SOME CONCERN ABOUT TENANTS TESTING TO SEE IF THEY CAN TAKE ADVANTAGE OF THE CRISIS. BUT WE FOUND THAT CLEAR COMMUNICATIONS THAT EXPRESS A COMBINATION OF EMPATHY AND FACTUAL INFORMATION, WORK FAR BETTER THAN COMMUNICATING ANYTHING THAT COULD BE SEEN AS A THREAT.

## **Disaster Recovery Planning**

Make sure you have a backup and a backup plan for all your data, documents and passwords. Don't forget to backup data from your phones and tablet devices as well as your email and web documents. Today, much of our data is backed up automatically to back up services in the cloud, such as Google Drive, Microsoft Cloud and iCloud. It's a good idea to periodically backup the data onto local hard drives and keep them in a secured location. Hard copies and backup files should be stored in a secondary location outside of your office. Ask employees to update and log all their contacts and procedures and make a manual of how things get done. Ask your employees and partners for an emergency contact. This might feel awkward but it's crucial for survival. Have at least two additional sets of keys for your assets and give them to

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different people. If you have the resources, run a security audit on your computer and server network and physical assets such as your office and the properties you own.

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**TIP:** ASK YOURSELF, WHAT HAPPENS IF A PERSON X (OR YOU) ARE NO LONGER AVAILABLE, EVEN INDEFINITELY? COULD THE BUSINESS FUNCTION AND SURVIVE? IF THE ANSWER IS NO, YOU URGENTLY NEED TO CREATE A DISASTER RECOVERY PLAN (DRP), AND MAKE SURE THAT YOU ARE NOT THE ONLY ONE WHO HAS ACCESS TO IT. THE DRP SHOULD SPECIFY BACKUP ROUTINES AND “WHAT IF” SCENARIOS.

Plan for **redundancies** across the board. If your office shuts down can you continue working from another location? In calmer days, some businesses like to test the plan in the real world, just to make sure the DRP works. But do not run these tests during a crisis and exhaust your resources (watch Chernobyl on HBO if you’re looking for example why it’s a bad idea).

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## Chapter 9: Final Notes: The Day After Tomorrow

As we are writing this, it is hard to ignore the amount of pressure being put out there by coaches, social media influencers and real estate gurus, to use this time to be extra productive and leverage the crisis to aggressively pursue your business goals and competitive advantage in the days to come. Be careful of buying into the need to demonstrate your productivity to strangers or to feel good about yourself only if you crush this quarantine by learning new business skills, cooking fantastic meals for your family and coming out of it more fit than ever. This pressure can be counterproductive. Your worries and economic hardships are real and should not be belittled. The extreme “don’t let a good crisis go to waste” attitude can get out of hand. And you can get stuck in a prolonged FFFF reaction. Accepting the fears is not the same as giving in to them. And cutting yourself a break is not a sign of weakness. If you find yourself feeling pressured by the judgement of the crowd that we all seem to face on social media these days, take a break.

Our own experience of dealing with adversities in life taught us that healing starts with “Kabbalah” and forgiveness. Kabbalah in Hebrew means acceptance. You are not always going to be able to act and be proactive. Sometimes we have to acknowledge that “it is what it is.” We can not always command and control the situation. Accepting our limitations as human beings, and more importantly forgiving ourselves and others, doesn’t make us weaker, it’s the first step on our journey to become stronger and better people and businesspersons. So, if you feel overwhelmed, or you are busy helping your loved ones, your employees and your community, instead of planning your next strategic move, that’s okay. Don’t get frustrated. There will be plenty of time for you to bounce back onto the doing wagon.

Our goal in writing this book was to help you outline your own recovery path from the crisis. As we stated early on, we don’t believe that there is a manual that fits all crises. The recovery path of each and every real estate professional will look different. We hope that you have found tools and insights you can integrate into your thinking and your business approach, whether you are a part time investor or a real estate professional. You can even use these tools beyond your crisis recovery management for a future business and career path.

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For those of us who have managed to stay healthy and not experience personal tragedy, there is no shame in acknowledging some of the perks and benefits of the COVID-19 quarantine. This has been a time to reflect, to meditate, to set goals and to plan. This has been a unique moment in time to slow down and plan your next pivot. Beyond the tools and insights, we hope our writing contributed to your sense of perspective and your “can do attitude” that will help illuminate your way in the day after tomorrow. Until then, stay safe.

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- Jason Evans: *What do you think's going to happen to us?*

- Jack Hall: *What do you mean?*

- Jason Evans: *I mean us? Civilization? Everyone?*

- Jack Hall: *Mankind survived the last ice age. We're certainly capable of surviving this one. All depends on whether or not we're able to learn from our mistakes.*

DASH MIHOK - Jason Evans

DENNIS QUAID - Jack Hall

From the film, “The Day After Tomorrow”

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## Appendix: Bonus! COVID-19 Toolbox

### Focus and Relaxation

- Relaxation Techniques for Stress Relief-  
<https://www.helpguide.org/articles/stress/relaxation-techniques-for-stress-relief.htm>
- 4 Breathing Techniques for Better Health <https://www.nlm.org/healthbeat/healthy-tips/4-breathing-techniques-for-better-health>
- Getting Started with Mindfulness <https://www.mindful.org/meditation/mindfulness-getting-started/>

### Remote Working and Productivity

- 9 Tips To Be Productive When Working At Home During COVID-19
- <https://www.forbes.com/sites/bryanrobinson/2020/03/14/9-tips-to-be-productive-when-working-at-home-during-covid-19/#2243b3445a38>
- 20 Remote Work Tools for Happy and Productive Employees  
<https://www.proofhub.com/articles/remote-work-tools-for-team>
- 15 Best Project Management Tools for Virtual Teams <https://financesonline.com/top-15-project-management-tools-virtual-teams/>
- Popular Time-Blocking or Time-Management Techniques You Can Use While Working Remotely <https://www.entrepreneur.com/article/348429>
- Transaction Guidance During COVID-19 <https://www.nar.realtor/transaction-guidance-during-covid-19>
- Facebook Responding to Coronavirus (COVID-19):  
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## The Authors

**Dror Gliksman** is a real estate investment strategist and a business and marketing consultant with a wealth of experience in a variety of industries. Always a creative and forward thinker, in 1996, Dror founded the first Israeli Internet marketing company and by 2000 was responsible for launching the leading eCommerce solution, Tranzila and managing the Interspace datacenter.

Dror later co-founded WebWhile Inc in 2005, with offices in the US and Israel to serve hundreds of US, European and Israeli clients in establishing their online strategy and presence. Dror guided countless companies and organizations, from technology startups to multinational corporations developing strategy, integrating technologies and creating scalable marketing plans.

As an established leader in online marketing, Dror joined forces with two Israeli media stars to create the Matchena (the Content Hub) -- a leading Israeli digital content agency. The company quickly became known for its unique creative flair and has helped countless clients to build successful digital campaigns.

Dror has been working on real estate investments in the US for several years. Together with his wife and partner Sheryl Sitman, he founded Around the Block Projects LLC in 2018, a Pennsylvania based company focused on Real Estate investments in the residential market. Today, he spends his work time developing and managing his personal portfolio of investments as well as helping investors from around the world to build a diversified real estate portfolio.

Dror served in the Israeli Defense Forces (IDF) in various combat and non-combat roles. He conducted leadership and management training and workshops for the IDF's commander school of leadership. He is a graduate of Temple University.

**Sheryl Sitman** never intended to own any real estate other than her own home until the housing crash in 2008. Her husband and now business partner Dror Gliksman, dragged her screaming and kicking away from a career in marketing and she has not looked back since.

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After years of working as a marketing director for a mixture of small dynamic technology companies and international corporations, Sheryl grew tired of the constant worldwide travel and office politics and was eager to make a change. Real estate was never a consideration until the crash created the unique opportunity. Sheryl brings a unique perspective and skill set to real estate investing. With a background in project management, a knack for attention to detail and a built in expectation for excellence from partners and contractors, Sheryl has combined her skills with Dror's incredible visionary outlook to quickly build an impressive real estate portfolio and to provide clients with the same.

After raising her family in Israel, Sheryl returned to her hometown of Philadelphia a few years ago to focus on the Pennsylvania real estate market. She is currently finishing a project in Texas and looking to expand and build teams in other states to replicate the success of the Pennsylvania operation. Sheryl is a graduate of Haverford College and did some graduate work at the University of Pennsylvania.

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