


MJW Investments Sees Growth Through Co-General Partnerships

By Hannah Madans

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MJW is a co-general partner on a Utah portfolio.

For Mark Weinstein, doing a good turn sometimes leads to a good opportunity.

The veteran Los Angeles developer, who founded MJW Investments nearly four decades ago, has participated in mentorship programs for years through the Jewish Federation’s Community Leadership Institute.

Now, some of Weinstein’s former mentees are coming back to him and asking MJW to partner on a project or building purchase.

“They’re at a certain point, and they can’t get further,” Weinstein said. “With us involved, they get capital and better debt.”

Santa Monica-based MJW is already the majority owner of a \$950 million portfolio mostly focused on student and multifamily housing. But Weinstein sees major growth in co-general partner arrangements, and his company is actively looking to add these opportunities.

“We’ve done it informally for a long time, and now we’re saying, ‘Let’s make a business out of it,’” Weinstein said.

In March, MJW announced it had teamed up as a co-general partner with Venice-based MHE Enterprises and Provo, Utah-based Redstone Residential to acquire a 1,156-bed student housing community in Utah near

Brigham Young University.

The property has a swimming pool, spa, on-site laundry, volleyball court and game area with billiards and ping pong. Redstone will oversee operations and renovations.

MHE and Redstone are partners in the deal while MJW provided some money to help fund the purchase. Weinstein met MHE through someone he did charity work with.

These types of co-general partnerships are beneficial for both parties, said Jay Maddox, a principal with Avison Young Inc.

“We’re definitely seeing demand for it in the case where a developer wants to move up in terms of the size of project or grow their business by leveraging their capital further,” he said. “You have the up-and-comers who want to make the jump to light speed and the existing ones who want to leverage what they have.”

MJW Investments has done roughly 20 such deals over the years, but the company has begun putting more focus on them recently and plans to ramp up its activity.

‘Track record’ of deals

MJW’s name and experience can bring better lenders and recognition to a project.

“We have a track record, and we’re still doing deals, and we have money, and we’re able to attract better debt. And if we want to attract other money, it’s easier for us,” Weinstein said.

Paul Rahimian, chief executive of Brentwood-based lender Parkview Financial, said it’s simpler to fund projects when a company with good financials comes into the deal.

“That’s what drives it. One of the partners is really the operator but doesn’t have the balance sheet,” he said. “The other is more of a passive GP. They are in the deal, they have rights, but they don’t want to be involved in the day-to-day decision-making.”

He added that co-GPs have been around for a long time, but he is seeing more of them now as companies try to lower risk, especially during the Covid-19 pandemic.

“Both parties win,” Rahimian said.

MJW isn’t the only company that acts as a co-general partner. Groups like Century City-based Milestone Partners and Westchester-based Integrated Capital Management also do a lot of these agreements.

Maddox said the co-GP structure is a great way for companies to grow.

“The leverage the developer is getting for every dollar they put in is phenomenal,” he said.

Rahimian said he is also seeing buyers enter co-GPs with sellers of a property in instances when they are short on the cash necessary to close a deal. Or sellers may bring in a co-GP to get some money while retaining a smaller stake in the property.

Although there is a lot of interest in these types of deals, Maddox said, they aren’t always easy to find in tight real estate markets.

The right time

Weinstein said he is “not finding a lot of great deals” during the pandemic.

Being a co-general partner allows him to succeed in markets where he has not done much work. It also allows him to work on projects with people who have more experience in those markets.

“We’re willing to expand our footprint if someone’s an expert,” Weinstein said.

For instance, he added, MJW may not be looking at a market like Ohio but could be interested with the right partner.

Weinstein said he’s eager to work in the Carolinas, but has had a hard time breaking into the market from L.A. Doing it with a partner, Weinstein said, would be helpful.

In addition to the money, Weinstein said he is able to bring his expertise about market downcycles to properties, which some younger developers haven’t been through.

The structure for the general partnerships can vary. Weinstein said MJW may put up as much as 90% of the initial capital and share it 50/50 with the mentee or the company who found the project.

Ownership may still look at outside financing and loans for the project, but with the MJW name behind it, they’re likely to get better rates.

Right now, MJW is focusing on its strong suits — multifamily and student housing properties. But Weinstein said he would consider other asset types if it were an opportunity with a group the company had previously worked well with.

Increased flexibility

Most properties, Weinstein added, will be value-add opportunities where MJW and its partner can make site or operational improvements to an asset. But most aren’t massive changes.

“We’re doing a little bit more core plus where we’re taking less risk (and) the rehab isn’t as great,” Weinstein said.

MJW wasn’t previously that interested in new buildings but now sees opportunities in that space.

Some developers build properties and move on quickly to their next project. Weinstein said that some of these buildings have lower rents now because of the pandemic, but those rents could be raised in the future.

And while the company usually looks at larger buildings, preferring properties with more than 100 units, it could be interested in smaller buildings with partners.

“We want to be open, we’re flexible. We want to get the results that are good. If buying smaller deals is the way they do it, and they have it down, that would be great,” Weinstein said.

He added that the company has not set aside a set amount of money for its push into co-general partnerships, but it’s “going to be a big part” of the business moving forward.

“I think we can expand our business a lot more doing it this way as opposed to us just finding direct investments,” he said. “It gives us the opportunity to consider more deals, to consider more markets.”