

Transcript

Code 53: Episode 1

Leadership Is Learned: A Conversation With Two Multifamily CEOs

ALISON JOHNSON: Welcome to Code 53 – a podcast brought to you by the National Multifamily Housing Council! I am Alison Johnson, NMHC’s Associate Vice President of Content and Program Strategy.

KEVIN CAMERON: And I am Kevin Cameron, Director of Advocacy and Strategic Engagement.

ALISON JOHNSON: And we will be your co-hosts for this new journey through all things multifamily.

KEVIN CAMERON: Can you believe we are finally here – episode on – it’s really happening!!

ALISON JOHNSON: It is happening! Kevin, I am incredibly excited to finally bring this new project into the multifamily world. I feel like a kid on the first day of school. I even put on a new pair of shoes to record this episode.

KEVIN CAMERON: And we are REALLY starting off strong with this episode! I cannot wait to share this interview, but before we get to that, Alison, how about we give our listeners a feel for what’s to come this season.

ALISON JOHNSON: Of course. I want to start with saying, thank you, listeners, wherever you are, tuning in to our podcast. As Kevin alluded, this project has been in the works for more than a few months now and we at NMHC are delighted to share it with you. After today, we will be drop three more episodes of Code 53 over the next three months. So, if you are interested in all things apartments, remember to subscribe so you don’t miss an episode. We will have a great mix of interviews with industry executives, some up and coming young guns, and a discussion of some real concerns that influence how housing is developed in America.

KEVIN CAMERON: We are really covering our bases in this first season and each episode is outstanding—though I may be a little biased – so be sure to hit that subscribe button so you are the first to know when we drop a new episode. Alright Alison, let’s jump in, shall we?

ALISON JOHNSON: I'm ready.

So, for our first episode, Kevin and I sat down with multifamily CEOs and NMHC officers, David Schwartz of Waterton and Ken Valach of Trammell Crow Residential. For those of you familiar with the apartment industry or if you are a frequent tracker of best companies to work for lists, these companies will be familiar to you. Founded in 1995, Waterton is a privately held real estate investment and property management company based in Chicago, Illinois with a focus on U.S. multifamily, senior living and hospitality properties. And, Trammell Crow Residential, is part of the also privately held legacy institution of Crow Holdings, a real estate investment and development firm with more than 70 years of history across multifamily, industrial, and office product types. Trammell Crow Residential was established in 1977 and is based in Dallas, Texas. Collectively, these two organizations manage over \$32 billion – yes, billion, in real estate assets with offices and communities across the United States.

KEVIN CAMERON: They are both tremendous companies and David and Ken are such inspiring leaders. We were really fortunate to sit down with them for this interview last month at the NMHC Annual Meeting, the Councils' largest gathering of multifamily executives and a must-attend event for the industry! And just after our interview, David handed the reins over to Ken as the new NMHC Chair for the next two years.

You know, Alison, I really enjoyed the conversation with David and Ken. I don't want to give too much away, but I think people are in for a treat. We talked about their leadership journeys rising to C Suite of their respective firms and they imparted some great advice on those listeners who are on that same journey right now.

ALISON JOHNSON: Yes, we had a wide-ranging conversation with them, which was difficult to edit down for this episode. But I think we kept all the good parts, particularly the discussion about why they chose to stay in the multifamily industry and the impact developers have on the communities where they work. You'll also hear each reflect on their roles as NMHC officers. There is really so much in here, so let's just get straight to David and Ken, what do you think Kevin?

KEVIN CAMERON: Roll the tape...

ALISON JOHNSON: My colleague, Kevin Cameron and I are delighted to be interviewing today David Schwartz, CEO, chairman and co-founder of Waterton. And Ken Valach, CEO of Trammell Crow. Both of them are NMHC officers and chairs respectively. So, we are really excited to be able to get to know you a little bit better and introduce you to our audience.

KEVIN CAMERON: Couldn't think of a better way to start the inaugural episode of Code 53 podcast but having two industry leaders and NMHC leaders, to be able to talk about your careers and leadership in the industry and coming up in this crazy world of multifamily.

KEVIN CAMERON: So, with that being said, let's dive right in and let's start... I know this podcast is run through our emerging leaders program, we really want to speak to those coming up in the industry. And obviously, you two have made it to, arguably, the pinnacle of your careers leading two successful companies.

KEVIN CAMERON: So, thinking about leadership milestones, how did you earn your first shot at the leadership role? And what lessons or skills in those early career roles helped you become the leader you are today?

KEN VALACH: I was in management consulting and one of our clients went to hire me and I was 24 years old and he asked me to come in as the controller. I'd had like one accounting class and he put me in, but there was a lot of change going on that organization. And I was able to step up pretty quick. His name was Ralph, he's one of my mentors.

KEN VALACH: Ralph would give you responsibility if you took it. And so, I quickly, within, I don't know, a year or 18 months was running all the operations and took the title as CFO. They didn't have a CFO. So, that was really my first shot at leadership. And I'm always thankful to Ralph for taking a chance on me.

KEVIN CAMERON: That's great. So, I mean, it wasn't even in multifamily, really. Was it a multifamily company or just-

KEN VALACH: No. It was a non-profit trade association. So, not like NMHC, but they had 500 acres at the LA county fairgrounds that they had a long term lease on. Actually, I negotiated the long term lease, that lease was going to expire. And we went on building improvements. We built a hotel, expanded a horse racing track. We built a drag strip for the national hot rod association.

KEN VALACH: I negotiated with 11 unions because we had all the unions there. I handled all the negotiations on this lease, a 65-year extension with the county of Los Angeles. And I was 25 years old, because I left there when I was 27 to go to business school.

KEVIN CAMERON: Wow. That's a lot for a 25 year old.

ALISON JOHNSON: It is a lot. Yeah. How about you David?

DAVID SCHWARTZ: Well, first Alison and Kevin, thanks for having us. It's a great honor to do the first podcast for this series. And so, my story's a little different. I started my company... Waterton is my company. I started it at 31 years old and so I never had any major leadership experience before I started Waterton.

- DAVID SCHWARTZ: My biggest leadership experience was when I was 18. I was a lifeguard and the following summer I came back and the guy who ran the whole pool left and they said, "You're running the pool." And I had to hire lifeguards. I had to staff it, make sure people came on time. And if they didn't show up, I'd have to fire them. That was really my first leadership lesson, but I worked at AMLI and Equity Residential before I started Waterton.
- DAVID SCHWARTZ: When I was at Equity, I really only rose to vice president of acquisition. So, I was a deal person. And I had maybe a couple of analysts working for me. And so, I learned leadership on the job, starting Waterton as an entrepreneur. And this is a story you hear among other founders of companies. A lot of them don't have a lot of experience leading people.
- DAVID SCHWARTZ: And really, I had a partner, Pete, when we started the business, who was really doing all the leading of the people. I was doing the deals, raising the capital. He was running the store when I was out and about doing my job. And when Pete moved into semi-retirement is really when I got my leadership training. And that was not that long ago. That was 2015 when I really took over CEO and really had the whole company reporting up to me.
- DAVID SCHWARTZ: So, I've learned a lot and I'm still learning today. To this day, I have a coach, an executive coach, who I talk to regularly. I have an advisory board. I still talk to my mentors.
- KEN VALACH: Just one of the interesting things in David's history, when he was a vice president of acquisitions for EQR, they used outside management companies and I was new to the management company at Trammell Crow Residential, which is when I got out of business school, that's where they hired me. And so, we met, we think about 1991 or somewhere in that...
- KEN VALACH: Because I knew I was still in California, but it was the early 90's and obviously, David was still at EQR. But I remembered us meeting way back when and working actually on some deals out in Palm Springs, Bermuda Dunes.
- DAVID SCHWARTZ: Bermuda Dunes. And Trammell Crow managed all of EQR's properties in Seattle.
- KEN VALACH: Yeah.
- DAVID SCHWARTZ: This was like a foreign country for EQR. Ken was running all those properties for us.
- KEN VALACH: Yeah. Which again, was, for me, leadership because I wanted to be a developer and TCR hired me in to run the management company and I took a risk on the job, but they saw that I had leadership, I had operations, I had this really strange background. I shouldn't say strange, but just different.

KEN VALACH: And that ended up being really good because we went into the recession and then we became just a management company. And so, that was just one of those lucky things.

ALISON JOHNSON: Yeah.

KEN VALACH: But then again, I had 500 people in the management company reporting to me and setting that up.

ALISON JOHNSON: That's really interesting. I mean, both your stories, how they're very different and distinct from one another, but similar. You're describing leadership as a craft and something that you learned by doing, which I think is an awesome and amazing point, really, that leadership doesn't come from a book, right? It's a life lesson, I guess, is the best way to say.

ALISON JOHNSON: What I want to circle back on though, Ken, is that you didn't have any experience in multifamily. And then, you were like, "I want to take this risk. I now want to go work at a management company." What was it about multifamily that interested you?

KEN VALACH: So I'd worked for this company before business school and I watched a lot of people in Southern California because real estate was booming in the 80's. I thought that would be good. And I had a background building a hotel, I mean kind of real estate. And I thought, "Okay, I want to go into real estate."

KEN VALACH: And out of business school it's where I thought I was going to get the most opportunity. And I really wanted or I'd hoped that I could somewhat... What I liked about Trammell Crow Residential was you owned your own business, but you also had an organization. And so, it was the opportunity and the people that I went for more than saying, "Let me go into multifamily."

KEN VALACH: I mean, it could have been that if Trammell Crow company was interviewed... If they would offer me a job, I might have gone into office. So, it wasn't like I was smart enough to going to multifamily. I really picked the opportunity and it was real estate related.

KEVIN CAMERON: And I think it's so interesting, conversely, David, you had a lot of experience in multifamily and at the age of, you said 31 when you started Waterton?

DAVID SCHWARTZ: Yes.

KEVIN CAMERON: What was it about multifamily in the business you had been working in that you were like, "I am going to leave a well-established company at AMLI and go start my own company. And I'm going to dive in even further into this industry."

DAVID SCHWARTZ: I had a lot of... At that age, I felt, a lot of experience in apartment acquisitions. That was my specialty. And I just loved it. So, it wasn't... In fact, when I was hired at AMLI, I wasn't

hired in the apartment group. I was hired in their office group to do tenant rep work, which means representing office tenants and moving them into new office space.

DAVID SCHWARTZ: So, as a tenant rep broker, when I started AMLI and fell into the apartment business there and I didn't pick it, it wasn't a strategy of mine, but when I did it, I loved it. Particularly, the acquisition side, which I love to this day, traveling around the country, looking at deals, figuring out ways to create value, working with the brokers and people on your team figuring out what to buy, what not to buy.

DAVID SCHWARTZ: And so, I love all those aspects. And one of the things that I find so rewarding about our business it's such an important part of the American fabric is your home. And we represent whatever it is, a hundred plus million Americans live in rental apartments. And what we do is super important and it's very rewarding to do it well and have people satisfied where they live and love where they live. And so, over the years, it's really been enjoyable to do such important work for the average household in America.

KEN VALACH: Yeah. We've got this product that we brought back, we've did a lot of it before the GFC, but our workforce housing product targeted to people making 80% median AMI. Trying to hit that more affordable price point and we've opened the first of those communities.

KEN VALACH: When you go out there, you feel really good. And actually, one of my kid's friends who was a single mother, moved into one of them. It's the first new place she's been able to live and afford. And so, it feels good, like you're providing the home, the community.

ALISON JOHNSON: It is an ambitious goal and there's a lot of effort that goes into it. And sometimes you can get in the weeds, right? A lot of data, a lot of numbers. How do you pull yourself out of that and get the big picture and the scope again, that you are creating homes, that it isn't just about the deal and the CAP EX? And it isn't about the return, because the return is something a little bit less tangible than money.

DAVID SCHWARTZ: Yeah. Well, I do think our business is pretty simple. You do need return. You can't capitalize this without return and figuring out that return is not a difficult process. That's why our business has so many new entrants. We don't have huge barriers to entry, including myself. I was a young person when I started my company. I didn't have to be a rocket scientist to do that.

DAVID SCHWARTZ: But that's one of the great things about it, is you can figure out the returns and see if you can make something pencil. And yes, there are a lot of weeds to get into, but again, it's all so achievable, just takes time and effort. It's a roll up your sleeves business. You got to work it, work it hard. And what Ken does is so much harder than what we do doing ground up development.

DAVID SCHWARTZ: What we do, though, it's still hard. You have to figure out how to create value and generate the economic return to make it feasible to go ahead with the project.

- KEN VALACH: Yeah. And just on the returns, because you have to get the returns and.. Which those returns we're generating are providing benefits for the average person.
- KEN VALACH: And I'm sure if you went through David's investors, so many of them are pension plans or health plans. And same for us. I mean, we may be building for a general GP in between, but ultimately, that's where the majority of the benefit that goes to. In terms of the weeds, for me, it's been more and more just trusting my team. And when I did my own deals, when they moved me to Houston in 1994 from the Bay area, I could do this back then. I started out by walking every deal that had been built since 1988 and looking at it and getting brochures and cataloging it.
- KEN VALACH: So, I understand the market. I'd only been to Houston twice in my life when I moved there. So, you can get into details, but today if I'm out, it's with the team, like, "Okay, what makes this site special? How are you trying to differentiate?" I think I have a little bit... Occasionally, a good comment on product, but some of the products gotten so sophisticated today...that it's just not what I built and I didn't do high rises.
- KEN VALACH: We do those. Not a lot, but we do them. So, we got people that are better than me. But I might ask on a high rise, something as simple as, "Do we have enough elevators?" That's one of the biggest, visitor access, trash removal. I mean, the basics... Security. I mean, how do the gates work? How does it work? Those basics never really change no matter what the product is or the market you're targeting.
- KEVIN CAMERON: As a renter myself, a renter by choice. I can attest to moving from one building that has two elevators to a building that has three elevators, impacts your life greatly. I mean, things like that have a huge impact on the community you're creating. And I think talking about creating these communities, the multifamily industry has a huge impact on the people that they're creating these homes.
- KEVIN CAMERON: You're also managing huge teams. Each of you respectively at your companies. I mean, there's a lot that goes into the roles you two have as CEO's of these companies. What is it, personally, for you that keeps you grounded in the work? What do you do outside the office that allows you to come in, put everything into this impactful work and then you check out and keep yourself grounded? Because you are making a huge impact on so many lives, if you think about it.
- DAVID SCHWARTZ: Yeah. Well, I would tell you, since the pandemic started, it's been harder to disconnect because I never worked from home. Either I would go to work or I would go on a work trip. Otherwise, I was home. And I would take real vacations and not go on a Zoom on my vacation. I really didn't do that.
- DAVID SCHWARTZ: So, that's been more challenging for me lately. And I think we all have to figure that out, because it is important to have work life balance. And I tell people on my team... I urge them, "Just unplug this weekend, please." Because it's not good for anyone to not unplug.

DAVID SCHWARTZ: So, one of the things I do is I do these big mountain climbing trips and I totally unplug. There's no option and it is-

ALISON JOHNSON: No wifi, no Zoom calls...

DAVID SCHWARTZ: No cell service, no wifi in a tent, at a base camp and-

KEVIN CAMERON: Yeah, that's really unplugging.

DAVID SCHWARTZ: And the last one I did was I climbed all the big volcanoes in Ecuador: Cotopaxi, Cayambe, Chimborazo. And it was 10 days and I was totally unplugged. It was amazing. And what I find when I finish those trips, I'm so thankful. I'm off the mountain. I'm so refreshed. And I can't wait to delve back into work.

DAVID SCHWARTZ: In fact, after Ecuador, I called Michelle Wells, our head of investor relations, I'm like, "We should book some fundraising trips while I'm down here." So, she got a meeting for me in Bogota. So, I was ready to just get back to work. But that's what I do, everyone's different.

ALISON JOHNSON: Yeah.

KEN VALACH: So David, you had some questions and David looked at my notes. I gave them to him and next to this one I wrote, "No hobbies." So, I did. But I will say, first of all, I do think with COVID and all this, any unplugging you did, it's gotten a lot harder to do. Because suddenly, one, there're things that have just become more urgent. And quite frankly, it's been NMHC business, I'm involved in my alma mater trying to run a college during all this.

KEN VALACH: And I'm on a housing nonprofit, and then our own business. And there was a bigger sense of urgency.

KEN VALACH: I will say semi non-profit work kind of unplugs me. It's weird because it's not dealing with Trammell Crow Residential and its issues. And sometimes it's kind of fun. I mean, when you're out there working with a housing non-profit and you go in and you look at the people.

KEN VALACH: This one I chair, people make \$8,000 a year and you look at the difference in their lives you're making by giving them housing. I mean, it kind of unplugs you there because it makes you just thankful, like David on the mountain, for everything we all have.

KEVIN CAMERON: It's actually a great segue to talk a little bit more about your roles as NMHC officers during your time. And you both have assumed, as our officers do, the role of a political leader for the industry, an advocate for the industry at large. You've both served as NMHC PAC chair before you become chairman.

KEVIN CAMERON: Ken, you're just finishing up your, your term. You've had countless meetings with policymakers and David you've even testified in front of Congress. So, how is your time working on the advocacy and political fronts on behalf of the industry impacted how you either manage your businesses or how you look at the industry at large? How is that involvement in the advocacy and political front impacted how you operate as the CEO of your companies?

DAVID SCHWARTZ: I've shared everything that I do on that front to my team at Waterton. But also, to our partners, because everyone's interested in it. When I testified before Congress, everyone wanted to talk about it, it was a lot of fun to share that experience. The NMHC, our advocacy efforts are really balanced. So, I wouldn't even call it political. We're not left or right. We're just looking out for our industry.

DAVID SCHWARTZ: People generally, whether they're an investor or they're an employee at my company, are super supportive of all the things we do.

KEN VALACH: Again, the good news is what we do, it affects everybody, because we're really... It's the rental housing industry, which by the way, is not generally the top wage earners whether because you're young, where you are in your career, propensity to rent, workforce and we're totally bipartisan. So, it's real easy, everybody gets it and everyone's lived in rental housing and a lot still do.

KEN VALACH: I'd say the one thing is I've been able to involve some people. And I know David has too, from my firm, in some of the different committees and initiatives and quite frankly, come in where maybe we have some expertise that we could help and share in the industry. Because I'm on the inside, I know we need someone in that area like, "Hey, we've got someone." And that's been great for those people's professional growth.

DAVID SCHWARTZ: Yeah. It was a lot of fun for some of our people in our property operations to pull together all these statistics and anecdotal information on collecting emergency renter's assistance. And then, using that for my testimony. And we had other companies do that as well. And we all learned so much.

DAVID SCHWARTZ: Doug Bibby was so surprised to hear in California it was a 17 page application and in some states they weren't even translated in Spanish and how hard all the management companies had to work to help people apply for the renter's assistance on the different applications. So, we learned a lot just asking people, how does this work? And how is it working?

KEVIN CAMERON: Speaking about engagement with NMHC, what advice would you give a newer member? Say you're a young broker coming to NMHC, the annual meeting, for the first time, or you're a new supplier going to the OPTECH conference. What would be your advice about using NMHC to the best of your abilities for your professional growth?

KEN VALACH: One is get involved. I mean, if you could get on a committee... it just gets you involved with something. So, think about where that might be. And it might be the young leaders. And try to get into a position of leadership. I mean, take responsibility.

KEN VALACH: The fact is if people want to step up and do things, people tend to give it to them and they grow and they get more and you prove yourself, that's probably how both David and I progress through. And then, the networking. I would say that people need to be... On the networking, you want to be a little persistent, but not a pest. If that makes sense.

KEVIN CAMERON: It's a fine line.

KEN VALACH: There's a fine line in how to do that. And I don't know how to define all that. And I've probably, quite frankly, have not been enough of a pest at times in my life. I look back and I look at some opportunities and especially I'll occasionally hear somebody maybe who passes and like, "Gosh, I should have spent a little bit more time and reached out to that person."

KEN VALACH: But I'd say the networking, but being pretty smart about it. When you're in a... The cocktail parties and stuff, we're in a room. That's a great time, everyone's open to approach people and talk to them.

DAVID SCHWARTZ: I would add a couple things. One is there is a new member of orientation, which I think has been great. And I've met a lot of the new members in the past year since we started that. So, I'd encourage them to go on those Zoom calls and meet the officers, meet the team, the NMHC team.

DAVID SCHWARTZ: And I think, back to the networking, it's a good point because I do see a lot of people, they join and they're just networking. They're not going to anything. And there's so much content... And I'm not saying don't network. I just think there's a balance. There's a lot of sessions people should go to, or just stop in the finance committee meeting and hear and participate if you want to offer something. I think people would get so much more out of the meeting.

DAVID SCHWARTZ: And if your membership allows you to go to some of the other meetings... I think the fall meetings, my favorite. So, if your membership class allows you to go to that meeting, that's a great meeting. That is not peer networking. Everyone goes and attends and listens to the content.

KEN VALACH: I will say now with just the barrage of emails. That's not probably how I'm going to meet people, my guess is David either. I'm going to meet because we sat at the table or I went to the new members' reception and met some folks last night. So, I would say, yeah, being engaged in those events.

ALISON JOHNSON: Thank you for that advice on... Or guidance, really, on how individuals can take part in the NMHC, right? Because as a trade association, membership is through your corporation or company. But many individuals really don't know what that means. How do you access the network?

ALISON JOHNSON: So, thank you for that guidance. We'd like to continue on this line and maybe give you... I think we could take another five, 10 minutes of your time, if that's okay, and go through some quick fire questions. Again, along the lines of guidance, we'll start with what is the best career advice you've ever received?

KEN VALACH: I'd probably put two things. One is, no job is too small to do well. Somebody once said, "I don't really have the power to do that." And the person said to me, "Real power's not something you're given. Real power is something you take." And they said that, but I think they meant earn.

KEN VALACH: And the fact is, it didn't mean power in a grab power way. If you're willing to do it and jump in, people are going to give you more and more. It's the old, if you want to get something done, give it to the busiest person you know.

DAVID SCHWARTZ: Mine was, when I left Equity in 1995, I met with Sam, Sam Zell. And I asked him any career advice now that I'm going to be an entrepreneur. And he said, "I'll give you a Hebrew statement. It's called *shem tov*. And I said, "What does that mean?" He started saying, "Did you go to Sunday school?" I said, "No." He said, "It means good name, *shem tov*"

DAVID SCHWARTZ: And he said, "Nothing really matters in business, but your name. So, it's not about the money. It's always about your name. You do what is right for your name." And I've lived by that to a T from the day I started Waterton. And we've walked away from things that could have enriched us, but may have hurt our name. And so, we always think about that and preserving our good name.

KEN VALACH: Since David says that, because I hear the stories of Mr. Crow. Trammell Crow and our chairman Harlan Crow told me once that his dad put his name on the firm, not because it was not an ego thing, it meant, that's what I stand for. I am the firm and that's me. That's why he put your name on the firm. Not for glory.

KEVIN CAMERON: That's so great. And such great advice from two legends in the industry, Sam Zell and Trammell Crow. Now, turning that a little bit. Now, that you're CEO's, would you give that same advice to someone coming up in the industry? Or would your advice be different?

DAVID SCHWARTZ: Well, I would give them the *shem tov* advice for sure. And I give that advice all the time. But the other thing... I got this advice in my seventh grade yearbook from my English teacher, Mrs. Van Buren. Which was to take advantage of every opportunity. And my wife says I take advantage of way too many opportunities. Go to the opening of a door.

DAVID SCHWARTZ: But I believe strongly in that, that I want people out there. Ken said, "Get involved." It's really the same thing. I can tell you so many times something that an opportunity I took advantage of that I didn't have to do that turned into something important for my business, because you need some luck, too, in business. You do. But you can make your own luck, too, if you are exposed enough to enough things, something's going to hit.

KEN VALACH: Yeah. I mean, I agree with everything David just said. I mean, I've gone into a meeting or I've pursued something. And sometimes it's not the person that you're with, but they refer you to somebody who can help you.

KEN VALACH: David and I were talking about this yesterday, having read Bob Iger's book, he has a great quote in there that one of his mentors told him, which is, "You can be the best at making trombone oil, but there's not a lot of demand for trombone oil. There's only a couple gallons a year." The reason I say that is I look back on some things I did and the reward, even if successful, wasn't that big. And measuring that.

KEN VALACH: So, I think I've gotten better and I tell people, "Measure in terms of whether it's a deal." I mean, I've just seen people get bogged down sometimes on things that even if you're really good and you went, it's just not that big. I go back, really, when I was in the management company and some of the third-party management opportunities we pursued where if we were looking with a big institutional client and we did a great job, we ended up with 10 properties for EQR.

KEN VALACH: There're other one-off owners that we worked really hard that were never going to pay us enough, always going to be difficult. And even if we did a great job at a 10% margin, we were going to get a \$70,000 fee and make \$7,000 a year. I look back at it, "Why did we spend so much time in that business?"

DAVID SCHWARTZ: That was selling trombone oil.

KEN VALACH: That was selling trombone oil. Yeah. Again, there was a time, Aetna, we pursued them, we did a great job and we ended up managing a lot. And they valued what we did, too. I would say that's one. Make sure you're working with people who value what you do.

ALISON JOHNSON: That's great advice. Well, one last question, and then we promise to let you go. You mentioned Bob Iger's book. Are there any other books that you've read that have changed your mind in some way? Or influenced how you approach work?

DAVID SCHWARTZ: Well, as a late bloomer in running a company, I have read different leadership books. And one book that was recommended to me was The Five Dysfunctions of the Team, that I thought was really interesting because I never thought about dysfunction much in my career. But that book really taught me how to identify it and stomp it out.

DAVID SCHWARTZ: And so, that really enlightened me and that gets to not tolerating certain behaviors in an organization and also teaches you to understand how damaging certain behaviors that maybe you've seen.

KEN VALACH: Yeah. I've read a lot of books and I probably have gotten a little tainted because you read... It's like, "Here's the newest guru book." And Five Dysfunctions sounds interesting. I did read and I cannot remember... It's a book that came out just recently on Winston Churchill in the beginning of World War II and what they were going through.

KEN VALACH: I cannot remember the name right now, but I thought that was really great. Just because you saw really, really tough times. I mean, we think we have tough times. I'm not saying they aren't hard, but the eviction moratorium. I mean, we're going to get through it all. I mean, this is life and death and London's getting bombed and the Nazis may take, you're trying to get America into the war. You're like, "Okay, this is world-changing."

KEN VALACH: So, sometimes looking and getting perspective. David brings up The Five Dysfunctions, probably the biggest personnel mistakes I've made, and in the end for David and for me it's all about the team, is having people who bring qualities that you don't want on the team and tolerating that. And what's helped me at times is talking to a mentor and describing somebody.

KEN VALACH: And they'll give you the nudge to say, "Ken, you know what to do. When are you going to do it? And how you're going to act?" That's what one of my mentors said about one a few years ago. So, what are you going to do? You already know what you need to do in your heart.

KEVIN CAMERON: Yeah.

KEN VALACH: And those are the biggest decisions. Because once we had the team, and it's true at NMHC, if you got a team together and they're running well, then that's when the success comes. And also, it's a lot more fun.

KEVIN CAMERON: Yeah.

KEN VALACH: It's a lot more fun.

ALISON JOHNSON: Absolutely. Yeah.

KEN VALACH: There's nothing worse... I always say, "Would I want to go have lunch with this person?" I may not want to have to go on a mountain climbing trip with him for 10 days, but would you want to go to lunch? Would you like to go to dinner? And if you get to the point where you never want to do that, I'm like, "Okay, I need to make a change."

KEVIN CAMERON: Well, in the interest of time, thank you so much for giving us so much of your time.

ALISON JOHNSON: Absolutely.

KEVIN CAMERON: This has been fantastic, especially for our first episode. So, thank you both so much for agreeing to do this with us.

ALISON JOHNSON: Yeah. David, Ken, again, I echo what Kevin just said. Thank you very much. I hope you enjoy the annual meeting and thank you for your service as an officer of NMHC.

KEN VALACH: Well, thanks to both you, Alison and Kevin. I really appreciate the opportunity.

DAVID SCHWARTZ: Thank you.

KEVIN CAMERON: How great was that conversation? I could have listened to David and Ken for another two hours. By the way, I caught up with Ken later and he remembered the title of the book. It's *The Splendid and the Vile* written by Erik Larsen.

ALISON JOHNSON: Oh, isn't that the author of *Devil in the White City*? I really enjoyed that book. I'm going to put that on the reading list.

KEVIN CAMERON: I noticed it's on my bookshelf at home, you can borrow my copy.

ALISON JOHNSON: Excellent. I agree with you Kevin, I really enjoyed talking with David and Ken, honestly, it was a bit grounding to hear them talk about they've grown within the industry and at NMHC over the years. I think we really set a high bar for ourselves going forward.

KEVIN CAMERON: We did, but I think we are up for the task. And speaking of going forward, please be sure to hit that subscribe button. I said it once and I'll say it again, and be sure to leave us a rating and review. Code 53, an apartment podcast can be found on Apple Podcasts and Spotify.

ALISON JOHNSON: Yes, you will want to be the first to know when we drop the next episode. And, if you have ideas for a future podcast episode, we want to hear from you! Email Kevin and me at PODCAST@nmhc.org with any ideas – our inbox is always open!

KEVIN CAMERON: Thank you all for listening to the premiere episode of Code 53 – we hope you enjoyed our conversation with David Schwartz and Ken Valach as much as we did. Alison and I are so excited to be co-hosting this new project to discuss all things multifamily with you.

ALISON JOHNSON: Thanks for being here with us. Until next time, we are Code 53 signing off.

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Lastly, thanks to our gracious production engineer, Senior Marketing Associate, Conor Ellis, who probably is our most loyal listener.

We appreciate you hanging on to the end of the credits! Please stay tuned for more content to come.