

# Keeping a cool head

When those around you are getting caught up in the heat of the moment, it pays to keep your cool and remember the time-honoured approach. Ash Samadi tells us how to weather property cycles.

BY SUE ROBINSON

**W**e're living in economically turbulent times. But no matter how turbulent they are, somebody, somewhere will be placing themselves in an advantageous position. To be that somebody, according to Ash Samadi, managing director of Samadi Corporation, you need to stick to the fundamentals and understand the challenges.

The fundamentals, he says, are these: "Making sure I have the cash-flow to service the debt in the long term, investing in areas I understand, actively managing the investments and placing emphasis on the intrinsic value of the property rather than market sentiments."

Samadi should know – he's been through a downturn before. He started his career as a commercial leasing agent in Sydney's CBD in the 1980s and was part of the agency's sales team when the last big downturn hit. His response was both timely and positive.

"In the early '90s while the property values were devastated, we decided to take advantage of the market conditions and our local experience to establish our first investment vehicle," he says. "I teamed up with a few of my friends and clients and kick-started the first venture."

Investing during a property crash can be incredibly stressful but Samadi and his new colleagues had a good understanding of the intrinsic value of their properties and they capitalised on that.

"It wasn't easy," he says. "The first one is always the most difficult one."

Samadi's first venture was established in 1991, and he began to work across investment, development and construction in commercial and residential property. Today, Ash Samadi still goes where he knows.

"An almost religious part of our approach to property investment is to concentrate our efforts in areas we understand well. Accordingly, given my background, almost all of our investments have been located in Sydney CBD and its fringe."

Another principle is to keep the buildings occupied and for Samadi, that means a hands-on approach. "We do not outsource the management of our properties. This approach has allowed us to maintain a personal relationship with all of our tenants as well as the ability to improve the building's operational functions."

If a tenant needs to downsize, move, or expand, and has a good working relationship with the landlord, then the transition can be beneficial and cost effective for both parties. "The landlord gets the first option to offer alternative accommodation from within the portfolio, and the tenants can benefit from incentives such as a waiver on make-good clauses and moving costs," says Samadi.

He's taking the credit crunch in his stride, saying that current sentiments won't stay the same forever and the

intrinsic value in properties will remain intact. "I do not remember any period of time during my career when we were free of some kind of challenge. But along with the challenges we face, there are always opportunities, which can be valuable."

Today, Samadi says, the biggest challenge is arranging the right funding structure. There are also a number of unique opportunities to secure properties that would not be easy to replace under normal circumstances. On the other hand, two years ago the challenge was finding value in properties offered for sale, but funds were readily available in all sorts of different structures.

"For a full-time investor, the challenges and opportunities are different at all times. The degree of success in dealing with them depends on flexibility, foresight and preparation."

When it comes to investment, it can be tempting to follow new fads and fashions with the allure of high returns. Trendy new investment formulae along with their promoters seem to emerge with every cycle. And while each of the more recent cycles has ended for different reasons, says Samadi, there have been some similarities.

In the '80s, for example, the high flying 'entrepreneurs' occupied the niche, which was used by 'private equity investors' up until last year. The 'stock brokers' of the '80s became the 'fund managers' of recent times, with one common practice; investing money

they did not have in areas they did not understand.

The pinnacle of the system used in both cycles was the highly leveraged finance to get a high return – some of them on investments that did not make sense. This approach failed in the '80s taking several high-profile business people with it, and has now failed again.

“If the investment method is not proven to be successful beyond one full cycle, then that would be a good reason to stay away,” advises Samadi.

“If we accept that economic cycles are inevitable, we can learn from the common threads embedded in the nature of every cycle. The ones that I like to remember are:


- ◆ Markets always tend to over-shoot in each direction, up or down. As the market needs to be corrected, due to overshooting of values, what goes up extensively must come down to some extent, and vice versa.

- ◆ There will be a group of investors losing a fortune and there will be some who secure investment vehicles that make a fortune. Each group will have their own challenges to face.

- ◆ In every cycle, what became the ‘holy grail’ of investments on the way up will turn into a ‘dirty word’ on the way down. The true values seem to get obscured while facing the challenges of leveraging or de-leveraging.”

For Samadi, the future is positive despite the current downturn. Among the pluses is a substantial reduction in the interest rate, which is helping reduce expenses. The downside right now is the scarcity of finance. So the current situation “doesn’t allow for rapid expansion, but the low cash rate allows you to manage your existing portfolio much better”.

Overall, Samadi finds investing rewarding because it requires creativity. “Being creative alone though is not going to help you unless you are prepared. For me, this means the successful design of investment structures, which provide good solutions to the challenges that present themselves. These structures should also help you capitalise on the opportunities, which arise from the challenges.” •

A photograph of Ash Samadi, a man with short dark hair and a light beard, wearing a light-colored blazer over a white shirt and blue jeans. He is sitting on a dark leather chair, looking towards the camera with a slight smile. The background is a wall made of dark, irregular stones. To the left, there is a white shelf with several white ceramic vases of different shapes. The lighting is soft, highlighting the textures of the stone wall and the man's clothing.

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