

Man With A Plan

Where others see dilapidation and distress, David Berneman sees dollars.

Like any investor, Berneman, 33, wants to make as much money as possible. But unlike many investors, he sees potential in areas others don't.

Areas such as Leimert Park. Hyde Park. Hawthorne. Westmont. Inglewood. These are not areas everybody thinks of when looking to invest in real estate. But Berneman, head of Golden Bee Properties in Culver City, has been buying properties in those areas for almost a decade, including a recent purchase of eight single-family homes and condominiums for \$17.4 million: five in the city, two in unincorporated L.A. County and one in Hawthorne.

"I'm not going to sugarcoat it. There still are some areas and some pockets that have some gang activity, but generally speaking, this is the thing that I think is most impressive: generally speaking, South LA is a nice, working-class neighborhood," he says. "You got a lot of families that have either lived there forever or they can't afford to live in West LA, Koreatown, Hollywood. It's a question of how do we make those areas better, safer for the residents and nicer and cleaner, while simultaneously making money for our investors?"



David Berneman

tential to increase in value quickly. He buys residential property for between \$130,000 and \$180,000 per unit, spends some money beautifying it and, if he chooses, sells it some years later for a large profit – he guarantees his investors quarterly returns of at least eight percent. Mostly, though, he holds onto the buildings and rents the units using federal government housing programs such as Section 8.

"You've got a lot of disinvestment that's been going on for decades. It's good to see there are some new dollars floating into the buildings," he says. "We go into these buildings and they're dirty, physically dirty

David Berneman finds investments in ways and means others wouldn't think or dare to try. The Culver City, Calif. investor charts his own path through unexpected LA areas.

The answer, he believes, is to eschew areas such as Santa Monica, West Hollywood, the South Bay and the Valley in favor of areas that offer what he calls "value-add buildings," meaning the property has po-

and they're dirty with a tenant base we don't necessarily want. ... The objective is to make these clean, family-friendly, working-class neighborhoods, and if we have to



help to clean up house, along with the police and others, we'll do it."

In keeping with his philosophy of trying to find a reason to invest someplace where few others look, Berneman looks at outside development that could benefit the neighborhoods. In 2009, he learned that Metro wanted to build a light-rail line through the Crenshaw Corridor.

According to Metro's website, the Crenshaw/LAX line, scheduled for a 2019 opening, will run 8.5 miles and connect the Metro Expo Line with the Green Line through Crenshaw, Leimert Park, Hyde Park and Inglewood.

"We realized it was coming, so we started looking at areas like Leimert Park, which is a very cool area that has been well kept for many, many years but sort of hidden, at least to the investment community," Berneman says.

Once he identifies a potential area, he needs investors, so he draws from various syndicates. There are the usual friends and family, his own money and some high-wealth contacts, but a recent trend he uses is crowdfunding websites such as Patch of Land and RealtyShares. Crowdfunding is a way to raise money online with numerous people contributing small amounts.

"With these new crowdfunding vehicles, there is the ability for someone, maybe not with \$10 but even with \$2,000, they can go in and invest in one of our buildings," he says.

When it comes to renters, Berneman isn't

afraid of government help if needed. Section 8 of the Housing Act of 1937 offers low-income people to live in buildings they couldn't otherwise afford because without assistance, the rents would be too high.

Berneman estimates that a two-bedroom apartment in South LA could rent between \$1,625 and \$1,700 a month at market rates, which would be way too much for many people to live there. But if they have Section 8 vouchers, they could pay as little as \$150 a month, and the various housing authorizes (either in the city or county, de-



pending on the property's location), pays the rest, so Berneman – and his investors – still gets market rate and their eight percent.

Beautiful buildings in areas without gangs, drugs and crime are attractive, so if they need a little help, he sees nothing wrong with that.

"I don't think Dave's a person who does something just to make a lot of money," says Colin Ford, a friend who has invested in Berneman's South LA properties and is seeing at least 8 percent quarterly. "He cares about quality life for the tenants. Everything he does is win-win." — **By Lee Barnathan, California Business Journal**

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