

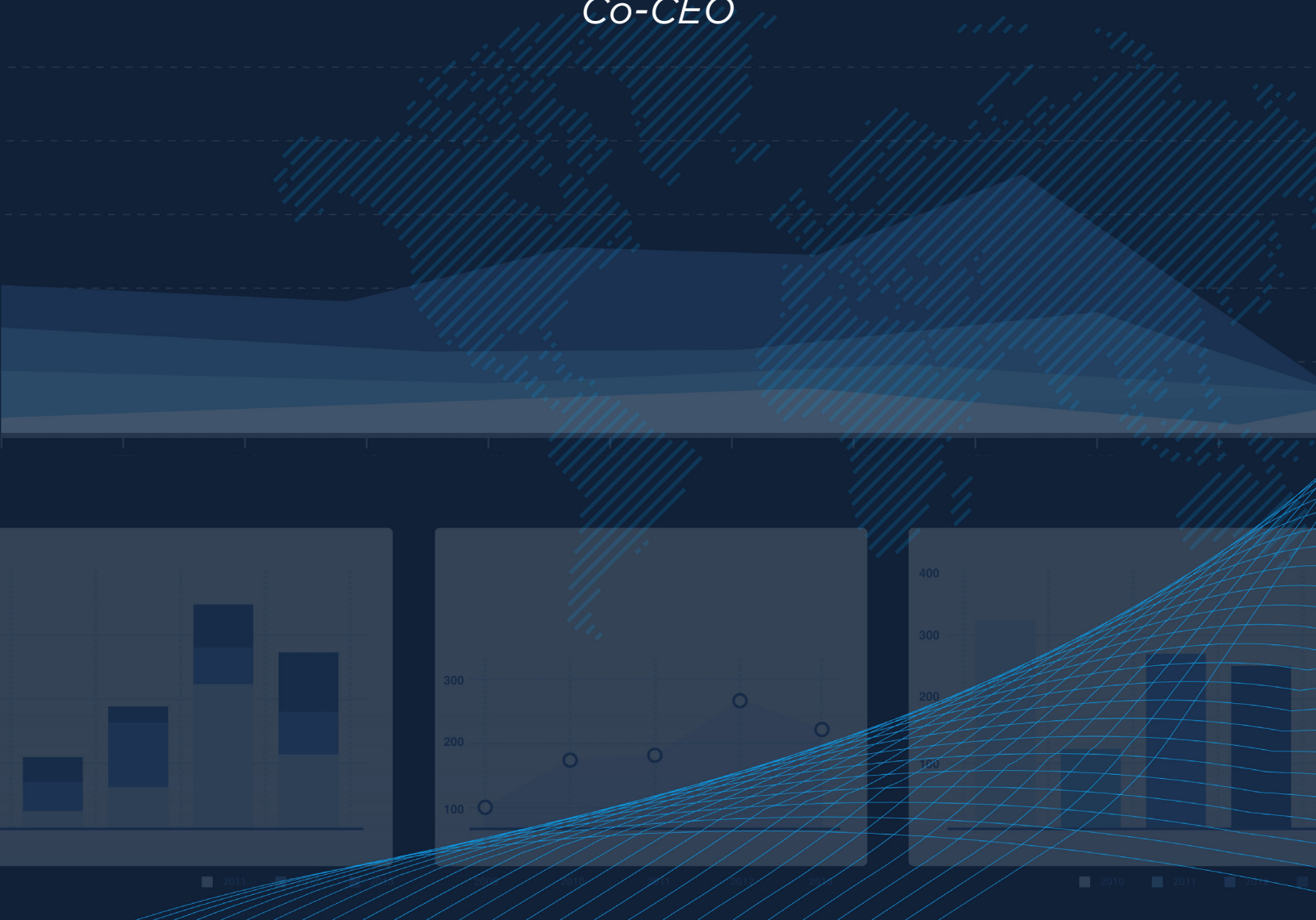
# dakota research

## INTERVIEW

### LION REAL ESTATE GROUP

JEFF WELLER,

*Co-CEO*



# INVESTING IN DISTRESSED REAL ESTATE WITH JEFF WELLER: HOW LION REAL ESTATE GROUP IS CAPITALIZING ON MARKET SHIFTS



DAKOTA RESEARCH

LION REAL ESTATE GROUP

## JEFF WELLER

CO-CEO

Jeff Weller is the Co-CEO of Lion Real Estate Group. In his role Jeff sources transactions and manages the firm's investment portfolio alongside co-founder and partners Mory Barak. Jeff brings over 25 years of real estate experience to Lion having previously worked for top brokerage firms CBRE and Cushman and Wakefield. Most recently, Jeff served as co-CEO of EPML and Bayside Communities, which owns over 3,000 units and manages an additional 3,500 units on the West Coast. Jeff is a board member of Folsom Institute and a graduate of SMU.

## INTERVIEW SUMMARY

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In this Dakota Research Interview, Chris LeRoy, Director of Investment Research at Dakota, speaks with Jeff Weller, Co-CEO of Lion Real Estate Group, a vertically integrated real estate investment firm headquartered in Dallas, Texas. The discussion explores Lion's investment strategy, market approach, and how the firm is capitalizing on distressed real estate opportunities in today's market.

Founded in 2007, Lion Real Estate Group was established by Jeff Weller and Mory Barak, initially focusing on acquiring distressed assets in Southern California. The firm started by purchasing nonperforming bank loans on condo conversions, allowing them to acquire and reposition underperforming buildings. Their early success coincided with the Great Financial Crisis, enabling them to scale rapidly, raising significant family office capital and acquiring 10 to 15 properties per year. Their strategy of value-add repositioning, refinancing, or short-term sales led to strong returns for investors.

Lion Real Estate Group is unique in its vertically integrated approach, managing all aspects of investment in-house, including property management, construction, leasing, and asset management. The company operates out of Dallas, Los Angeles, and Nashville, with a structure designed to ensure operational efficiency across its markets.

The firm specializes in value-add multifamily real estate, targeting properties built between the 1970s and 1990s in high-growth Southeastern and Sunbelt markets, including Texas, Georgia, Tennessee, and the Carolinas. These markets provide business-friendly environments, population growth, and strong rental demand. Lion focuses on acquiring properties from under-capitalized owners—often groups that used floating-rate debt and are now facing financial difficulties. Their ability to purchase properties at a discount and reposition them into high-quality workforce housing has been a key driver of their success.

Lion's value-add strategy is straightforward and highly effective. Typically, the firm invests 10% of a property's value into renovations, including interior unit upgrades, exterior improvements, and amenity enhancements such as gyms, dog parks, and signage upgrades. This repositioning allows the firm to increase rents by 25-30%, while still offering a cost-effective alternative to newly built Class A apartments. Unlike many institutional investors focusing on high-end properties in New York, Los Angeles, or San Francisco, Lion finds better opportunities in secondary markets where working-class tenants need affordable, well-managed housing.

Currently, Lion Real Estate Group is raising Fund III, targeting \$200 million to \$250 million in commitments. The fund is focused on acquiring distressed multifamily properties at 30-50% below peak values, capitalizing on interest rate-driven market dislocations. So far, a third of the fund has been deployed, and the firm expects to see north of 20% gross IRRs, significantly higher than previous funds. Jeff Weller notes that today's environment presents some of the best investment opportunities since the Great Financial Crisis, as high interest rates are forcing many over-leveraged owners to sell.

Looking ahead, Lion Real Estate Group plans to continue expanding in its core markets, leveraging its expertise and long-term financing advantages. The firm believes that construction slowdowns and supply constraints will drive rent growth and asset appreciation between 2026 and 2027, further strengthening their investment thesis. With a disciplined approach, a strong track record, and a clear market focus, Lion Real Estate Group remains well-positioned for continued success in the evolving real estate landscape.

# INTERVIEW HIGH LEVEL KEY POINTS

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## 1 Company Background & Growth

- Founded in 2007 by Jeff Weller and Mory Barak to capitalize on distressed real estate opportunities.
- Started by purchasing nonperforming bank loans on condo conversions.
- Scaled quickly during the Great Financial Crisis, acquiring 10-15 properties per year.

## 2 Vertically Integrated Business Model

- Handles property management, construction, leasing, and asset management in-house.
- Offices in Dallas, Los Angeles, and Nashville, allowing close oversight of assets.

## 3 Investment Strategy

- Focus: Value-add multifamily properties (150-400 units) built between 1970s-1990s.
- Targets properties in business-friendly, high-growth markets: Texas, Georgia, Tennessee, and the Carolinas.
- Buys from distressed owners, often those struggling with floating-rate debt and financial mismanagement.

## 4 Value-Add Approach

- Invests 10% of a property's value in renovations, including:
  - Unit upgrades (kitchens, flooring, appliances, countertops).
  - Exterior improvements (signage, landscaping, new amenities).
  - Enhancements like gyms, dog parks, and functional outdoor spaces.
- Increases rents by 25-30% while maintaining affordability.

## 5 Market Positioning vs. Institutional Players

- Avoids Class A properties in major cities (NYC, LA, SF) due to high institutional ownership.
- Finds better value in secondary markets where workforce housing is in demand.

## 6 Current Market Opportunities & Fund III

- Raising Fund III (\$200M - \$250M), already deployed a third of capital.
- Acquiring properties at 30-50% below peak valuations due to distress from high interest rates.
- Expected returns: 20%+ gross IRRs, significantly higher than previous funds.
- Jeff Weller sees 2024-2025 as a prime investment period, similar to the Great Financial Crisis.

## 7 Financing & Risk Management

- Uses fixed-rate Fannie Mae & Freddie Mac loans with low leverage.
- Prioritizes long-term debt stability over short-term floating-rate financing.

## 8 Future Outlook

- Plans to expand holdings in existing core markets rather than entering new cities.
- Believes construction slowdowns and supply constraints will drive rent growth and appreciation (2026-2027).
- Post-Fund III, will focus on maximizing value across its portfolio before launching a new fund in 2026.