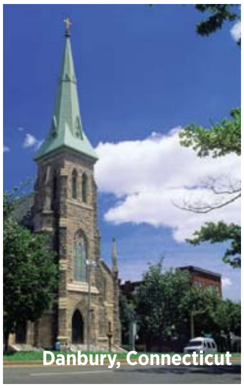
EVO loves New York but sees cash flow farther afield

EVO Real Estate Group, which has strong roots in New York City, has made its first acquisition in Connecticut. The company struck a deal for a 90,000-square-foot office in Danbury after one of the firm's brokers brought it to their attention. "In Manhattan, you're buying for appreciation, in suburban markets you're buying for cash flow," noted Ira Fishman, principal.


Danbury, Connecticut

Fishman, who sources and invests in deals mainly in New York with his longtime colleague Nathan Halegua, believes the cash flow story is a compelling one in today's market. This is particularly the case in New York, where many investors are buying for appreciation. "It's not bad to have some cash flow assets," Fishman said, noting that rents tend to be fairly stable in suburban areas.

Fishman and Halegua got their start separately in the real estate market in the 1970s, doing deals in the $100,000 to $125,000 range. "I started in 1976, when the multiple on a residential building was four times the gross multiple on the price. As you know today, you can pay up to 20 times the gross multiple for buildings in Manhattan or Brooklyn. People are buying Manhattan properties with 1% cap rates," Halegua said.

One facet of the market that offers intriguing opportunities is the continued rise of Brooklyn. "It just so happens that some of our residential deals in Park Slope [Brooklyn] were getting close to pricing in Manhattan," said Halegua. Another client of the firm is struggling to decide where to move its flagship store, unsure of whether or not Brooklyn would be a better bet than Manhattan, they told *REFI*.

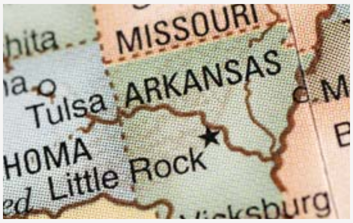
EVO's history traces back to the 1960s, when its predecessor company was formed by Sid Winoker and Al Weisman. Originally known as the Weisman/Winoker Realty Co., the firm grew from focusing on textile and fashion industry tenant representation, to working in property management and landlord representation. Eventually, Winoker took over, along with his son David, and the firm became known as Winoker Realty Company. Ira Fishman joined the team in 2001 as David's partner, until he left in 2008 to start his own company, ID Real Estate Partners, with his daughter, Dana Moskowitz.

After David's sudden passing in 2012, Ira Fishman and Dana Moskowitz joined forces with longtime friends and business associates, Nathan and Joshua Halegua. The group purchased Winoker and the company was rebranded in 2013 as EVO Real Estate Group. Now, the third party leasing and management company owns and manages over 35 buildings, or four million square feet of commercial real estate.

EVO operates under the same mission as its predecessor, and will continue to grow and expand its business. Just about five months ago, the firm became a member of the NAI Global Network, an international owner of over 375 brokerage firms. Owned by C-III Capital, the network is able to do a lot of work in the lending market, and has funds that provide equity and debt, said Ira, adding that the affiliation also helps EVO find deals in those sectors.

ADVALUREM SEEKS TO GROW, DIVERSIFY PORTFOLIO VIA MID-MARKET DEALS

Advalurem Group wants to double its portfolio over the next year by providing equity for mid-market commercial real estate investments in secondary and tertiary markets from which larger, institutional capital may shy away. The firm targets transactions that require no more than $15m in total equity, translating to property values of less than $60m with moderate leverage, over larger deals in primary markets, Gabriel Pozo, founder and principal, explained. "Our view is that there is a tremendous amount of capital flow toward gateway cities and trophy assets," he said. "It has bid up pricing so much so that there is a disconnect with regards to return and risk."



The company's view is that mid-market transactions in secondary and tertiary locations can offer attractive pricing and better returns than larger deals in primary markets. "We're not afraid to go to secondary or even tertiary markets as long as they possess a compelling economic story and strong demand drivers," Pozo said. "It requires local knowledge, in-depth research and confidence in our operating partners, but we are disciplined principal investors and very much target markets that, regardless of their size, enjoy the growth characteristics of larger markets."

The firm begins at the macro level, determining which of the top 100 US metros are in recovery, which are peaking and which are stagnant, Pozo said. From there, Advalurem looks at demand drivers in each market and moves to micro-level research that includes specialized knowledge of its operating partners. "We are willing to roll up our sleeves, do our homework and say, 'This has attractive investment merit,'" Pozo said. "We're not trying to be trailblazers, but we want to be a step ahead of some larger institutional players, with the option to package assets and sell them over time to public or private REITs, small institutional funds or other regional players."

Advalurem most recently provided sponsor equity for its operating partner, Block Real Estate Services, for the acquisition of Ranch at Pinnacle Point, a 392-unit multifamily community in Rogers, Arkansas. The transaction was completed along with Balfour Beatty.

Advalurem liked the transaction given its positive view of Northwest Arkansas, which has seen strong employment and population growth with its economy increasingly driven by the University of Arkansas and the three Fortune 500 companies anchored there—Walmart, Tyson Foods and J.B. Hunt. "[Northwest Arkansas] has seen steady growth, and all of these demographic trends attracted us to the area, knowing that the economy is performing extremely well, unemployment is low and job creation is high," Pozo said. "The area possesses many of the characteristics that you see in larger markets such as Austin or Raleigh, which really drew us to this location."

The property is 99% leased and was sold with an existing loan in place that has a restrictive prepayment term. By assuming the owner's existing debt and prepayment terms, more equity was needed than what would otherwise be required in a typical transaction, Pozo said. "A lot of potential buyers were not interested for that exact reason," he said. "Often, yield-oriented investors want to put the least amount of equity in a transaction to boost income returns, but that's not how we look at real estate. We want to stay institutional in our approach, yet nimble and entrepreneurial in our execution."

Advalurem plans more transactions similar to this one in 2015 as it continues to diversify and grow its portfolio. "We are now concentrated in multifamily and office, but we're hoping that by the end of the year, we will add other property sectors to help further diversify our portfolio," Pozo said.