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Boutique Investment

Use these tips to build a successful fund.

by Ariel Bentata

Ownership of commercial real estate, the world's largest hard-asset investment, has become a data-driven, yield-managed discipline. But as a selective boutique investment fund that has slowly assembled a portfolio of 78 class A office buildings over 15 years, we've learned that computer analytics alone will never replace the human touch when it comes to the bottom line.

Instead, it's the collective brainstorming, expertise, and tenacity of people that give life and leverage to data and deliver deals.

In the fiercely competitive world of office properties, with its choppy currents of investment risk and shareholder rewards, capital flows can change overnight. If you don't act fast, opportunities evaporate, deals disappear, and troubles multiply and metastasize.

Talking Specifics

To succeed in the office sector, it takes an institutional infrastructure and an entrepreneurial mindset. Buy a quality asset, but operate it like it's your first deal. Give it your best thinking, listen to experts, and take action. Don't dawdle.

An entrepreneurial management style is best suited to the decision-making demanded in today's commercial real estate marketplace. While we have a formal, structured investment committee, it's a large and diverse group of individuals who are not just number

crunchers at headquarters. They have their boots on the ground, across the country, and in all different operational areas.

This kind of collegial problem-solving distills tough complexities and delicate considerations down to the best deal decisions. Whether it's acquiring or disposing of an asset, restructuring a property's debt or equity, approving a large lease, or making major capital expenditures to enhance an asset, we hash it out and execute quickly. It's the only way a boutique-sized company can stay competitive among the goliaths.

Forge Deep Broker Relationships

Since time is the universally acknowledged killer of all deals, invest it efficiently in due diligence. Given the size, complexity, and existing tenant relationships of office properties, respect the sellers and their brokers' time by delving deeply and swiftly into the assets. Line up financing beforehand. Make your bid comprehensive and prompt. While disagreements, discussion points, and 11th-hour glitches are common, respond immediately and perform. The goal? Always make the other side feel comfortable, which in the end produces long-term relationships.

Form a close connection with brokers. That rapport grows out of getting things accomplished without snags in the shortest amount of time. For the past several years, we've held invitational off-sites with some of the industry's most prominent

and productive brokers. The heart of the meeting is a daylong, no-holds-barred skull session where our acquisition team members, asset managers, and guests ask each other tough questions and get straight answers — frankly, freely, and face-to-face.

Staying in touch is critical, as well. As a young boutique fund, we opted to launch our own property management arm rather than outsource to a third-party. It worked. By being hands-on and on premises, we can be more sensitive and responsive to tenants' day-to-day needs. This on-property proximity also shortens and streamlines the communications pipeline and is an early-warning alert should any tenant or asset issue arise.

Focus on Tenant Needs

Our investment strategy is straightforward: Buy value-add and core-plus properties, improve and reposition them, and keep rentable space filled. An ongoing priority is enhancing assets across our portfolio that retain and attract tenants and generate word-of-mouth in the marketplace.

For example, a new professionally managed, state-of-the-art wellness and fitness facility was provided free of charge exclusively to tenants in the iconic 57-story IDS Center in downtown Minneapolis. It received 1,000 signups in the first three weeks. Another example is offering exclusive conference space. A new fully equipped conference center is always in demand by tenants who see the two-minute elevator commute as a time- and cost-saving option

to off-sites. While opening it to outsiders could have provided an additional revenue stream, it would have diluted the tenant benefit in the long run. Tenant retention is 85 percent in this property.

Community Counts

Social responsibility is a bedrock principle. We get involved in almost every community where we invest — from sponsoring charity walks, food kitchens, blood drives, and holiday toy collections, to membership and leadership roles in local organizations. In the Chicago Loop, we've created a small pocket park with free Wi-Fi for tenants and passersby.

Above all, we keep a frugal but realistic lid on our overhead. For the first 15 years, the company was headquartered in a modest, one-level, non-descript office park in a Miami suburb where space was added as needed. In 2018, Accesso moved into its own architecturally distinctive, low-rise building just down the street, which has plenty of room for our signature, all-hands meetings. Half the building will be leased.

The hallmark lesson learned over the last decade and a half: always think like a startup.

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