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What Does It Take to “Buy Right”?

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Parkin: “It’s really this combination of relationships, structuring expertise, diverse capital access, trust, decisiveness, and focus that secure us compelling opportunities.”

NEWPORT BEACH, CA—Buying right is about seeing what others don’t and being unafraid to be a contrarian; using relationships to capture off-market deal flow and capitalize on the still-inefficient nature of real estate—and more, [Cress Capital LLC](#)’s managing partner [Ryan Parkin](#) tells GlobeSt.com. The firm recently **acquired** more than 800,000 square feet of **office** and **flex industrial** space in Southern California and Colorado in two transactions for a total consideration of approximately \$110 million.

Cress acquired the **Prospect Portfolio**, a 23-building office and flex industrial portfolio totaling more than 500,000 square feet in Fort Collins, CO. The firm also acquired **Sandpointe**, two office buildings totaling more than 300,000 square feet less than one mile from **John Wayne Airport** in Orange County.

Originally developed between 1984 and 2004, the Prospect Portfolio sits near the intersection of Prospect and Timberline, one mile west of I-25 in Fort Collins. GlobeSt.com has learned that the seller was **Pauls Corp.**

Sandpointe features two eight-story office buildings situated on 8.2-acres; Cress acquired Sandpointe from **TA Realty**, which had purchased the buildings separately approximately 10 years ago.

We spoke with Parkin about the recent acquisitions, what the firm looks for in the properties it acquires and its strategy for winning deals in a highly competitive environment.

GlobeSt.com: *What was unique for you about your recent acquisitions in Colorado and California?*

Parkin: Both deals had upside with protected downside. We think our basis at Sandpointe of around \$170 per square foot is compelling at a reasonable going-in cap rate. I think Sandpointe competes with very limited product at its price point. Since many tenants with expiring leases in the Airport market are facing rent increases of 40%-plus, I anticipate migration within the market. We hope to capture some of those migrating tenants as a quality, value-oriented alternative with a walkable amenity base and tremendous local and regional access. Our **capital** program to improve the tenant experience should make Sandpointe even more appealing.

Fort Collins is a dynamic market that gets overlooked. Outside of **multifamily** and to a lesser extent retail, Fort Collins does not see many trades higher than \$8 million or \$15 million in any given year. The size of the deal created a limited buyer pool that enabled us to buy at attractive pricing. Despite that, Fort Collins has healthy **economic** and real estate fundamentals, with **unemployment** being the 3rd lowest in the county. Being able to **acquire** a critical mass of quality product at a cap rate perhaps 200 bps higher than Denver and a discount to replacement cost was unique. We also could choose down the road to sell individual buildings, which would be an interesting way to tap into investor demand from private investors for bite-sized investments within Fort Collins.



Cress acquired Sandpointe from TA Realty, which had purchased the buildings separately approximately 10 years ago.

GlobeSt.com: *What do you look for in the properties you acquire?*

Parkin: We are buyers of value. I think real estate is sometimes overcomplicated; we just try to buy right, add value and sell right. Buying right is about seeing what others don't and being unafraid to be a contrarian; using relationships to capture off-market deal flow and capitalize on the still inefficient nature of real estate. It also means finding true **value-add opportunities**, whether they are classic mismanaged turnaround opportunities or functionally obsolete buildings requiring substantial renovations to compete again. Selling right requires carefully capitalizing each investment to maximize flexibility and optionality. That's what we think is the long-term formula for strong risk-adjusted returns.

GlobeSt.com: *What is your firm's strategy for winning deals in a highly competitive environment?*

Parkin: We're picky. When we want something, we go after it fast and hard, often performing on-site **due diligence** before bids are due. We tend to avoid deals that fit down the middle of the fairway for **debt-and-equity** capital; those deals just get priced too efficiently and aren't interesting. Choosing the right deals to pursue is the most important step. Also, I think our deal sourcing is a little bit different than most groups. With high-level capital-markets relationships, we have bought properties principal to principal with absolutely no intermediaries involved. Of course, we also have deep, loyal brokers that are highly specialized and bring us deals that aren't being marketed. These brokers are friends who trust that we will do what we say we will do. Also, with a background in the capital side of the business, I'm always willing to roll up my sleeves to work on creative structures such as recapitalizations and seller participation. So, it's really this combination of relationships, structuring expertise, diverse capital access, trust, decisiveness, and focus that secure us compelling opportunities.

GlobeSt.com: *What else should our readers know about your company?*

Parkin: Cress is in this business for the long haul. We are not transactional. We respect and reward loyalty, honesty and creativity. It may be cliché in this era, but we really only want to work with guys on whose handshake we can rely.