

\$8M deal caps busy year for real estate firm

MICHAEL SCHWARTZ JANUARY 14, 2016 0



The Perry Place apartment complex was sold the last day of 2015. Photos by Michael Schwartz.

A lot of people spend New Year's Eve drinking champagne and looking back on fuzzy memories from the last 12 months.

Louis Rogers had a different reason to toast Dec. 31.

His company, Capital Square Realty Advisors, which recently rebranded as Capital Square 1031, topped off 2015 with the \$8 million purchase of the 70-unit Perry Place apartment building in Manchester.

The deal closed at 3:30 p.m. on Dec. 31, capping a year in which Capital Square bought 15 commercial properties across the U.S. for a combined \$130 million. They included an apartment complex near Tampa, Florida; two portfolios of Food Lion-anchored shopping centers in the Carolinas; medical offices in Texas; and an L.A. Fitness in Columbus, Ohio.

That follows about \$150 million worth of deals in 2014 and brings the size of its portfolio to dozens of revenue-generating commercial properties around the country valued at about \$360 million.

"We go where there's value," said Louis Rogers, a former Hirschler Fleischer attorney who founded the company in 2012. "Last year the value was in smaller deals, the year before the value was in bigger deals."

Rogers and Yogi Singh, Capital Square's director of acquisitions, say the spending spree is fueled by a growing appetite from investors seeking returns in real estate, rather than traditional stock and bond market investments.

Capital Square's model works by first financing its real estate purchases with lenders, then selling shares of ownership in each property to groups of investors, mostly those looking for 1031 exchanges. It's a process that allows investors to reinvest the proceeds from previously sold properties without paying capital gains taxes.

Investors are attracted to the cash flow from commercial properties and the potential for a profit once the real estate is sold.

“Our tenants pay their rent even if the stock market goes to hell in a handbasket,” Rogers said.

Singh added: “You can look at the first four days of the stock market this year and you can understand why there’s demand for stable income.”

Investors get a check every month on their share of the property from the tenants’ rent payment. Capital Square makes its money on an acquisition fee it charges investors and an asset management fee typically paid by the tenant.



Capital Square 1031 plans to move into the former Have a Nice Day Cafe space.

The Perry Place purchase marks Capital Square’s fifth acquisition in the Richmond market since 2014. Its other local holdings include the Golfsmith store in West Broad Village, the Virginia Women’s Center building on Right Flank Road in Mechanicsville and two sites in Mechanicsville and Charter Colony for Pulmonary Associates of Richmond.

Duke Dodson of Dodson Property Management represented Capital Square in the deal. Tom Rosman, broker and partner at One South Realty, represented sellers.

Capital Square is also celebrating the pending move of its headquarters from Innsbrook to Shockoe Bottom. It is currently gutting 11 S. 18th St., which formerly housed the notorious nightclub Have a Nice Day Cafe, and before that, the Flood Zone. Capital Square bought it in 2014.

“It had a storied history, to say the least, but one that we can resurrect with a new use,” Singh said. “All the disco balls, speakers and various other sundries associated with music acts have been cleaned out.”

Interior demolition has been completed and construction will begin next month. Capital Square hopes to moves its 15 employees into the three-story, 13,000-square-foot building by the fourth quarter.

“We’ve been in Innsbrook for five years. It’s been pleasant, but there’s no life out here,” Rogers said. “We want to be in the middle of all the action.”

Xenith Bank is the lender on the project. Amrit Singh of Fultz Architects did the design, and Capital Square is currently interviewing contractors.

The Have a Nice Day project is similar to conversions Capital Square oversaw on other downtown properties, such as 13 S. 13th St. in Shockoe Slip and the former These Four Walls building at 14th and Cary streets. Both projects lured firms from the suburbs.

“This follows in line with what we’ve been doing downtown, bringing a group like 1607 Capital Partners in from Innsbrook and watching what that did for their morale,” Singh said. “It solidified that thesis in the back of our mind that this where our company belongs for the next 25 years.”

As for 2016, Rogers said Capital Square’s plan is to do about \$150 million worth of acquisitions and to push further into development.

The plan is to help property owners develop land that they couldn’t otherwise do on their own.

“Every month or so a friend or their family member will show up and say ‘I have this parcel and I sure wish I didn’t have to sell it’ or ‘I sure wish I could develop it,’” Rogers said. “A lot of these family plots used to be in the sticks, but now they’re in Short Pump.”

Planning for its first development project is in the works somewhere in the West End, but Rogers and Singh would not share further details. It will look to keep its development projects nearby, mostly in Richmond, but perhaps as far as Raleigh or Roanoke.

One of the goals of getting into development is to create more potential acquisition targets for the 1031 pools at a time when real estate prices are making some deals unrealistic.

“If you can’t buy because the price is too high, maybe the next best thing is to develop,” Rogers said.

BizSense reporter Jonathan Spiers contributed to this report.

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