

By: Evelyn Lee
PUBLISHED: 3 August 2021

PEOPLE

Former CBRE Capital Advisors execs launch advisory firm

The new business, backed by Silverpeak and Capstone Equities, will focus on real estate secondaries opportunities in direct assets and open-end funds

Two former executives from CBRE Capital Advisors have launched a real estate advisory firm focused on secondaries opportunities in the sector, PERE has learned.

Phil Barker will be chief executive and managing partner while Sam Khatib will be senior director of the new firm, ACRE Solutions. ACRE, which stands for 'alternative capital replacement,' will specialize in providing liquidity options for limited partners in open-end and closed-end funds, joint ventures and co-investments, as well as asset-level partial and minority interests.

The firm will initially focus on the US for deals but also expects to execute transactions in Europe and Asia through its client relationships in those regions.

Barker was previously senior managing director in charge of the real estate secondaries vertical at CBRE Capital Advisors, the investment banking business of commercial real estate brokerage CBRE, from 2015 to 2021. Khatib was formerly vice-president at CBRE Capital Advisors, where he was involved in both debt and equity capital raising and advisory work.

Barker estimates approximately \$50 billion dollars of real estate private equity secondary capital has been raised for the next real estate cycle, generally for opportunistic investments targeting net teen returns, where buyers can acquire assets at a discount in a falling market.



Barker: his new firm will focus on opportunities in open-end funds and direct assets

"There is a lot of uncertainty that is taking place that we really had not seen until last year," he noted. "Last year was the first time we saw the real estate market in extremis since the GFC [global financial crisis]."

Backing the firm as minority investors are Silverpeak, a New York-based alternative investment manager co-founded by ex-Lehman Brothers private equity real estate bosses Brett Bossung and Mark Walsh; and New York-based private equity real estate firm Capstone Equities. Both firms will support ACRE with the origination and distribution of deals that emerge from their other partnerships and from their extended network of

institutional relationships. The firm also has a broker-dealer relationship with CenterCap Group, a Connecticut-based boutique real estate investment bank.

ACRE Solutions will differentiate itself from other real estate secondaries advisers in two ways, Barker said. One is by specializing in open-end funds rather than just closed-end funds, which has been a greater focus for the institutional real estate industry since the global financial crisis. "We will continue to look at the institutionally held limited partnership interests as being the sort of mainstay of the larger action that we see," he said.

He added that the US open-ended sector is a large market, and there is probably 5 percent of turnover in any one year for NCREIF's Open End Diversified Core Equity index, which had \$212 billion in net assets as of Q1 2021. "There is always an investor that wants to get in or out of these open-end vehicles faster than the funds will allow, due to either exit or entry queues," added Barker.

But "the really powerful part here is that the origination of limited partnership or partial interest in direct asset is very hard to find," Barker remarks. "If you only own 20 percent of a building or a small portfolio, invariably you are not going to be able to go to a traditional real estate broker to try and get you out of that position, because a real estate broker does not generally do that, it is a security that requires a broker-dealer license. And

PERE

then it is about finding price discovery, so the price discovery and the distribution is something that the other brokers and advisers in the business have just not really been involved in.

“We recognize that there is still tremendous uncertainty in the real estate

market, particularly for CBD office and for retail. And that uncertainty creates opportunity for new investors. For the current investors that are in the space, it has been very difficult to find liquidity and any meaningful understanding of real valuations.”

To date, ACRE Solutions has closed on two transactions totaling \$75 million, both of which involved limited partners – which included an overseas pension fund, a US pension fund and consultants – seeking to exit their positions in ODCE funds. ■

PEI Media