Experience and discussion are plentiful when the CapRocq Core 2 real estate fund managers meet to discuss property acquisitions.

Between the five managing partners of the Little Rock-based real estate investment fund, they have more than 130 years of combined real estate and fund management experience. Partners meet weekly to evaluate potential purchases and all parties must be on board with an investment for it to be finalized.

Those discussions are part of a thorough vetting process for finding investment opportunities. Making sure all partners agree before moving forward is a strength of the fund, the partners said.

"It's one thing to have talent; it's another to have a team," said Mark Saviers, CapRocq's newest partner. "We have a team. We're a fiduciary for our own money and, more importantly, other people's money."

Saviers, partner with Sage Partners and managing partner of Myers, Crow & Saviers, is the latest addition to a board that includes a number of notable names in Arkansas investment and real estate circles. Kevin Huchingson, chief executive officer of Colliers International Arkansas, founded parent company CapRocq in 2012 along with Franklin McLarty, senior vice president of the McLarty Companies. McLarty also is founder and CEO of RML Automotive and a recent addition to the P.A.M. Transportation Inc. board of directors.

Other partners include Dewitt Smith, founder of Devereux Management Company; Ted Dickey, fund manager for CDFP Capital Management, an affiliate of Colliers Arkansas, and Isaac Smith, executive vice president of Colliers Arkansas. Dewitt Smith, whose company is in Rogers, is the only member who lives outside of central Arkansas.

CapRocq Core 2 is the continuation of CapRocq Core, which closed with $156 million in assets and was made up of 20-25 investors who were primarily investor-based. Participants in the fund included institutional investors and individuals like brothers Stephen and Jason LaFrance of Little Rock. The LaFrance family owned USA Drug before selling the chain to Walgreens Co. for $448 million in 2012.

Huchingson said the second fund will be similarly valued when it closes. CapRocq Core 2 is following a similar strategy to its predecessor, focusing on properties in small- and mid-sized markets. As with the original investment fund, CapRocq Core 2 is considering acquisitions in Arkansas and North and South Carolina, along with other towns in the Southeast or Midwest.

CapRocq Core 2 opened with the purchase of Village on the Creeks in Rogers, a 270,000-square-foot office park valued at $39 million. A little more than a month later came the purchase of Regency...
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Under ideal circumstances, the retail and office parks will have occupancy of 85 percent or better during the five-to-seven-year holding period for the fund. Occupancy is among the factors discussed when evaluating property, but it doesn't automatically disqualify a potential purchase.

A pair of CapRocq Core purchases were in the 60 percent occupancy range and now are above 80.

"We're small and nimble. Because of that we have the ability to make opportunistic purchases," Huchingson said. "We have a lot of emphasis on improving a property after acquisition."

Colliers International acts as the exclusive broker for CapRocq. That relationship, along with the board's experience and connections in other markets, are expected to keep the properties leased at the levels needed to provide quarterly dividends for investors.

Often real estate investments are one-off opportunities. All of an investor's money -- and success -- is tied up in a single property. That isn't the case here, which makes it attractive, said Todd Sinai, a professor of real estate and business economics, at the University of Pennsylvania's Wharton College.

Real estate funds, Sinai said, are beneficial to investors who want to invest in property, but have little knowledge about the market. They're also attractive for investors who are seeking to diversify their holdings, something that a fund like CapRocq offers.

"It appears you have a core group of people with a fair amount of real estate expertise who would be good at identifying property with value," Sinai said. "Real estate is an extremely capital-intensive industry. This allows investors the opportunity to not just be in the business of buying one property. This allows investment from someone who wants to invest in real estate with no real experience in real estate. Clearly, the benefit here is partnering with people who know about real estate."

Executive Park, a 265,000-square-foot property in Charlotte, N.C., acquired for $23 million.

Properties in the office, retail and industrial sectors will make up the CapRocq Core 2 portfolio.

"We're in what we believe are strong markets, but markets that are also somewhat overlooked by large institutions," Huchingson said. "We're able to go in and find property where there is not as much competition. We want to be where there are trending demographics."

Investments in Tulsa, Little Rock, Conway and in South Carolina and Florida made up the core of the first fund. CapRocq Core 2 will follow a similar strategy. Preferred cities have low unemployment, are capitals of their state, and/or serve as home to Fortune 500 company headquarters or university.

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SundayMonday Business on 10/26/2014

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