A Balance of Industries: Real Estate's Place in a Diversified Family Office

By Antonio Luis Ferré Rangel
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For many family offices, real estate investment centers on personal residences and trophy properties. For those who seek out and invest in properties with growth as the goal, however, real estate can be an integral feature of a diversified portfolio.

That is the approach our family business, Grupo Ferré Rangel, took when we launched Kingbird Properties, a subsidiary focused on identifying and partnering in value-added opportunities in multifamily properties in the U.S. and South America. Our aim was building upon our history of varied entrepreneurial business interests to create a similarly diversified investment portfolio that generates superior risk-adjusted returns.

Building on our Roots

Our business's 100-year history has covered seven industries – starting with iron and cement and then media, publishing one of the nation's most important Spanish-language newspapers, and actively expanding into customer engagement solutions.

In 1999, our first real estate investment in Puerto Rico, office tower City View Plaza, opened for business, and we didn't stop with this initial real estate investment. Since 2008, GFR has invested $500 million in more than 3,500 residential units, office buildings, student housing and warehouses in the U.S. and South America.

Learning From Our Experience

Forming Kingbird Properties has allowed us to engage with local real estate operating partners, apply rigorous due diligence and underwriting standards, and partner with private equity and other family offices that share the similar investment goals.

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Our experiences so far have uncovered some fundamental lessons:

- **Rely on strong market research.** Our research showed us that most recent multifamily development was luxury apartments in major markets, yet more Americans entering the workforce were searching for apartments and unable to afford the rents and cost of living in those cities. This revealed to us the greatest opportunity would be in value-added opportunities in secondary markets focused on the renters by necessity segment.
- **Choose the right partners.** Our partnerships are based on transparency, co-investment and alignment of interest around timing and returns. Every stakeholder must feel like a winner—and that benefits are shared fairly.
- **Start small.** We target investments that can be grown through incremental changes in capital and operational improvements—not major overhauls. Then we bring best practices from markets where we're established to ones we're newly entering.
- **Patience and cash returns are essential.** Understand the point of the real estate cycle you're buying in, and not expect immediate high returns. But it's important to have reasonable cash returns early, on a priority return basis. Be careful not to over leverage and be selective. Don't look at in-and-out plays if your strategy is value-add with growth potential. It could take 18-24 months, at least, to see the returns.

Like most investors today, family offices are looking to diversify and to get steady returns – and growth-oriented real estate investment can be an effective way to do that. Our own experience has shown that establishing longer-term goals based in research and backed by strong partners sets us up for success. ■

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Learn more at www.kingbirdproperties.com.