

THE REAL DEAL

Q & A with Jay Caplin

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By Jennifer LeClaire

Jay Caplin is a man on the move. The former Cushman & Wakefield capital markets director in Florida recently left the firm to join Steelbridge Capital, a Miami commercial real estate investment firm poised to take advantage of the region's distressed opportunities.

The Real Deal caught up with Caplin as he settled in at his new office. He discussed his move to a new job after 22 years, assessed the state of South Florida's commercial real estate and talked about what the recovery will look like.



I'm sure you're probably tired of people asking you this question but I'm going to ask it anyway because I have to. Why did you decide to leave Cushman & Wakefield?

It's actually simpler than everybody thinks. I think I have accomplished about as much as I can at Cushman & Wakefield and in the position I'm in. And the reality is when I started my career in the late 80s, there are a lot of similarities [to] the market as it is now. And I just instinctively feel like the opportunities that avail themselves in the late '80s, early '90s begin to avail themselves like I think they will in the next year or two; given the economic environment, given the capital markets environment that it's too good of an opportunity to allow me to pass it by twice in a lifetime.

So you're looking past the current market conditions and smelling opportunity.

It's not going to be quick to develop right around the corner. We're not approaching with any naiveté. We believe it's going to take time to develop but we want to be ahead of it. And my partner, Gavin Campbell, and I both feel the same way relative to the market in what's coming.

So, I know leadership is one of the attributes that was mentioned with regards to getting you on board at Steelbridge. What do you think you bring to the table? How will your experience help there?

Well, most of my experience, like the platform that we're establishing throughout Florida, primarily focuses on office products. And I've been active in the Southeast Florida market, e.g., Central Florida, West Coast, Southwest Coast. And those are the markets that we're primarily

looking at. And I understand on-the-ground dynamics of each of those markets. We know the deals. We know the properties. We know the owners. And it culminates to kind of a proprietary database and I think we can create a slightly better deal for them when the capital market starts to loosen up. We've also been very active around the state with numerous brokers and that's going to be a large part of our investment platform.

Now, are you beginning to see capital to do deals re-emerge or is it private investors putting together new funds? What's going on there?

There is a substantial amount of money that was ... raised over the last several years that's uninvested. And I believed that it is on the sidelines waiting for some more positive signs of the overall economy and overall market. And importantly, I think waiting for signs that pricing really has hit bottom and owners are willing to accept the "current" market prices. I think our prospective capital markets benefit in that we probably have a good feel for when the timing is — when the time is ripe to hit each submarket.

Are there certain commercial property/asset classes that you think are going to be more attractive to investors than others when that time comes?

Well, there's a lot of talk about retail really feeling a substantial downward pressure on values because of the mom-and-pop type of tenants and the perceived overbuilding as well as struggling larger tenants and bankruptcies. I think it's really a market-by-market, submarket-by-submarket answer. And our focus is really office, mixed-use, which really includes kind of office and retail, and, selectively, urban infill and fill retail. We want to be focused within a narrow band of product type and we want to be the best on the ground in really offering our partners the depth of knowledge that we can bring to the table and really leverage — allow them to leverage off of us.

Is there a paradigm shift in the way investors, both institutional and private, are looking to invest in real estate?

We believe so. There was a tremendous demand, a pent-up demand, for products. So, cap rates were forced down. Interest rates were cheap and that really created a tremendous amount of value in the market as opposed to somebody buying a property that was not well-occupied and leasing it up and increasing the performance. And we think the paradigm shift comes from the fact that right now there's a lot of distress on the ground in the local markets. We think we can take advantage of our knowledge and our ability to position a building in these markets as opposed to just waiting for the capital markets to rescue the building.

One more big one here: Are you advising hold, or sell? I mean some folks have different approaches to what to do in this market.

Well, you know, our position is that we're an investor and if an owner is interested in disposing the property or re-capitalizing it. Every situation would be different and every owner will have a different perspective depending on how the well the building is doing, what the status of the financing [is]. There's so many variables that's hard to answer. But we don't think that there's going to be a heavy push in the next six months for owners to be selling.