# Now is the Time: Emerging Real Estate Opportunities for Family Offices

By Antonio Luis Ferré Rangel
**KINGBIRD PROPERTIES**

**Real estate holdings** have long played an important role in balancing family office portfolios. Today, real estate carries the potential to play an even larger role in the bigger picture of a family office investment portfolio.

Falling somewhere between stocks and bonds on the risk-versus-return scale, real estate provides balance to and complements other strategies. Over the past few years, as fixed-income rates have stagnated and interest rates have remained low, this balance has become even more important. Perhaps more importantly, real estate offers the sought-after combination of current cash flow and appreciation, while hedging against inflation.

### In 2018, the question family offices should ask is not if, but which, real estate investments make sense to pursue.

Certainly, investment criteria varies for different families. Our fourth-generation family office, Grupo Ferré Rangel, launched a subsidiary, Kingbird Properties, this year. Our vision is to partner with other family offices and private investors to identify real estate opportunities in overlooked markets and locations, with a focus on sustainable cash flow and long-term value creation.

### Filling the Multifamily Gap in Secondary and Tertiary Markets

We are focusing on the multifamily sector because of strong demographics and a shift toward renting, rather than home ownership. As a result, the renter-by-necessity sector is growing, and apartment demand will remain attractive for the next decade. Since the recession in 2008 the real estate market has rebounded—with the main focus on luxury buildings in gateway cities such as San Francisco, New York, Chicago, Seattle, and Los Angeles.

Yet, many secondary and tertiary markets across the country offer significant demand for multifamily housing, with less competition from institutional investors. That's where family offices willing to invest in research, and be patient on returns, can step in.

The ideal attributes for new real estate investors are markets with strong fundamentals such as good school districts, new household formation and strong job growth, coupled with demonstrated investor appetite and low competition from new construction supply. Look for buildings that don't require significant capital expenditures, but rather where property management and leasing can make a significant impact on cash flow and property value.

### Managing Risk

To best manage risk, first manage expectations. Returns from real estate investing take time to come to fruition, since they involve hands-on leasing and property management. Expect between 12 months to 18 months before gains are realized.

It's also important to understand the real estate cycle, and plan for market highs and lows. Through prudent investment strategies, near-term cash flow and keeping leverage manageable, family offices can reduce their exposure to a downturn. Investing across the lifecycle also helps. Demographic trends mean the demand for special-use housing—think, students, workforce and senior independent living— also provide compelling risk-adjusted returns.

### Why the Right Real Estate is Right for Family Offices

The goal of all family offices is to increase wealth so each generation can pass it on to the next generation. Investing in real estate with the right characteristics offers sustainable cash flow and sustainable appreciation, a boon to any balanced portfolio. ■

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*Antonio Luis Ferré Rangel, is Chairman and Chief Executive Officer of Kingbird Properties, managing its multifamily property portfolio in the United States and Latin America, and chief operating officer of Grupo Ferré Rangel, in charge of new business development and of managing the operation of business holdings in and outside of Puerto Rico.*

*Learn more at www.kingbirdproperties.com.*