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Family Office Observations

Having had the honor of running the commercial real estate investments for a family office for over 2 decades, I am very familiar with the issues that face family office operators. The office is typically started by a driven leader who often built a company “From the Ground Up”. They often enjoy real estate, like to compete for opportunities and some may even fall into the category of being “Deal Junkies” (much like myself).

The portfolios that have been built are often held for the long term, with the objectives balanced between cash flow, value appreciation, and a measured tolerance for risk.

As family offices mature and near the point where a transition may be required to the next generation, there are several issues that surface – and not all of them are directly related to the nuts and bolts of managing real estate. Some of the more significant issues involve estate and tax planning, along with the management of succession planning.

Succession planning is almost always a sensitive issue that is personal to ownership, and can introduce a family dynamic that is often has little to do with the real estate assets. Some family offices are in the position of not having an articulated succession plan in place.

From a real estate perspective, there are often portfolio and property level issues that need to be addressed in particular when the time for a succession approaches. This is particularly important in today’s market where values have increased substantially, but concurrently many other trends are shifting. Tenant demand for every product type is changing, operating costs are under pressure, and the capital markets are often quite different from the last time the entity may have been in the market for financing.

Some of the questions I often hear and like to bring up for discussion include:

- Is it time to consider bringing in new “Fresh” equity?
- Can the balance between debt and equity be improved to release “Trapped” equity?
- Are there debt maturities that require advance planning?
- Is there deferred maintenance or pending capital projects that require capital?
- Are market conditions indicating that a repositioning would significantly enhance operations and improve cash flow?

The beginning of the year is a perfect time to look at and evaluate business plans. Whether you are a principal, advisor or broker let me know SCCR can help.