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Capstone Advisors Takes On Asset Management

REAL ESTATE: Trigild Seeks More Senior Managers

■ By MIKE ALLEN

In good times, Carlsbad real estate development firm **Capstone Advisors** would be working on a shopping center or residential project. Of course, these are far from good times.

Now Capstone, along with other developers, is expanding its asset management and receivership work as economic conditions worsen.

These businesses generally work on behalf of lenders that have foreclosed on loans to residential and commercial projects that

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can't be sold or can't find sufficient tenants to make debt service.

Alex Zikakis, Capstone's president, says there's more work in this area than he's seen in a long time.

Capstone is now managing 20 projects ranging in value from \$5 million to \$15 million, with most of the projects consisting mainly of tract housing.

However, Zikakis says while the bulk of the work involves residential properties, problems are cropping up on the commercial side, too.

"The residential was the first sector to suffer, but we're seeing more defaults now in the commercial sector. We're in the sixth inning of residential downturn, while in the commercial sector, we're only in the first inning."

In the early 1990s, Zikakis worked in asset sales for Kenneth Leventhal & Co., a New York accounting firm, hired by the Resolution Trust Corp. to sell off properties seized from failed savings and loans.

Unprecedented Decline

The scope of the current economic downturn appears to be far worse than that time, Zikakis says.

"The decline in home values is unprecedented in our lifetimes."

Thirteen-year-old Capstone occasionally needs to finish construction of housing projects, or works to get unsold houses sold, says Zikakis.

As more distressed properties go into foreclosure, his business is rising, but declined to reveal revenue.

He says his 12-person office expects to double by Dec. 31.

Work Flows To Trigild

Meanwhile, **Trigild** is another local firm working in the same distressed property management space as Capstone, but on a much grander scale.

President Bill Hoffman says his group is now managing 125 projects — half of them hotels, with the rest divided between

housing projects and restaurant and retail chains.

"We're taking in a project almost every day. Just today we have two possible ones, including a chain of convenience stores in Minneapolis," Hoffman said.

"This is close to disastrous," he said.

In March, the firm was contracted by a federal bankruptcy judge in Santa Ana to be the receiver of part of a massive default by The Bethany Group, an Irvine apartment developer.

Trigild was appointed receiver for a portion of the portfolio, now managing 13 complexes in four states with 4,000 units. The defaulted loans involving those properties have an estimated value of \$500 million, according to Trigild.

As manager, Trigild contracts with other businesses to ensure that basic services such as trash pick-up and maintenance continue until the properties are sold. It doesn't disclose revenues.

Among the most rapidly deteriorating sectors that Hoffman has noticed in recent months is hotels. "There are probably 200 to 300 hotels in California that are in default, but the lenders haven't gotten around to foreclosing on them yet," he said.

Currently employing 45, including 35 in San Diego, Hoffman says he's still hiring. In fact, he's been seeking senior managers with real estate and finance backgrounds.



Alex Zikakis