

Providing Real Estate Investments

An Interview with Susan L. Stupin,
Managing Director, The Prescott Group, LLC



Susan L. Stupin

EDITORS' NOTE Susan Stupin graduated *cum laude* from Princeton University and has an M.B.A. from Harvard University. She began her career in capital markets at Paine Webber and worked in the Institutional Finance Group at Eastdil Realty, Inc., before joining Goldman Sachs, where she became a Vice President in the Investment Banking Division's real estate department. In 1988, Stupin left Goldman to cofound The Prescott Group, where she is a member of the Management Committee and Investment Committee in addition to her role as Managing Director.

COMPANY BRIEF Of The Prescott Group's primary functional entities, Prescott Capital Management, LLC, the firm's investment and asset management affiliate, brings institutional-quality real estate investments to high-net-worth individuals, families, trusts, foundations, and other private investment groups. It sponsors a series of real estate investment vehicles comprised of commercial properties located throughout the United States; manages investment funds targeted toward specific strategies and segments of the property markets; and originates and manages separate account investment programs focused on the United States and international property markets. Prescott Capital Advisors, LLC, is the firm's investment banking and financial advisory affiliate. Senior principals at Prescott (www.prescott-group.com) have been instrumental in the acquisition, financing, development, management, and sale of over \$10 billion of property assets.

What are The Prescott Group's range of services, and your outlook for growth?

Prescott is a real estate merchant-banking firm. We are in the business of providing direct real estate investment opportunities to private clients, as well as financial advisory and investment banking services. We've been in the midst of significant growth, spurred primarily by the increasing sophistication and very rapid gains in the private client market. That market is increasingly focusing on alternative assets and asset classes, including hedge funds and private equity, as well as direct real estate investment. There is significant demand for direct institutional-quality real estate investments on a programmatic basis, and we feel that access to those products has been underserved. In response, we've taken steps to build our team and expand our platform very quickly so that we can become the preferred provider for direct real estate investments to the private client marketplace.

How much money do your private clients have to invest in real estate?

Our target markets include the full spectrum of the wealth pyramid from the ultra-high-net-worth group with an excess of \$50 million in liquid assets to invest directly into real estate, to the high-net-worth investors with roughly \$10 to \$50 million to invest. Then you have those investors with about \$1 to \$5 million to deploy into real estate whom we are serving as well.

Is yours a global business?

It is certainly a global business. We primarily have made investments inside the U.S., but have been active in Mexico and Canada as well. And we have also explored opportunities in Europe and into off-shore properties where we think we can add value. And our clients are international; we attract wealth from all over the world.

What impact is new technology having on The Prescott Group?

We're a very active, very hands-on asset manager as well as owner. So when we see financial information very quickly, we can process it, evaluate it, and understand it more rapidly on behalf of our clients. We also like to report our performance clearly and constantly, and integrate our reporting with our client's broader investment portfolio. Technology affords us the opportunity to do that, as well as keep track of investments and maintain a current database of our client's investments and preferences. In terms of our core analysis and underwriting of acquisitions, there are very powerful platforms

which enable us to evaluate a number of different sensitivity analyses and different modeling scenarios, which enable us to give more rational thought to the investments we make.

Based on your early experiences building this company, is this what you expected?

It has been every bit as challenging, and exciting, as I expected. We have been on a tremendous growth trajectory and have a very clear cut business strategy. It's easier to enjoy building a company that has a clear vision.

Are there enough opportunities for women in your industry?

There are many talented women working in real estate, but there are also a lot of brilliant lawyers, investment bankers, and investment managers who are women. The opportunities are there, and these days, you also create your own job security and your own opportunities. I think the challenge for women, along with any other professional, is to realize that you have to actively manage your own career. You have to make sure that you are working with the people you want to work with, that you have a mix of experiences, and that you are building your intellectual toolkit for your next step. Clearly networking is a very important thing to do. And I've been pleased to find how productive a lot of the women's networking activities can be.

What are the priorities for you as you plan for continued growth?

In the last 24 months, we acquired about \$500 million of real estate. We have specific goals to expand our assets under management to \$1 to \$2 billion in the next few years. In our investments, we always work to be creative and to develop strong opportunities where competing institutional capital may be somewhat less saturated and which are often off-market. And, in the current difficult capital market environment, we are particularly focused on risk-adjusted returns as well as careful underwriting. We also have a number of broader initiatives. We are working to expand our relationships with wealth managers. As part of that process, we're continuing to market to, and educate, private clients and their advisors about the part real estate plays in a broader portfolio. We also plan to identify potential strategic partners who might work with us on some of our specific investment initiatives, including a program we are undertaking to invest in geographically diversified net leased office and industrial assets with solid cash flow. ●