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# Location Driven

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Paul Beraquit and Nik Sachdev co-founded Convergent Capital Partners LLC in Tampa in 2008, with business partner and now-CEO Santosh Govindaraju, to raise money to acquire distressed real estate assets.

Nearly a decade ago, when then-newly formed Convergent Capital Partners began acquiring real estate with \$10 million it had raised, the company's goal was simple.

"The idea was to buy as fast as we could," says Nik Sachdev, a Convergent Capital managing director. "Projects were cash starved. We were focused on value, and we knew there would be a recovery."

Buying roughly \$100 million in distressed assets carried risk, but now, as the Tampa-based company embarks on acquisitions for a third private equity fund it closed on last month, Sachdev knows other challenges await.

Armed with \$50 million in investors' capital, Convergent Capital intends to buy roughly \$150 million worth of real estate.

But to reach that goal in an up market some contend is peaking, Sachdev says he and his partners — firm CEO Santosh Govindaraju and Paul Beraquit — will have to be more disciplined than ever before.

He estimated that Convergent Capital will have to examine 100 different deals for every one asset it buys. It will likely cap the properties in the fund at around 10 — one-fifth as many as were acquired

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beginning in 2008 when the original fund launched.

The company's third fund will be different, too, in that it will likely be centered throughout cities that Convergent Capital both knows and enjoys — Tampa, New Orleans and Miami, to name a few.

"We want to buy properties in places we'd like to visit ourselves," Beraquit says.

To help hedge its bets, Convergent Capital intends to follow a path it first embarked on a few years ago, one in which it strategically links with specific sector partners on joint ventures.

"It all comes down to people, to working with good people," Sachdev says. "We decided that going forward, we would primarily do deals with cream-of-the-crop operators, folks who were superior in their fields, because they have the strength and experience to achieve results."

That philosophy led Convergent Capital in April 2016 to partner with Connecticut-based Denholtz Associates on a \$19 million deal for the Tampa Bay Times' St. Petersburg headquarters. The pair are in the final stages of completing a multimillion-dollar renovation to improve the eight-story, 490 First Ave. S. building's lobby, amenities, common areas and mechanical systems.

The thinking also led Convergent Capital to deals with the Ryan Cos., in Chicago, and Liberty Group, in downtown Tampa. There, the pair developed the aloft Hotel after buying the real estate from the Federal Deposit Insurance Corp. They sold the property for \$30 million in late 2015.

"You look at the location of the aloft, and it's Main and Main in downtown Tampa," Sachdev says. "We knew if we could buy that property, we'd figure out what was best for it. But the location was key. We're really location driven."

Liberty Group CEO Punit Shah says Convergent Capital's partners have a unique ability to see a property's potential.

"One of the things I most admire about them is they find ways to unlock value like no one else," says Shah, who is also an investor in Convergent Capital's latest private equity fund. "They figure out solutions to problems through creativity and technical know how. I have a lot of confidence in them."

Of course, some principles that threaded through the company's initial funds won't change.

"We don't get emotionally connected to our properties, and we don't analyze deals by spreadsheet alone," says Sachdev, a former Fifth Third Bank executive in Michigan.

"Sometimes we just have to walk away if a deal doesn't make sense to us," Beraquit says.

Nor does Convergent Capital feel a pressing desire to grow its funds continually larger with each iteration.

Its second fund, launched in 2013, raised between \$40 million and \$50 million and acquired assets like the 242-room Hyatt Regency Clearwater Beach Resort and Spa — a property Convergent Capital sold for \$120.5 million after three years of ownership.

Sachdev says one key to the firm's success has been its ability to move quickly, which he attributes to maintaining a lean organization of only 10 employees.

"Speed is the No. 1 thing with us," he says. "Speed wins you deals in real estate. That, and risk."

Sachdev and his partners apply that attitude to their own deals, as well, those not associated with a fund.

At The Pointe, the former Shops at Harbour Island, Convergent Capital took on a 113,000-square-foot property that was just 25% occupied — by Jackson's Bistro — at the time of purchase.

"We came in and were non-refundable from day one," Sachdev says. "We laid a \$500,000 check on the table because we wanted the property, we knew that its waterfront location, near the Tampa Convention Center and the properties Jeff Vinik had assembled, would grow in value."

Since then, Convergent Capital has converted moribund retail space to offices for Physicians Partners and Total Quality Logistics, among others, and signed a deal with American Social for a 15,000-square-foot, ground-floor restaurant, which is slated to open any day now.

Today, occupancy is 85%, and a \$15 million renovation to the complex, which is adjacent to a 299-room Westin hotel, will likely lift that percentage even higher.

Beraquit says the company is adding a boardwalk outside and improving common areas now, and will open a 50-slip marina — capable of accommodating boats up to 100 feet in length — by the end of the year.

Going forward, Convergent Capital plans to continue buying, renovating and selling properties for investors. But its geographic focus may be honed even further in the years to come, Sachdev says.

"We love creating value, and especially in Tampa, we have a pride of ownership here," he says. "This is our town, and we want to, and plan to, do more to contribute to the community fabric."


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