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Convergent Capital Partners focuses on what's next

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After years of turning around distressed real estate, Tampa-based private equity firm has found a new way to invest

by: [Kevin McQuaid](#) | Commercial Real Estate Editor

What does a company formed to buy and turn around distressed commercial real estate properties do when there are few such properties to be had?

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“We’re still looking for opportunities, but it’s tougher,” says Nik Sachdev, a Convergent Capital managing partner. “Every time the market shifts, you have to shift, too. But it’s a tough time to buy real estate.”



Sachdev says Convergent Capital has invested in multifamily deals in markets like Portland and Sacramento, Calif., select-service hotels and is taking a hard look at senior housing opportunities nationwide.

“It’s a tricky time, and the one thing is we know what we don’t want to do,” Sachdev says. “We’re being careful, and only working with very strong operators. Our main focus right now is on creating upside while limiting and protecting our downside.

“Well-located properties, history has shown, always come back the quickest from any downturn, and there’s a recognition on our part that you have to pay a premium for that at present.”

"Our main focus right now is on creating upside while limiting and protecting our downside." — Nik Sachdev, Managing Director, Convergent Capital Partners

The company’s biggest investment move, however, has been completely outside of real estate and into filmmaking.

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ARTICLE rgent Media was formed to invest in and produce independent films, and to date, the nascent fi NEXT
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has two credits to list — entitled “Bernie the Dolphin” and a murder mystery called “The Night Clerk” with Tye Sheridan and Helen Hunt — with a third now in production.

Santosh Govindaraju, Convergent Capital’s CEO, says there are many similarities between the real estate business and filmmaking.

“As in real estate development, my job as an executive producer is to be a creative force and to pay attention to the details day-to-day,” Govindaraju says. “So the core competencies are largely the same. In film, you’re developing intellectual property, whereas in real estate, you’re developing or investing in real property.”

He adds that he was drawn to more independent films because they tend to gain more critical acclaim than blockbusters.

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His other goal for Convergent Media is to be a part of, and win recognition at, celebrated annual film festivals such as ones in Cannes, France, or Toronto.



At the same time, the company has hedged its risk exposure by investing with partners and by covering expenses through the sale of distribution rights and other means.

Govindaraju, who spent three months studying the business at the University of California at Los Angeles' famed film school, says he now spend roughly one quarter of his time on the media concern.

"It's a very time-intensive business, but it's also fun and rewarding," he says.

Sachdev says the new directions represent the latest in a gradual evolution for the company, which turned 10 years old last September.

"We've gone from acquiring bank notes to making direct investments in properties to making preferred equity deals," he says.

What has not changed, in addition to its investment discipline, is Convergent Capital's



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to work with best-in-class operating firms to generate successful investments.

"We're very selective about who we do deals with, but once we form a partnership, we'll follow them wherever they want to go, and always we're investing on a risk vs. reward basis," Sachdev says.



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Santosh Govindaraju has expanded the company's investment platform to include independent feature films.

Such was the case at 490 First Ave. South, in downtown St. Petersburg, where Convergent Capital partnered with New Jersey-based office specialist Denholtz Associates.

When the pair made their \$19 million deal in April 2016 for the 239,000-square-foot property, it was just 46% leased.

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partnership led by Lincoln Property Co. late last year for \$39.35 million, records show.

At 100 W. Kennedy Blvd., in downtown Tampa, Convergent Capital and Liberty Group paired up in May 2012 to acquire the former Mercantile Building from the Federal Deposit Insurance Corp. for \$2.2 million.



Govindaraju says the company's greatest success, though, was its turnaround of the Hyatt Regency Clearwater Beach Resort & Spa, on Clearwater Beach. There, the company more than doubled operating profit in about three years, to just under \$10 million, by executing a strategy that favored leisure travel over corporate business.

The risk there was that so-called "group business" often is more predictable, albeit at lower room and food and beverage rates, than individual travel. But with years of tourist gains statewide and a laser-like marketing campaign by state and regional officials, Clearwater Beach has become one of Florida's most widely-visited tourist destinations.

"It was a risky move to focus on leisure travel, but one we felt could be worth it, based on all our research, and it paid off," Govindaraju says.

Convergent Capital sold the 279-room hotel, at 301 S. Gulfview Blvd., in early 2016 for \$120.5 million.

One property Convergent Capital has turned around that it isn't prepared to part with — at least not yet — is The Pointe, on Tampa's Harbour Island.



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the company bought the former Shops at Harbour Island, at 601 S. Harbour Island adjacent to Tampa Harbour Island hotel, in August 2014 for \$7.5 million, it was just 25% occupied, by restaurant Jackson's Bistro.

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Today, the 113,000-square-foot urban retail and office center is 97% committed, following a \$15 million renovation and leases with Physicians Partners, Total Quality Logistics, American Social and others.

"We consider it an irreplaceable asset in an irreplaceable location," Sachdev says. "It's been a great story since we bought it."

That story isn't finished, either.



Convergent Capital is working to install a boardwalk and 50-slip marina on the property, and next year, Jackson's Bistro is slated to begin a major overhaul of its restaurant, which combined will likely add even greater

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490 First Ave. South in downtown St. Petersburg was 46% occupied when Convergent and partner Denholtz Associates bought it. When it sold late last year, it was more than 90% committed.

Holding on to The Pointe could be especially important if Sachdev and Govindaraju's beliefs about the current inflated state of the commercial real estate market prove true.



“We’re at a point in the marketplace where the pendulum has swung, to paraphrase investor Howard Marks, so that the perceived risk is gone, which, ironically, is when many people tend to take on even greater risk,” Govindaraju says.

Moving forward, the pair say that whatever the platform, they will invest with the principals that have guided them thus far.

“I think we’ll always try to be a bit contrarian and try to see where others’ math might be viewed as wrong,” Govindaraju says. “And no matter what we do, we want to create a positive impact.”

“We’re going to maintain our sense of trustworthiness and loyalty,” Sachdev says. “Because we know we’re only as good as our last deal.”

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