

## CRE Partners Split After a Decade

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*New York City*—Real estate investors Costa Alexakos and Kambiz Shahbazi say their split after a decade running **Everest Partners LLC** was amicable, and while that certainly seems to be the case, the trick now will be keeping the relationship cordial as they vie for deals in the Northeast's highly competitive investment market. Alexakos is flying under the **Aegean Capital LLC** flag, while Shahbazi last week officially unveiled his new **KS Partners LLC** moniker.



*Shahbazi*

Alexakos has interest in Connecticut and Florida properties, but both investors profess their belief in Massachusetts and southern New Hampshire, regions Everest Partners embraced almost immediately upon the opportunity fund's creation in 1997. Using a hands-on, value-added approach, Everest Partners put its magic touch on numerous suburban buildings in the region and repositioned a failed office/retail building in Cambridge's Porter Square before increasingly turning its attention to Downtown Boston. That downtown buying spree began with the purchase of 31 Milk St., followed by 225 Friend St. near North Station and 85 Devonshire St. in the heart of the city's Financial District. At the time of the split, Everest controlled 4.6 million sf in the region contained in more than 70 buildings.

As part of the dissolution, Alexakos received about 20% of the portfolio, including a Peabody office park from which Aegean will run its property management business. Since the formation of Aegean Capital earlier this year, Alexakos has wasted little time restocking his real estate cabinet, beating out several well-heeled competitors to buy a 68,000-sf building at 268 Summer St. in Boston's Fort Point Channel to start the second quarter. "We are very optimistic about Boston and looking to do more deals," Alexakos says. Industry sources report that the company has been actively pursuing opportunities in the region.

The same is true for Shahbazi's KS Partners, underscored by the pending acquisition of nearly a dozen Braintree office buildings from Massachusetts development icon Thomas Flatley. Unable to discuss the status of that transaction, already reported as including 145 Wood Rd. and 150 Wood Rd., the Blue Hills Commerce Center and the Forbes Business Center, Shahbazi also made it clear that KS Partners is focused on Massachusetts. "The market has a lot of momentum right now, and I am trying to buy as much vacancy here as I can," says Shahbazi, who concurs with other investors that the troubled times are behind southern New England. Whereas most capital was focused on core real estate and stabilized assets during the lean years, a combination of low yields and confidence in the regional rebound has shifted to capital actually favoring unfilled buildings or those facing lease turnovers.

Aegean will do deals up to \$100 million. Shahbazi, however, did not offer an investment outline. But he explains that a leading reason for starting KS Partners is to utilize institutional capital rather than the roster of individual backers on which Everest Partners initially depended for funding. The impressive returns generated for those investors in some ways proved to be the undoing of Everest Partners, with institutional funds now clamoring to join forces.

As part of the value-added mantra being preached by yield-starved pension funds, such capital is seeking guidance from so-called local operators who are both familiar with a market and able to identify and reposition properties, particularly those possessing inherent problems that need to be skillfully addressed. Those turnaround characteristics are evident in the legacy of Everest Partners, and Shahbazi says he expects that will carry over to KS Partners. "That's

where the marketplace is headed," he says. From his side, the overheated investment market makes it difficult to win a deal without deep-pocketed capital, especially in a market where sellers are often requiring a quick commitment and assurance of a speedy closing.

Among those anticipating KS Partners will be a big player going forward is Frank Petz, managing director of the Boston office of CBRE | Melody, the investment arm of **CB Richard Ellis**. Petz assisted Everest Partners when it recapitalized its portfolio two years ago to buy out original investors and provide fresh funds for needed improvements to various projects. Earlier this year, Petz secured the capital to allow for Shahbazi's purchase of the Fordham Road Business Center in Norton, an aging business complex being upgraded to generate higher rents and fill vacancy. Shahbazi, says Petz, is "very sharp," and said to be receiving interest from a plethora of capital groups. Shahbazi acknowledges that he has plenty of resources to chase deals. KS Partners has already acquired more than \$65 million of product in 2007, not counting the 400,000-sf contained in the Flatley package, which sources say will likely trade in the mid-\$60 million range.



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