



CADRE: OUTPERFORMING AT THE INTERSECTION OF REAL ESTATE AND TECHNOLOGY

The Largest Network of Diverse- Owned
Private Equity Firms and Hedge Funds

Ryan Williams is on a mission to “democratize” real estate. A natural entrepreneur who sold his sports apparel manufacturing business before graduating from high school and built a real estate portfolio of affordable housing during college in the midst of the Great Financial Crisis, Williams launched and leads Cadre, a next-generation commercial real estate investment management firm. New York City-based Cadre leverages technology to level the commercial real estate investing playing field, allowing greater access to institutional quality real estate and generating upsized returns.

At its core, Cadre is a digital real estate investment platform that connects institutions and accredited investors to institutional-quality properties across the U.S. that combines a sophisticated investments team and proprietary technology to generate a competitive edge. Cadre leverages data science, machine learning and A.I. to identify opportunities in high-growth markets that may be mispositioned or undervalued.

The premise of Cadre is to build a better commercial real estate investing model that provides greater access, transparency, and value to all partners and stakeholders. Williams’ vision is to bring access to individual investors to invest alongside some of the most prestigious institutions in the world in a defensive value-add portfolio of institutional-grade real estate. Cadre’s more than 31,000 accredited investors have the opportunity to invest alongside institutions such as Harvard, Williams’ alma mater, and Goldman Sachs, his previous employer.

By incorporating cutting-edge technology, Cadre lowers the barriers to entry and creates liquidity and transparency – features often lacking in many real estate investment strategies. With a \$3.4 billion portfolio of 9,000 multifamily units, approximately 6 million square feet of office/industrial and 500+ hotel keys in 22 markets, Cadre has a national footprint and looks at potential deals in all 50 U.S. states. The firm typically comes in as a majority equity partner and adds value to the underlying property to increase cash flow, create operational efficiencies, attract higher-quality tenants and eventually command a greater sale price.

It comes down to identifying and acquiring the right properties at a great price and performing the right work on them to add significant value. In addition to leveraging technology, the firm relies on a vast network of over 300 sponsors, operators, brokers, developers nationwide to help source off-market transactions and gain intel on what’s going on where the rubber meets the road. “No matter how you want to frame it with technology and all of the advances in the world, real estate is still very much a relationship business, and it really is driven by the boots on the ground and having those personal relationships,” says David Vincent, Investment Specialist at Cadre.

A STUDENT-ENTREPRENEUR

Cadre was founded in 2014 by Williams, who entered the commercial real estate market during the subprime credit crisis while attending Harvard University. “I visited one of my roommates at his family’s home in Atlanta in 2009 at the height of the financial crisis and saw single-family homes that had been worth about \$240,000 selling at auction for \$60,000,” he recalls. This experience inspired Williams to partner with a classmate, raise capital from fellow students and acquire distressed properties. “It was clear to us then that the crisis was creating real disruption in the fabric of these neighborhoods, so one

of the things we set out to do was to make a profit while also doing what we could to help keep families and communities together. In some cases, that meant we were able to rent houses back to the families who lost them and eventually facilitate their ability to reacquire them," he says.

After college, Williams gained valuable experience at Goldman Sachs' technology media group, where he worked on transactions totaling more than \$5 billion. He later re-immersed himself in the real estate market at the Blackstone Group's real estate private equity division, where he began working on transactions involving institutional-caliber properties. It was during this period that the inspiration hit to return to entrepreneurship. "Traditional real estate funds were costly, opaque, and offered limited liquidity opportunities," says Williams. "I wanted to develop a next-generation real estate investment management business to provide institutional investors with direct, low-fee access to quality real estate investments."

Though confident in the firm's approach to real estate investing, Cadre's early days came with its fair share of challenges. Among them was increasing the firm's market awareness with institutional investors and real estate operators. "I would be deeply skeptical of any founder who didn't have doubts about their success early on," Williams says. "What I learned is that you can let those doubts overwhelm you, or you can choose to set them aside and focus on the things you can control. What really gave me confidence that we would succeed was the early feedback I started getting from investors – the 'lightbulb moment' that we were on to something special."

That confidence is well placed. Since those early days, Cadre has successfully engaged endowments, pensions, and large family offices, as well as closed deals with nearly 30 real estate operators around the country. The firm also has a powerhouse team that includes Allen Smith, Cadre's President, who was formerly President and CEO of Four Seasons; Dan Rosenbloom, Managing Director, Head of Investments, who previously led the Acquisitions Team at GEM Realty Capital; and Michael D. Fascitelli, former CEO of Vornado Realty Trust.

FINDING THE HOT SPOTS

The Cadre team looks at 50 different major metropolitan markets throughout the country. Within those markets, the firm collects data on all of the repeat transactions. "We're aggregating that up, slicing and dicing it across asset classes, as well as looking at an aggregate number for each market so that we can see on a quarterly basis what the growth trends are in every one of these markets," Vincent explains. "And we've used this data and analysis to drive the creation of what we call the Cadre 15 – the markets in the United States we think have the potential to grow faster than the rest of the country."

Developed through a combination of quantitative and qualitative analysis, including predictive analytics and on-the-ground intel, the Cadre 15 is a list of metropolitan statistical areas periodically identified by Cadre as commercial real estate markets with strong potential for risk-adjusted returns. Quantitative analysis involves forecasting two-year growth projections for each market and asset class based on variables known to drive market appreciation, including (but not limited to) population growth, employment, rent growth, new construction, and occupancy.

The investment team is tasked with spending 80% of their time analyzing opportunities proactively in those 15 markets and sourcing deals. The other 20% is spent engaging with the firm's relationships and partners in the event an opportunity arises. This strategy allows the Cadre team to remain agile and proactive in certain markets while also having the bandwidth to be reactive to yields and markets that fall outside of that scope. Cadre's internally developed proprietary technology plays a pivotal role in everything from sourcing to acquisition and managing assets.

The technology also allows Cadre to underwrite deals faster, which is especially important with off-market transactions. It enables the firm to get an early look at a property before it hits the market. "We need to be able to decide quickly if we're interested and how serious we are so that we can move on the transaction," Vincent explains. "Our technology allows us to drive the underwriting process much more efficiently because we can comb through relevant data of prospective deals faster and combine that with our local knowledge of the market."

All that is well and good, but at the end of the day, it's the performance that matters – and Cadre delivers. The firm has 40 transactions and six exits under its belt for a realized net IRR to investors of 17.8%.

AN OUTSIZED OUTCOME

One such exit that generated an outsized outcome comes by way of Cadre's 2019 sale of the 268-unit Sugarloaf Trails Apartments in Duluth, GA. Acquired about two years earlier in an off-market transaction for approximately \$31 million, the multifamily garden-style property was attractive from an investment standpoint. It was located in a high-growth market with plenty of jobs and low vacancies. At that time, the property was also priced at an approximate 17% discount to other 2000s vintage properties on the market and about a 33% discount compared with new construction.

Though rents were growing at close to 8% annually, the units needed to be refurbished before they could command market-rate rents. The initial plan was to renovate roughly half of the units to bring the rent up to the market's level. The rest of the plan involved getting rents for the non-renovated units up to market rate to elevate the overall income from the property and look for operational cost savings. These efforts increased net operating income to 26% higher than expected.

A little over a year after buying the property, 36 of the 45 renovated units were back in the market, generating a yield on renovation costs of 46% – considerably above underwriting. By the end of the following year, 74 units were renovated and leased for a 37% average yield on renovation cost. The project also realized operational cost savings as net operating income exceeded projections.

When Cadre sold Sugarloaf roughly two years later – considerably sooner than its usual 5-10 year timeline, the transaction resulted in a net equity multiple of 1.8x and returns that were 105% above original underwriting. "We saw what we thought was a perfect opportunity in a high-growth market with a lot of compelling dynamics," explains Vincent. "We went in, we executed our business plan on it, and we ended up getting even better than expected results."

SINGULARLY FOCUSED

In addition to superior performance and providing greater access to institutional-grade real estate investing, the Cadre philosophy also includes supporting diverse communities. To that end, the firm is committed to depositing 5% of its Cadre cash holdings with leading minority depository institutions. Cadre is also committed to partnering with these institutions to submit bids and participate in financing transactions on its platform, allocating 10% of future investment capital to operating partners owned by under-represented minorities and maintaining a number of reasonably priced rental units.

Looking ahead, expect the Cadre team to remain singularly focused on scaling its real estate offerings and sourcing great assets to provide investors with excellent returns. “We’ve launched our Direct Access Fund I and will remain focused on deploying the capital through 2022. Over time, we will explore launching additional real estate fund offerings,” says Williams.

With several successful transactions under its belt, a robust pipeline of new deals and products, and a highly-skilled veteran team in place, Cadre is a resounding success story. But Williams isn’t ready to make such a declaration. “I would also caution any investor who declares their company a success too early,” he asserts. “As proud as I am about how far we’ve come, we’re still at the very beginning of this journey.”