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Getting to know Capstone Advisors' Alex Zikakis



Tom Kurtz/Special to The Daily Transcript
Capstone Advisors~ founder and president Alex Zikakis.

(Editor's note: This is the latest in the Daily Transcript's interview series with San Diego's leaders in real estate, development and construction):

Alex Zikakis is president and founder of Capstone Advisors, where he oversees the company's full range of residential and commercial real estate services. Under his direction, Capstone Advisors has been an equity investor in more than \$4 billion of residential development ventures, purchased more than four million square feet of commercial properties, and has overseen third party asset management services for more than 1.5 million square feet of retail and office properties.

Daily Transcript: What are you reading?

Alex Zikakis: I tend to read a couple of books at the same time. My favorite recent book is "Thinking Fast and Slow," by Daniel Kahneman, a Nobel Prize-winning behavioral scientist. It's full of awesome insights into the crazy process of decision-making. I just finished re-reading "Mere Christianity," written by C.S. Lewis, who I think was one of the greatest Christian theologians of the last 100 years. I also just finished "The Goldfinch," which is a great novel.

DT: And what are you watching?

AZ: I can't wait for Silicon Valley to start its next season.

DT: What's your latest download?

AZ: Ex Machina, which I have to admit I've seen twice before.

DT: What is the one thing you can't go without?

AZ: Fitting in some exercise in the morning. I start pretty much every day by either going for a run, to yoga, to the gym or out surfing. I'm pretty miserable if I miss a day.

DT: Best meal of 2015?

AZ: Brunch at Flora's Field Kitchen in San Jose del Cabo. It's such an amazing, organic "field-to-table" experience. It's one of the few places I think it's ok to keep eating way after being full, because it's such a great culinary treat.

DT: What do you love about your neighborhood?

AZ: I love that a lot of my neighbors have been in the same houses for the last 19 years. We've all watched each other's kids grow up, and everyone stops and chats when we see each other, day or night.

DT: What motivates you to come to work every day?

AZ: My motivation to come to work is that I really like the people I work with every day. Our senior team has been together for over 10 years (some much longer), and we've added a great group of millennials to the organization that keep us growing and innovating. I also like the variety of projects that we work on -- retail centers, office buildings, land development and even a resort development in Costa Rica. Having a diverse project base means we get the opportunity to reinvent our work lives constantly.

DT: Who is your business role model?

AZ: My business role model is the person who came up with the metric 'most profit with the smallest team, while taking the maximum number of vacations.'

DT: How did you get into real estate?

AZ: I decided to get into real estate when I was working on Wall Street as a lowly analyst right out of college in the 1980s. I had no affinity for the work I was doing. As I toiled endlessly at work, I watched a high-rise office building being constructed outside my window. I thought about all the professions involved in the development, leasing, financing and operation of that building and realized I could envision owning a company involved in any of those aspects. I certainly couldn't envision owning an investment bank. Plus, real estate was tangible and I'd be able to tell my mom what I was doing for a living!

DT: Capstone Advisors acquired many established properties in 2015, and has renovated them or has plans to do so. Can you tell us about your business strategy, and why you believe value-add properties are such a great opportunity?

AZ: Our business strategy is to acquire well-located real estate assets and then to add our 'secret sauce' to make them much better places. We love buying assets where we can be creative and really deliver a unique environment to our tenants and their customers. We spend a lot of time thinking about what tenants should be in our shopping centers, so that our properties have a highly curated collection of great merchants and an inviting experience. We also put a lot of thought into making sure our office environments are well-run, maximized for productivity and are enjoyable. We want the people who work in our buildings to feel that they work at a very special place.

DT: Can you share your thoughts on the state of the commercial real estate market here in San Diego?

AZ: San Diego is a fantastic market to own property. We have a well-diversified economy, first-class higher educational facilities and a dynamic work force. We are land constrained and have good supply/demand balance. All the major asset classes are performing well, and I think that we are going to enjoy many more years of excellent fundamentals.

DT: Shopping habits have changed thanks to e-commerce, and they will likely continue to evolve. How does this affect how you and your tenants operate and compete?

AZ: Of all the commercial real estate asset classes, retail is arguably the most impacted by the trends of e-commerce. As a landlord, we have to think through which tenants are going to be able to thrive in today's competing multi-channel environment. I believe it isn't really about e-commerce versus brick and mortar. Successful retailers must have a strategy that blends both the physical and virtual environments together seamlessly.

DT: You founded Capstone in 1996. Looking back, what have you learned about being an entrepreneur?

AZ: Over the last 20 years I've learned that we always have to be planning the company's next transformation. Even when business is great, I am thinking of how we are going to evolve and change. I've grown comfortable with throwing away current business plans and charting a new course, even if that means we have to 'wander in the desert' for a while. I've also learned as an investor that it's good to be brave when others are scared, and even better to be a bit scared when everyone else is very brave.

DT: How do you define success for yourself?

AZ: Success for me is defined as having a rich loving relationship with my wife and kids, deep friendships, the ability to enjoy the great outdoors and having a work life that is intellectually challenging and creative. One of the most meaningful results of our success is that we only work on projects that interest us, and we only work with people that we like and share our values.

DT: What are you excited about for 2016, personally and professionally?

AZ: I'm excited about celebrating my 20th year in business and working on the next transformation of the company to get ready for our next 20 years.

Compiled by Katie Thisdell