

Program in Real Estate Cornell University

Professional Profile: Alex Zikakis ('91) on Entrepreneurship and Leadership

As President and founder, Alex Zikakis oversees Capstone Advisors' full range of residential and commercial real estate services, including investments in land development and home-building joint ventures, commercial property development, commercial and residential property asset management, institutional investment strategies and commercial property acquisitions and repositioning.

Under his direction, Capstone Advisors has been an equity investor in over \$4 billion of residential development ventures, purchased more than four million square feet of commercial properties, overseen third party asset management services for over 1.5 million square feet of retail and office properties, and has developed a wide variety of commercial projects.

Mr. Zikakis holds a Masters in Business Administration from Cornell University and a Bachelor of Arts degree in finance from the University of Colorado in Boulder. He is a member of the Building Industry Association, the International Council of Shopping Centers, and the Urban Land Institute. He serves as an Advisory Board member for the Program in Real Estate at both Cornell University and the University of San Diego. Mr. Zikakis was awarded the 2005 Ernst & Young Entrepreneur of the Year award for real estate and financial services.



He sat down with Evan Doran (Baker '14) to discuss his background and his views on real estate.

With your education and background you surely had a number of employment opportunities after graduating from Cornell. Why did you decide to start your own company?

AZ: I didn't start my own company right away. Before attending Cornell for my MBA I had worked for three years in investment banking and then worked for six years after graduating Cornell before I started Capstone Advisors. I wanted to switch careers and went to Cornell so that I could learn to run a business and start my career in real estate. When I graduated I took a job with Kenneth Leventhal & Co. They originally offered me a position in New York City, but I had just left NY and had decided I wanted to live in Southern California so I took a position in their San Diego office. I really wanted to attend Cornell even though the school didn't have an extensive real estate program at the time, so I didn't come out of Cornell with as much nuts and bolts real estate knowledge as the students can get today. My position with Kenneth Leventhal was in the real estate consulting group which allowed me to see a variety of challenging projects. This was at the beginning of the RTC [Resolution Trust Corp] era, so I really learned the down-side of risk and leverage. My work was focused on due diligence and underwriting, mostly for large financial institutions that needed to bulk sell their real estate collateral and real estate loans, which was the start of real estate loan securitization. I left Leventhal to become the SVP at a private company that traded real estate secured loans. That culture was much more focused on deal-making, as opposed to my time at Kenneth Leventhal which was much more analytical. Between the two companies I learned a lot about underwriting and analysis as well as the art of deal making.

So what eventually convinced you to take the jump to start your own company?

AZ: I just felt like I had learned a lot—at least enough to give it a try - and I always wanted to start my own

company and run a business. I didn't have a specific transaction lined up or a set of capital partners when I quit my job. I had just worked with enough guys who had casually said they would invest with me if I ever ventured off into my own. There wasn't a guaranty of any kind, but it was time to go off on my own. I figured it was as good a time as any to take a risk as my living expenses were not going to get any lower given that my wife and I had one child and had another one on the way.

Based upon your experience, what is a good indication that an entrepreneur will be successful?

AZ: I am totally convinced that to be really successful you've have to be passionately interested in what you're doing. I think it would be incredibly hard to be successful when you only think about work during the nine-to-five hours. To be really successful, you have to have a deep passion so that what you are working on doesn't really leave your mind for long. Some of my best ideas come when I'm lying in bed, driving, running or surfing. Although I've also learned that a successful home life depends on being present and focused on my wife and kids when I'm with them! If you are lucky enough to be able to combine your passion with your life's work, it won't be work to think about "work" – it will be really interesting stuff you love.

The other big indication of success is your ability to have empathy for others and a strong moral compass. I don't think anyone can successfully run a business long term if they can't understand other people's wants and needs and operate ethically. Eventually the world turns on you if you are just taking all the time and never giving back.

As a president of a busy real estate company, you have many calls on your time and attention. Why do you choose to be on the Advisory Board for Cornell's Baker Program?

AZ: I've always had a strong affinity for Cornell. I grew up in Ithaca and always had Cornell in my life in some form. I firmly believe the success I've had is directly attributable to my time at Cornell. The education and network is top notch, but it's also wonderful to be associated with the general Cornell reputation, no matter where you live. So when I was asked to be on the board I was really humbled to have the opportunity to give back to the school in some small way. I also really respect and enjoy interacting with other members of the Advisory Board and meeting the students is always a fun and enlightening experience.

What are some of your favorite questions to ask job candidates applying to Capstone Advisors?

AZ: Well, Capstone Advisors is a relatively small organization as far as staff, so we need people who are committed to this industry and have a real affinity to what they are doing professionally. When I am talking to a potential new team member, I ask them questions to find out just how passionate they are about the industry. I'm interested in any work story –regardless of the outcome. What I really want to hear is the person's enthusiasm and deep connection about the event they are relaying to me. Do they have a bunch of stories that are top of mind or do they have to stammer and think up something to discuss? If you've been in this industry for any length of time, there are always stories about good, bad, funny, crazy things that you've worked through and those emotions and passions should come through.

Where do you see the real estate industry going in the next 5-10 years?

AZ: That's tough because we invest in a lot of different sectors of the real estate and different regions and types of real estate are trending in somewhat different directions. In residential, it's great to see the re-formation of the private homebuilders as they come out of the mess of the last seven years. I love working with private home building as they are such great entrepreneurs and a very creative group of people. There is no doubt going to be a surge in innovation in the residential projects that will be built in the next 10 years as so little product got built during the recession. I think there will also be a demand for quality design and products that incorporate green and or technological elements. Urbanization will continue, but I'm a strong believer in the strength in the suburbs. At some point, for most folks the trendy urban stacked flat gets pretty old when you

add in the young children and the dog. I think the painful corrections of the housing market made it easy for Gen Y to dismiss the single family home, but I think that trend will lighten up once people see home price appreciation occur again.

As far as commercial real estate I hope we continue to see increased transaction volume and velocity for investments and more liquid financial market.

Can you elaborate on how you think technology will continue to have an impact on real estate trends?

AZ: We're already starting to see manufacturing coming back to the United States; but it's in a much different form—much more automated and with fewer people so the job potential is smaller. A friend of mine just opened a factory in California where he's able to make 120 million k-cups—those single serve coffee packs—with three employees; the rest is all automated machinery. So I think that automation will bring a lot of manufacturing back to the US which will fuel demand for new warehouse and distribution assets.

I also think the shared space environment is promising. Companies and workers are getting more creative in work-space allocations but you can't replace human interaction and its propensity for creativity with telecommuting. So we are interested in buying office assets, but only those that serve the 'creative class.' I think that trends in automation and outsourcing will have a profoundly negative affect on a lot of folks that work in jobs that today make up traditional back office operations. And I think those same trends are going to destroy a wide variety of US white collar jobs that we never thought would be vulnerable – such as accounting, legal and research. I tell my kids that they should be working to create the technology that disrupts the status quo, not trying to figure out what you are going to do next after your job has been outsourced to a PHD in India or taken over by a new computer program.

If you could go back, or put yourself in a current Baker student's shoes—what class(es) would you take?

AZ: There certainly weren't the number of real estate classes you have when I was at Cornell. It's a good question. I think a class on the entitlement process would have been really helpful. The investments that we've done with the biggest increase in value have been entitlement transactions. You aren't fully prepared—and maybe you won't be with one class—for that process. It can be radically different from one location to the next and involves so many interpersonal skills, but I think a class on the process and players would have been immensely helpful.