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# Capstone Sells First Commercial Property in a Decade

The investor trades a North Carolina retail property for a flex industrial asset in Phoenix.

By Kelsi Maree Borland | November 20, 2018



(<https://images.globest.com/contrib/content/uploads/sites/311/2018/11/Screen-Shot-2018-11-18-at-8.07.08-AM.png>) San Diego-based **Capstone Advisors** has sold its first commercial asset in a decade. The firm traded out of a retail property in Knightdale,

North Carolina and purchased a two-building flex-industrial asset in Phoenix. Capstone had owned the retail center, a 63,543 square-foot shopping center fully leased to credit tenants, since it was developed in 1998. The trade was motivated by a combination of market conditions as well as geography.

“We owned the center in North Carolina for more than 20 years, and it was too far away,” **Alex Zikakis**, president and CEO of Capstone Advisors, tells GlobeSt.com. “This was a classic case of a non-strategic orphan asset. The property was fully leased with a lot of good credit tenants, and they thought was that it would not get too much more valuable over time. We decided to sell and repatriate the money into one of our target areas. We have been buying into Phoenix, and we decided that it is easier to manage properties and have control of the marketplace when you have critical mass in the same geographic footprint.”

Specifically, the firm has been growing its exposure to the Phoenix market, purchasing both industrial and retail assets. “I like Phoenix a lot,” says Zikakis. “It has good population growth, good housing affordability, an environment that is business friendly and the state tax is reasonable. Arizona is doing a great job of capturing in-migration. On top of that, pricing and rents are still not passed prior peak levels. Plus, strategically, it is an easy one hour flight.”

Phoenix was recently named a top industrial buy market, and Zikakis agrees that there are good opportunities in the asset class. Capstone has been actively looking for both industrial and industrial flex product for the last two years in Phoenix. “We have been looking for industrial,” explains Zikakis. “We have been flying out there regularly for the last two years scouting the industrial and the flex market. A year ago, we bought a flex industrial property in Tempe, and we own some retail in Phoenix.”

While the peak-market timing helped encourage the firm to sell now, the trade doesn't represent a broader strategy of trading out of retail and into industrial assets. Zikakis says that the firm will continue to buy retail assets. “The industrial distribution product is really the hedge against ecommerce for retail owners. I have been focused on the

impact of ecommerce on retail since the late 90s," he says. "Our retail portfolio has been really focused on assets that we think will perform well as ecommerce continues to grow, but I am not fearful that ecommerce is going to completely destroy retail by any regards. I think you have to be thoughtful about the portfolio and what tenants you have."

In general, Capstone is a long-term holder—which is why this trade was so unique. It plans to hold the industrial asset for seven to 10 years, and then, Zikakis says, it will "reevaluate."

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