

# Peer Insights

R E P O R T

## Q&A with Nate Tower

Founder and Managing Member of  
Board Retail Partners, LLC

### Principle Series:

*Family Office Insights sits down with Nate Tower of Broad Reach Retail Partners, LLC, to discuss pressing trends in retail real estate as well as the launch of the firm's second fund.*



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Family Office Insights is a voluntary, “opt-in” collaborative peer-to-peer community of single family offices, qualified investors and institutional investors.

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## **Q: What is Broad Reach Retail Partners?**

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**A:** I think of Broad Reach as a recycling company. We recycle shopping centers to create value. We lease up space to increase cash flow, and at the property level, we take underperforming and mismanaged shopping centers and fix them. This, in-turn, creates jobs and enhance communities.

## **Q: How did you get your start in the industry?**

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**A:** Prior to graduating from college, I had identified commercial real estate as the industry I wanted to pursue. I could not have picked a more difficult time if I had tried. This was 1989 – 1990 and commercial real estate financing was the major culprit in a collapsing economy. Needless to say, at that point in time it was tough getting a job. Eventually, I landed a position with a third party management group and eventually got into leasing. Those were difficult days in the industry. I learned many important lessons I carry with me to this day. It built a great foundation that I combined with a Master's Degree in Commercial Real Estate from Johns Hopkins University.

Upon graduation, I joined a start-up, Philips Edison. At the time, they had a portfolio of five shopping centers. The company's founder was looking for an acquisition person, and I was able to source deals in addition to doing the structured financing component and the due diligence. I spent 10 years at Philips Edison and I acquired 93 shopping centers.

I then started Broad Reach to take the lessons learned and apply them, to focus turning around shopping center and creating value.

## **Q: How was your first fund launched and structured?**

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**A:** I firmly believe in the fund structure; it provides for investors the opportunity to participate in a diversified pool of assets. Diversity from a geographic, income stream and tenant perspective helps to mitigate investor risk.

When I started Broad Reach, I knew I needed a decent track record of my own accord to instill investors' confidence. Seven years after starting the company we raised Fund I. We had the experience and the team. We survived and even flourished during the recession. Fund I was launched in 2013. Broad Reach fully deployed the capital in Fund I within 20 months and the Fund currently owns six centers. To date Fund I has provided a year one net Cash on Cash return to investors of 10.6% and a second year net return of 10.7%. We will have our first capital event within the next 12 months. This will continue as we start realizing the value created by the Broad Reach recycling process.

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## Q: Why did you decide to launch Fund II?

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A: With the success of Fund I, we launched Fund II for two reasons. First, to continue to grow the Broad Reach operating platform. Secondly, to take advantage of the opportunity to acquire Value-Add, Necessity Oriented shopping centers coming to market as a result of the following: REIT's are pruning their portfolio's and selling centers; and \$300 billion worth of CMBS loans are maturing in the next three years.

## Q: How will the second fund be structured?

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A: We are raising a \$50 million dollar equity fund where investors will make a commitment and capital will be will draw down on an as needed basis. We are projecting that Fund II will be deployed over a three-year period.

The fund structure is simple, an 8% annual preferred return and 80% excess cash flow to the investor. Distributions are made on a quarterly basis. The fund acquires in place income to insure dependable distributions from the start. Upon a capital event, the distributions will be as follows, 1) receipt of the annual preferred return 2) return of all fund invested capital; all \$50 million will be returned; 3) a catch up of 2% of invested capital to the sponsor; 4) the balance will be split 80% to the investors and 20% to the sponsor.

## Q: Why is the retail market so critical for you?

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A: I love our niche. We buy centers where people shop for their daily needs. Our centers are part of the fabric of a community. Our centers provide basic needs to folks in every socio economic sphere: food, clothing, medicine, and other daily services and needs. Each of our centers are unique and meet the need of the specific community. Broad Reach's role is to help breathe new life into tired and neglected centers.

What we do is important; we recycle shopping centers, creating a fresh shopping environment for the community.

## Q: What trends are you seeing now?

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A: One of the major themes right now is the concept of Omni channel Retailing. What that means for retailers is capturing all sales in their spectrum. This includes traditional retail stores, online shopping, mobile apps, 24/7 support sites and any other method by which the retailer can touch the customer. It is truly a merger of technology and physical locations. Future retailing will be done with a combination of "Bricks and Clicks".

The type of center that Broad Reach and the Fund focus on are poised to take advantage of this shift. Our Centers are

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convenient, smaller and more adaptable, ideally situating them to take advantage of the dynamic trends in retail. Broad Reach is excited to be a part of the future of Retail.

## Q: What's next for you and Broad Reach?

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A: We will continue to grow the Broad Reach team and platform. There will always be broken shopping center, so there will always be a need to the service the Board Reach provides, recycling Shopping centers. We also like the fund business model and multiple benefits this provides. Broad Reach is just getting started and the future is very bright, we will continue to, creating value for our partners, properties and people for many years to come.



### **Nate Tower**

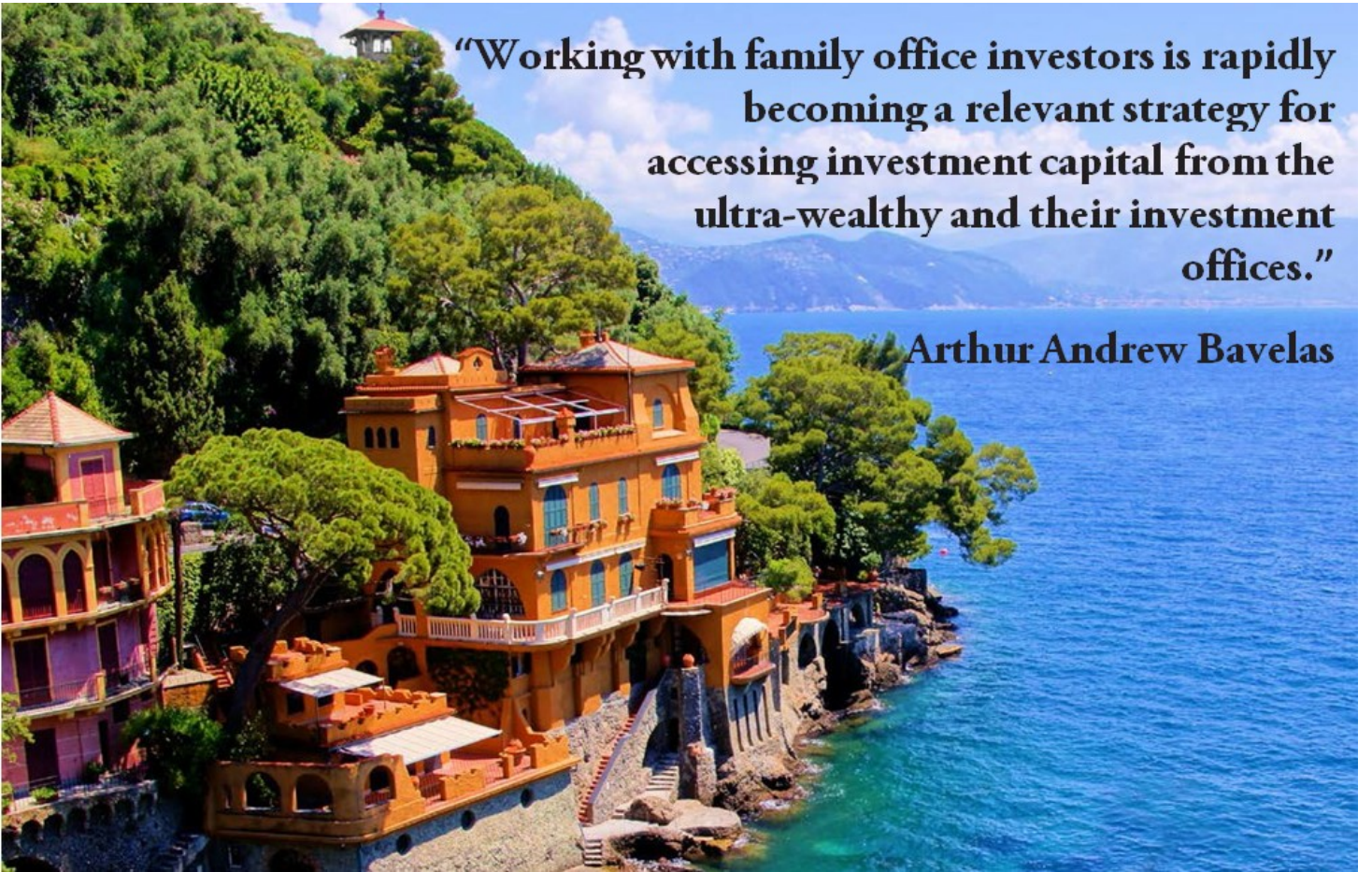
*Nathaniel "Nate" Tower is the founder and managing member of Broad Reach Retail Partners, LLC. Prior to the formation of Broad Reach, Tower was the Chief Investment Officer ("CIO") at Phillips Edison & Company ("PECO"), one of the nation's largest and fastest growing owner/operators of grocery-anchored shopping centers and premier acquisition groups.*

*As CIO, Tower led PECO's effort to acquire, finance and grow the company's portfolio from 5 centers in 1996 to over 90 centers when he left the company in 2005. During this period, Tower bought 85 shopping centers in 50 separate transactions, with over \$490 million in total transaction value. Tower's leadership and transaction success at PECO increased the company's Net Operating Income in excess of \$50.65 million and the value-add nature of the opportunities created an additional \$250 million of net new value for the investors in the company.*

*Prior to joining Phillips Edison & Company, Tower spent seven years at Collier Pinkard, a premiere 3rd party Real Estate Brokerage and Property Management Company in Baltimore. Tower has his Bachelor of Arts from the College of Wooster and his Masters in Real Estate from Johns Hopkins University.*

*For more information, please visit <http://www.broadreachretail.com/> or email Tower at [ntower@broadreachretail.com](mailto:ntower@broadreachretail.com).*





**“Working with family office investors is rapidly becoming a relevant strategy for accessing investment capital from the ultra-wealthy and their investment offices.”**

**Arthur Andrew Bavelas**