

EXCLUSIVE: Q&A with the investor who sold Rivergate Tower

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Mukang Cho's time with Rivergate Tower is over, but the real estate executive says his company is evaluating new opportunities in Tampa and St. Petersburg. Cho was CEO of In-Rel Properties Inc., which acquired Rivergate Tower in 2011 for a rock-bottom price of \$22 million. In-Rel sold the tower as part of a 19-property portfolio in late 2014 to Mount Kellet Capital Management. Cho formed Morning Calm Management, which retained an ownership interest in the portfolio, including Rivergate Tower.



On Thursday, Mount Kellet and Morning Calm sold the tower to Miami-based Banyan Street Capital for \$70 million. Cho answered the following questions via email.

Rivergate was part of a portfolio. Can you describe the portfolio that was acquired last year?

Mount Kellett Capital Management acquired a 19-property portfolio in 2014 with Morning Calm Management serving as its operating partner. The transaction was led by Vik Uppal of Mount Kellett and Jamie Graff of Raymond James. We believed the portfolio was interesting for many reasons. It offered scale at 3 million square feet and consisted of a diverse mix of office and retail properties in multiple southeastern markets such as Miami, Fort Lauderdale and Tampa. While many of the properties in the portfolio offered the opportunity to create value via lease-up and/or repositioning, some of the more stabilized assets provided the venture with the immediate opportunity to monetize.

Why was Rivergate spun off of the portfolio?

Since closing on the portfolio, we conducted an in-depth “real time” analysis of each asset in the portfolio and took to market a handful of properties which we believed were supported by strong market fundamentals and favorable investor sentiment. These dispositions generated superlative returns for our investors. Rivergate Tower met this criteria and was the sixth property that we sold in 2015.

In the eight months that this group owned the property, how would you describe tenant interest?

Tenant interest continued to be strong at Rivergate Tower as we signed several more leases. In addition, we renewed Sykes Enterprises, one of the anchor tenants at Rivergate, for several more years and further solidified the stability of the property rent roll. In addition, there are numerous prospects – some of decent size – that are currently evaluating proposals to become tenants at the building.

What is the general investor attitude toward downtown Tampa?

The sentiment toward downtown Tampa (and Tampa as a whole) remains positive. Tampa continues to be among a handful of fast-growing, mid-size cities characterized by easy accessibility, young educated workforce and affordable and quality living. However, Tampa is a relatively nascent market so it is not insulated from potential disruptions in the economy or the capital markets. Acquiring in markets like Tampa requires the highest level of discipline in underwriting and execution.

Will Morning Calm be investing here again?

We are evaluating acquisition opportunities in numerous markets, including Tampa/St. Petersburg, that provide a compelling risk-reward trade-off. Morning Calm Management’s investment approach is centered on the premise that there are quality assets which experience underperformance for a variety of reasons, and that through our hands-on approach such underperformance can be turned around and sustained. While there are less such opportunities today as there were several years ago, they do exist.

<http://www.bizjournals.com/tampabay/blog/morning-edition/2015/08/exclusive-q-a-with-the-investor-who-sold-rivergate.html>