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BUCHANAN STREET  
P A R T N E R S, L. P.

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BOARD MINUTES  
FROM THE CHAIRMAN

NOVEMBER 2022





## Greetings From Across the Pond

Mom's heritage as a Brit always framed my upbringing, whether through her colloquial expressions, her careful fiscal oversight or her discussions of wartime London and the foundational imprint it cast on her life. As I return from an extended trip to London, I am not only reminded of my own DNA but of the tremendous history of the island nation, its impact on the history of the world and on our own country.

I recently had the opportunity to organize and design a trip for clients and friends to visit London and with a bit of coincidence, our trip was bookended by the passing of the Queen and the turnover of not one but two prime ministers. This contrast of monarchy and parliament served as a backdrop for our trip as we explored the history and traditions compared with the conventionalities of today's world. While we had the opportunity to hear from varied sources who spoke about today's geopolitical stage and the influences of the current leadership, it was the historical reflections and venues that most indelibly set our memories.

Sir Nicholas Soames, Winston Churchill's grandson, served as our trip's UK welcoming ambassador and with both a visit to the Churchill War Rooms, Imperial War Museum and Blenheim Palace, we affirmed our Churchillian ideologies. We have all read much about Churchill, but it was the House of Lords representative, Sir Soames, that brought the man to life and caused us to reflect on how such a statesmen might address today's world.



Thus, a famous Churchill quote seemed appropriate for this Chairman's Minutes....“to never let a good crisis go to waste”. While hoping to never face anything of the magnitude of a World War or to compare his experiences to that of running an investment business, I do see some parallels to Churchill's pragmatism. He'd often messaged that dramatic change inevitably uncovers fresh insight and allows opportunities for growth. Sir Soames shared with us his grandfather's three most memorable qualities including his focus, his sheer determination, and his optimism towards recognizing opportunity no matter the situation.



Today's investment and real estate market has certainly taken a pause, as black clouds have appeared due to both the meteoric rise in rates combined with the shift in demographic, geographic and general usage requirements of the asset class. But therein lies the opportunity in response to the increased market illiquidity and changing tastes and demands of users within all types of real estate.

Our 23 years of real estate investing at Buchanan through hundreds of transactions has taught us many important lessons that have served us well in both the good as well as the more challenging times, including the tangible value of reputation, investing with conviction, and creating and responding to optionality within investment strategies. These key attributes have led us as entrepreneurs through both The Tech Crash and the Global Financial Crisis as our customers afforded us the right to take advantage of opportunities that presented themselves during these business cycles.

Today's lending market is now providing one of those opportune moments as a trifecta of circumstances have affected banks' lending capabilities. This was activated by a strong first half of the year of new origination where borrowers projecting escalating rates busied themselves with refinances and some new acquisitions. This coupled with many existing borrowers not paying off real estate loans due to either their inability to do so or the attractive existing current pricing of their loans, with the topper being the withdrawal of bank deposits to take advantage of alternative fixed income generating opportunities including treasuries. With all of this in place, federal regulators have told US banks that they will be keeping a close eye on real estate loan portfolios through the end of 2022 thus limiting what is typically the largest capital source available to borrowers. This has expressed itself for our company with not only an increased amount of lending opportunities to evaluate but with an enhanced pricing and structuring capability in response to the market's illiquidity and unpredictability as we continue to grow our loan portfolio.



*Rendering*



Industrial and multifamily properties continue to be the celebrated product type, and historically, the most competitive to buy and or lend against with much availability of liquidity. Nonetheless, today's market cycle has limited even their appeal. We are now presented with lending opportunities in both categories to provide construction loans on class A assets with strong borrowers. We have recognized that having the latitude to participate as both lender and buyer with our varied business lines has given us the ability to optimize our investments' risk-return throughout the capital stack.

Similarly, on the equity side, office properties continue to trouble most lenders and buyers due to their lack of certainty with tenant occupancies, questions of ongoing demand and the increased operating and build-out costs. As both recent buyer and seller of office, we have recognized these concerns yet capitalized on the volatility due to the optionality of the highest and best use that both offered. In one, as buyer, we uncovered a highly visible and underutilized infill site within a growing submarket of South Orange County that was uniquely zoned for both medical tenancy and multifamily allowing for the optionality of a medical office conversion as well as the potential for multifamily development.

In this transaction, our firm's reputation and relationship carried the day on the off-market transaction based on the sellers' confidence in our thorough underwriting, our familiarity with the asset and the certainty of close. Further, while bank financing is limited today and certainly for office, a relationship bank is providing us with an acquisition loan further substantiating our buyer credentials during these difficult market conditions. Lastly and most importantly, our clients have continued to respond to this evolving investment thesis recognizing the conviction and diligence we had to pursue this opportunity and for this we are greatly appreciative.

As Sir Nicholas Soames ended his remarks about Winston Churchill, I asked him what he remembers most about his grandfather from a personal standpoint. He smiled and said while most think of my grandpa as a brilliant political and military strategist, I think of him as someone that loved his grandkids, passionately enjoyed painting and writing, and was always the humorist as he mused him saying that "history will be kind to me as I intend to write it". Now do yourself a favor and pick up a good Churchill book...you won't be disappointed.

Best to all,

*Robert Brunerick*

*Loans by Buchanan Mortgage Holdings, LLC are made or arranged pursuant to a California Financing Law license.*



**Robert Brunswick** is Co-Founder and Chairman of Buchanan Street Partners, a real estate investment management firm headquartered in Newport Beach, California. In his capacity, Robert has directed the entrepreneurial growth of Buchanan Street since its inception and continues to lead its current strategic direction. In his day-to-day activities, Robert is responsible for chairing the firm's Investment and Executive Management Committees.

In 2005, Robert was named Ernst & Young's Entrepreneur of the Year and in 2009, the Boy Scouts of America honored Robert Brunswick and Buchanan Street Partners with the "Good Scout Award" within Orange County. In 2007, Robert established Buchanan Children's Charities, a 501(c)(3) organization which measurably improves the lives and educational opportunities for America's children. The charity's signature fundraising events have included Challenge for Children, Encore for Education and the Real Estate Summit, and in 2016 Robert was the recipient of the UCI Center for Real Estate's Power-packed Philanthropist Award.

Robert holds a B.A. from the University of California at Berkeley and has completed Berkeley's Haas Business School Executive Management Program. He currently serves as a Board Member of Bixby Land, the Hoag Hospital Board and is a Founding Member of the UC Irvine Center for Real Estate. His professional affiliations include membership in the Urban Land Institute, Pension Real Estate Association and Young Presidents Organization. Robert is passionate about educating our future leaders and has taught multiple commercial real estate classes to UCI undergraduate and graduate students as an adjunct professor.