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Schnabel Ventures looks to add capital, skill to firms

BY JOHN SEELMEYER

A modest office building in Reno that's undergoing a facelift might not seem to have much in common with a 632,000-square-foot industrial building under construction at Tahoe Reno Industrial Center.

But Michael Schnabel sees a common theme — real estate entrepreneurs with a vision who want to create thriving niche companies.

His new Reno-based firm, Schnabel Ventures, looks to create partnerships with those entrepreneurs, both in northern Nevada and nationwide.

Schnabel, who previously owned the Reno office of CB Richard Ellis, is joined in the new firm by Shannon Wiseman, another alum of CB Richard Ellis, and Scott Beggs, previously with DP Partners.

What do they bring to real estate entrepreneurs? Knowledge about the capital markets, both on Wall Street and elsewhere, the management background to help build companies and the ability to help institutional investors find their way through localized real estate markets,

the firm's principals said a few days ago.

Beggs explained: "There are very smart real estate entrepreneurs, but they don't understand the capital markets. We're here to provide that conduit."

But the firm is more than a conduit through which money flows, Schnabel said.

It will take ownership positions — 50 percent or more — in its partner companies and look for ways to help them grow. The niche occupied by the individual partner, Schnabel said, isn't nearly as important as the vision and expertise of the entrepreneurs behind it.

Blackfire Real Estate Investors, one of the first deals involving Schnabel Ventures, brings the firm together with Tilio Lagatta. He's experienced with fixing up real estate to add value, and the partnership is focused on buying and turning around commercial properties in the West. Its first acquisition this autumn was a

decade-old office building — four floors, 40,000 square feet — at 639 Isbell in central Reno. (See related story on this page.)

Development Arts, the company's other current partnership, is developing West

America Commerce Center, a 100-acre industrial project at Tahoe Reno Industrial Center.

The first building in the commerce center, a 632,000-square-foot industrial building, is in the early

stages of construction, and the developer plans 1.9 million square feet of industrial buildings on the land.

That company brings Schnabel Ventures together with David Loring, a veteran industrial developer and chief executive officer of Reno-based Equiterra Properties.

That partnership, said Wiseman, is based on a strongly analytical approach to industrial development throughout the United States.

Even as Schnabel Ventures creates more

partnerships, it's not looking to build much of a headquarters staff.

"We're not interested in overhead," Schnabel said. "We're interested in developing premier real estate companies."

And the company isn't limiting itself geographically — it's already scouting deals elsewhere in the West and across the country — or by size of potential transaction.

But a key limitation, Schnabel said, is the principals' desire to work only with real estate entrepreneurs with a clear vision of where they want to take their companies. It's not interested in working with investors who've assembled a grab bag of properties and want capital to assemble some more.

Although Schnabel Ventures is putting together its first deals in the midst of turmoil in the credit markets, Schnabel said choppy waters aren't a problem.

"The markets always are going to be in flux," he said. "There always will be cycles."

In anything, Wiseman said, Schnabel Ventures is well positioned to deal with tight credit markets because it works closely with equity investors rather than lenders.

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— Michael Schnabel