SPRING 2025

THE FAMILY OFFICE REAL ESTATE MAGAZINE

FORE MAGAZINE

Inside the Hayman (2nd Gen) Business Legacy

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Forbes Real Estate Council

amily Capital "Ranked as One of the Top 10 US Real Estate Professionals at a Family Office"

TrustedInsight "Ranked as One of the Top 10 US Real Estate Professionals at a Family Office"

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Readying for the Real Estate Reset

As we approach what many economists and market veterans believe could be a defining recessionary period, family offices find themselves at a pivotal crossroads. While downturns often trigger a defensive reflex—pull back, preserve, protect—those with vision and preparation understand that recessions, more than any other economic phase, breed generational opportunities.

The real estate market is quietly shifting beneath our feet. A staggering volume of commercial debt—over $1.5 trillion—is set to mature in the next two years. With interest rates more than doubling since the last refinancing cycle, many operators are now facing a capital stack out of balance. Add tighter lending standards and equity gaps to the mix, and a wave of distressed or recapitalization-driven transactions is inevitable.

This is where family offices must be ready.

Unlike institutions bogged down by committees or retail investors hamstrung by liquidity fears, family offices possess a rare advantage: nimble, long-term capital. But agility means little without readiness. Now is the time to sharpen your investment thesis, align with trusted operating partners, and build internal or external underwriting capacity. Start evaluating fund managers, operators, and direct opportunities before the herd arrives.

What we're witnessing is not a collapse—it's a correction. Poorly underwritten deals, overleveraged bets, and frothy pricing from the zero-interest era are being flushed out. This is not the time to flee the market. It is the time to lean in—but do so with discipline, clarity, and conviction.

History shows that the best deals are made in the worst times. Family offices that seized opportunity in 2009 and 2010 aren't just ahead—they're decades ahead. Those who are prepared to act now, while others hesitate, will again separate themselves from the pack.

The next wave of real estate wealth will not be created in the boardrooms of boom times. It will be forged in the boardrooms that dare to act in times like these.

Are you ready?

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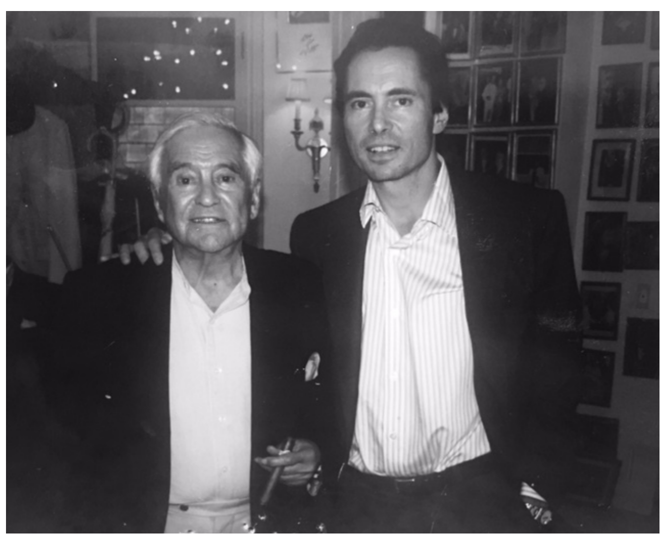
From Rodeo Drive to Dental Tech: Inside the Hayman Family Legacy

By DJ Van Keuren

Introduction: A Tale of Two Generations

The story of the Hayman family is a rare saga of multi-generational entrepreneurship. Fred Hayman, famously dubbed the *Godfather of Rodeo Drive*, built an iconic luxury brand in Beverly Hills; his son, Robert Hayman, in turn forged his own path, expanding the family's wealth through innovative ventures in cosmetics, dentistry, and real estate. Now in his 60's, Robert Hayman stands as both heir and self-made patriarch—a second-generation entrepreneur who not only preserved his family's legacy but also reinvented it for the 21st century. This feature explores the Hayman's journey: from the glamorous origins of Giorgio Beverly Hills and its perfume empire, through the explosive growth of Discus Dental's teeth-whitening



business, to the creation of Vibe Office Properties' boutique workspaces, and finally Robert Hayman's latest tech venture in dental AI diagnostics. It's a chronicle of vision, reinvention, and enduring impact across decades and industries.

Sidebar: Key Milestones – Hayman Family Business Legacy

- **1961:** Fred Hayman co-founds Giorgio Beverly Hills, the first luxury boutique on Rodeo Drive.
- **1981:** Giorgio Beverly Hills fragrance debuts; demand soars, making it a nationwide best-seller within a year.
- **1987:** Giorgio's fragrance brand is sold to Avon for $165 million, solidifying the Hayman family fortune.
- **1990:** Robert Hayman partners with Dr. Bill Dorfman to launch Discus Dental, pioneering professional teeth-whitening products.
- **2006:** Discus Dental acquires rival BriteSmile for $35 million, capturing over 90% of the light activated chairside whitening market.
- **2010:** Philips acquires Discus Dental (Zoom®, BriteSmile®, plus 35 other brands) to expand its oral care portfolio.
- **2017:** Hayman Properties (family office) shifts focus to Vibe Boutique Office Properties in highgrowth, primarily in secondary markets.
- **2023:** Robert Hayman co-leads Perimetrics, Inc. (dental AI startup) to

Rodeo Drive Roots: The Giorgio Beverly Hills Phenomenon

Long before "90210" became shorthand for luxury, Fred Hayman helped transform a quiet, sleepy Beverly Hills street into a global symbol of glamour. In 1961, Hayman and two partners opened **Giorgio Beverly Hills**, a high-end women's boutique – at first on Dayton Way, but soon after expanding on to 273 Rodeo Drive. At the time, Rodeo Drive was an unremarkable strip of hardware stores, gas stations, bakery shops and drug stores. But Hayman's flair for showmanship was evident from the start: the boutique sported a distinctive yellow-and-white striped awning and offered an indulgent in-store experience,

complete with a reading room, oak bar, and pool table to entertain clients' companions. "Every customer who walked in was a major event," Hayman later recalled, describing how he pampered patrons with thank-you notes and gifts as if they were guests at his previous workplace, the Beverly Hilton Hotel. This "Giorgio experience" attracted a who's-who of Hollywood and international elite – from Princess Grace to Elizabeth Taylor – and helped put Rodeo Drive on the map.

Yet Giorgio's most enduring legacy would come not from couture, but from a **perfume**. In November 1981, Fred Hayman's boutique launched the **Giorgio Beverly Hills** fragrance, a bold, intoxicating floral scent packaged in a yellow striped box echoing the store's awning. Industry skeptics scoffed at the notion of a West Coast boutique (rather than a Parisian

"The Giorgio Beverly Hills perfume, launched in 1981, became a runaway hit – its bold scent and savvy marketing (like the first-ever scent strips in magazines) turned it into a $100 million phenomenon."

fashion house) producing a hit perfume. But Giorgio defied convention – and then some. Priced at a premium and initially available only at the Rodeo Drive store (later at the single Bloomingdale's flagship New York store), the perfume became an instant status symbol. It repeatedly sold out, fueled in part by ingenious marketing: Hayman's team pioneered the use of scented magazine strips (an innovation that became an 80's advertising standard) and even set up a toll-free 800 number for orders. The result was sensational. Within a year Giorgio Beverly Hills was the topselling fragrance in the United States, and within a few years it climbed to number one globally. By the mid-1980s, the "GBH" fragrance line was generating over $100 million in annual sales– a feat virtually unheard of for a single-shop perfume brand.

The fragrance's runaway success attracted corporate suitors. In 1987, Fred Hayman stunned the industry by selling the **Giorgio Beverly Hills brand and fragrance business to Avon** for an astronomical $165 million. At the time, the deal was one of the richest ever in the perfume sector, reflecting just how valuable the Giorgio name had become. (For context, the fragrance's sales by then roughly matched the purchase price.) Avon, known for its door-to-door cosmetics, hoped Giorgio would give it a foothold in the prestige perfume market. However, after a few years, it became clear that the ultra-upscale Giorgio line was an uneasy fit within Avon's more middle market portfolio. By 1994 Avon decided to exit, and **Procter & Gamble (P&G) acquired Giorgio Beverly Hills from Avon for $150 million.** The purchase instantly made P&G a leader in high-end fragrances, adding Giorgio and its spin-off scents (such as "Red" and "Wings,") to P&G's growing luxury perfume division. Under P&G's stewardship, Giorgio Beverly Hills continued to thrive as a global perfume brand well into the 1990's, even as the original boutique eventually closed in 1998 (the Rodeo Drive location is now a Louis Vuitton store).

Fred Hayman's influence, however, extended beyond any single sale. He remained a fixture in Beverly Hills, renaming the store **Fred Hayman Beverly Hills** after the Giorgio brand sale and expanding into new ventures like a home shopping channel line. He also helped establish The Rodeo Drive Committee, cementing its status as a luxury mecca. When Hayman passed away in 2016 at almost 91 years of age, obituaries hailed him as an entrepreneurial showman who "made Rodeo Drive into the gilded temple of Hollywood consumerism that it is now". For Robert Hayman and his siblings, growing up in the glow of Giorgio Beverly Hills provided an intoxicating education in branding and hospitality. "I came home every day to a guy who was passionately engaged… it was intoxicating," Robert recalls of his father's all-encompassing love for the business. Little did anyone know that Robert would soon channel that same passion into a very different industry – and strike gold a second time.

Whitening the World: The Rise of Discus Dental

After the sale of Giorgio's fragrance, Robert Hayman decided to venture out from under his father's shadow. After a stint working for the family business (including helping expand Giorgio's retail presence in Europe), Robert sought a new challenge. He found it in an unlikely place: **cosmetic dentistry.** The catalyst came from Dr. William "Bill" Dorfman, a young Beverly Hills. Dorfman was frustrated by the tooth-whitening products available at the time – messy peroxides and unreliable treatments sold to dental offices. In 1992, he and Hayman incorporated a startup called **Discus Dental** (later Discus Holdings, Inc.) with the goal of taking professional tooth whitening to the next level. . A chance meeting at a UCLA charity event connected Dorfman with Robert Hayman, who had recently left the perfume business. The two hit it off, and Hayman saw promise in applying his branding and product development savvy to this consumerize area of cosmetic dentistry. He joined Discus as co-founder and chief executive, while Dorfman became the public face and clinical expert.

Starting a dental products company from scratch was anything but glamorous. In the early days, Discus operated out of Hayman's tiny executive office suite in Beverly Hills – ultimately expanding into every space available - even using an adjacent cafeteria for overflow workspace – and at one point financed operations on personal credit cards. But their complementary skills proved powerful. Leveraging Hayman's connections in cosmetics chemistry, the team formulated a breakthrough **take-home whitening product called NiteWhite** in 1992. Unlike existing whiteners, NiteWhite had a pleasant flavor and elegant packaging, making the treatment far more palatable (literally and figuratively) for patients. Hayman's marketing instincts came to the fore: Discus packaged products with upscale flair and edgy advertising more

common in fashion than dentistry. Early ads featured models in little more than their bright smiles, a provocation that earned the partners a reputation as "the bad boys of the dental supply industry" for injecting Hollywood glam into a staid profession.

Provocative marketing aside, Discus Dental's timing was fortuitous. The 1990's saw surging public interest in cosmetic dentistry – eventually supercharged by reality TV. By the early 2000's, Dr. Bill Dorfman had become famous as the dentist on ABC's hit show Extreme Makeover, where dramatic on-air

dental transformations showcased the latest in veneer and whitening technology. Discus capitalized on this exposure brilliantly. The company's **Zoom!** in-office whitening system, launched in the early 2000's, delivered instant results via a proprietary light-activated gel – and it became a household name after repeatedly featuring on Extreme Makeover. Patients began walking into dental clinics asking to be "zoomed," turning a brand name into a verb. As one industry leader noted, "Discus has… been able to turn one of their products into the verb for in-office whitening," a testament to its brand dominance.

Behind the scenes, Robert Hayman orchestrated savvy expansions. Discus broadened beyond whitening gels into complementary areas like oral hygiene (launching a BreathRx mouthwash line), dental instruments, and even practice-management software. In 2006, the company made a bold acquisitive move – purchasing the assets of **BriteSmile Inc.**, a rival whitening spa chain, for $35 million. BriteSmile had once been Discus's fiercest competitor (even suing over Zoom's technology), but was ultimately buried by the strategic marketing impact engineered by Hayman. By acquiring BriteSmile, Discus Dental consolidated it's estimated 90% of the professional light-activated chairside whitening market, reaffirming its leadership.

The financial results were striking. Discus Dental grew from a bootstrapped startup into one of the largest private dental products companies in the world. In the span of a few years, revenues rocketed from around $75 million in 2003 to over $100 million in 2004, then $136 million, and ultimately "almost $200 million in sales" by the mid-2000's. This explosive growth landed Discus on the Los Angeles Business Journal's lists of both fastest-growing and largest private companies multiple years in a row. By 2006 the firm boasted $150 million in annual sales and 25% growth, selling to dentists in over 100 countries and employing 400 people. "We had a dominant position in global whitening," Robert Hayman later reflected, noting the company culture was "a lot of fun" despite the white-knuckle moments early on.

Such success drew the interest of industry giants. In late 2010, **Royal Philips Electronics** – maker of Sonicare toothbrushes – agreed to acquire Discus Holdings, Inc. for an undisclosed sum, folding it into Philips' Consumer Lifestyle division. The deal,

Key Brands of Discus Dental

Zoom!® Whitening: In-office whitening procedure using a proprietary hydrogen peroxide gel and activating UV light, yielding dramatic results in one 45 minute visit. Became a household name via Extreme Makeover, to the point that "getting Zoomed" entered the vernacular. Now marketed as Philips Zoom WhiteSpeed.

NiteWhite® & DayWhite: Take-home professional whitening kits with cosmetics type marketing and packaging, flavored gels, introduced in the early 1990s. Provided patients a convenient way to bleach teeth overnight or for short daily sessions, with far better taste and packaging than prior solutions.

BriteSmile®: Competing light-activated whitening system originally offered through spa-like "whitening boutiques." Acquired by Discus in 2006, making Discus the dominant player in light-based whitening.

BreathRx®: A proprietary-formulated mouth rinse and tongue scraper system for bad breath, one of several product line extensions Discus launched beyond whitening. Successfully spun off into retail stores,

completed in the fourth quarter of 2010, gave Philips control of marquee brands like Zoom!, BriteSmile, and NiteWhite, and a direct line into thousands of dental offices worldwide. Philips' CEO of lifestyle products praised Discus as providing "a strong foundation for growth in the cosmetic dentistry space". Dr. Dorfman, in the merger announcement, remarked that millions of patients had gotten "smile makeovers" with Discus products in over 100 countries, and that joining Philips would bring "unprecedented growth opportunities" to make tooth whitening even more accessible. Indeed, Philips quickly integrated Zoom into its professional product suite, and today "Philips Zoom" remains one of the most recognized whitening systems offered by dentists worldwide.

For Robert Hayman, the sale of Discus Dental marked the successful conclusion of a 20-year journey. In two decades, he had helped transform a $40,000 investment (his and two partners' initial stake) into a thriving enterprise that reportedly garnered a **10-figure valuation** at exit. More personally, it validated Hayman's ability to create a legacy independent of – yet informed by – his father's example. As an executive, Hayman stayed largely behind the scenes (joking that Dorfman was "our Col. Sanders," the celebrity face of the company), but his strategic and marketing fingerprints were all over Discus' success. The venture also gave him the resources and reputation to launch into a new arena that had long intrigued him: real estate.

broadening Discus consumer reach.

Real Estate Reinvention: Vibe Office Properties and the Family Office

With two major business successes behind him, Robert Hayman turned attention to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managing and growing the family's wealth. In the late 2000's, after the Discus sale, he established **Hayman Properties, LLC**, a Los Angeles-based investment firm, and began deploying capital into commercial real estate. Real estate was not unfamiliar territory – Fred Hayman had quietly invested in Beverly Hills property over the years, including the building that housed Giorgio and even, as one source notes, the Louis Vuitton building on Rodeo Drive. But Robert Hayman approached it with new ambition, aiming to build a diversified property portfolio and even to invite other wealthy families to co-invest.

Hayman's early deals focused on **multifamily apartments** in business-friendly markets outside of California. "We targeted multi-family in Houston and Las Vegas. We acquired a few thousand units in Houston," Hayman said of the initial strategy. This value-oriented play proved shrewd: by 2017, Hayman Properties had profitably sold off many of those apartment holdings (the last one just before the 2020 pandemic). Around 2017, Hayman executed a strategic pivot. Sensing an opportunity in the post-recession real estate landscape, the firm shifted away from pricey coastal markets and trophy buildings and instead launched a new initiative to concentrate on **acquiring Class B office buildings in secondary cities**. High-growth metros like Austin, Denver, Dallas, Houston, Salt Lake City, Boise, and others in the Mountain and Sunbelt regions became prime targets. These locations offered strong job and population growth, a high quality of life, and better yields than the overheated Class A office sector in gateway cities.

What truly set Hayman's approach apart was a decision to create a **branded office concept** across the portfolio. Rather than passively

Vibe

OFFICE PROPERTIES

holding generic office buildings, the firm undertook substantial redesigns to infuse each property with a signature style and amenities package. In 2018, Robert Hayman and his team rolled out the **Vibe® Office**

Properties brand – billed as the first boutique office brand concept in the market. The premise: *"You spend the best, most productive hours of your day at work – why shouldn't it feel more like home?"*. Vibe buildings are therefore crafted to offer a "warm, inviting and comfortable" environment for tenants and their guests. In concrete terms, that means trendy interior design, collaborative lounges and breakout spaces, curated art installations, soft lighting (no harsh fluorescents), and amenities like gyms, bike rooms, fitness showers, secure access, and pet-friendly policies. Some Vibe locations even integrate co-working areas and flexible office suites alongside traditional leased offices.

Critically, Hayman recognized that branding could command a premium in commercial real estate just as it does in retail. **Vibe Properties** aims to deliver a consistent experience across different cities, so that a mid-size tech company in Denver or a creative agency in Austin can trust they'll get a hip, high-service office space when they move into a "Vibe" building. "It's a better way to work," Hayman says of the concept, noting that while others offer boutique offices, *"this is a branded concept"* with an ecosystem of amenities and even some co-working mixed in. His conviction in branding extends to building loyalty among brokers and tenants – essentially creating a franchise feel in an industry where individual buildings are often one-off experiences. *Vibe Office Properties transforms traditional offices into lifestyle-oriented workplaces. Each building features unique art and modern interiors, aiming to make tenants "feel more like home" at work.*

The gamble on Class B offices in secondary markets appears prescient. By 2018, Hayman Properties' real estate portfolio had grown to **17 properties** (mostly office buildings) with a total value of roughly **$800 million**. Many of these assets were repositioned under the Vibe banner. The strategy also attracted outside capital: Hayman Properties brought in co-investors from other wealthy families, often partnering on acquisitions to expand the portfolio. This model not only spreads risk but also turns Hayman into an operator for hire, leveraging his team's expertise in adding value to aging office stock.

Perhaps the biggest test of Vibe's philosophy came in 2020, when the COVID-19 pandemic emptied out offices worldwide and sent office vacancy rates soaring. Secondary market offices were not spared the pain of remote work trends. Yet, Robert Hayman recalls that even during the pandemic downturn, Vibe properties outperformed: "In spite of certain types of tenants not coming back, we were filling up our properties when no one else was," he said, crediting the concept and the on-site teams for keeping spaces attractive. Brokers reported that Vibe buildings were among the few garnering steady leasing interest in those uncertain times. Having a niche – high-quality, smaller offices that cater to companies seeking value and character – helped shield the portfolio from some of the carnage affecting big-city high-rises.

Today, Vibe Office Properties spans **over a dozen buildings across at least eight states**, from a creative campus in Burbank, California to a sleek tower in Plano, Texas, to a historic high-rise in Columbus, Ohio. Each carries the Vibe prefix in its name (e.g., Vibe Art District in Denver, Vibe Broadway in Salt Lake City), reinforcing the brand. Hayman's team continues to hunt for acquisitions that fit their playbook. "We find more value in these cities that are growing quickly," he explains of focusing on fast-growth, second-tier cities. Hayman Properties remains in growth mode, confident that even in an era of hybrid work, differentiated office spaces will retain demand. As Robert Hayman, told an industry journal, "there are about 10 billion sq. ft. of office in the U.S., and 5 billion is class-B. That's the opportunity". In other words, by targeting the overlooked half of the market and making it cool again, Hayman is carving out a profitable niche where others see only blight.

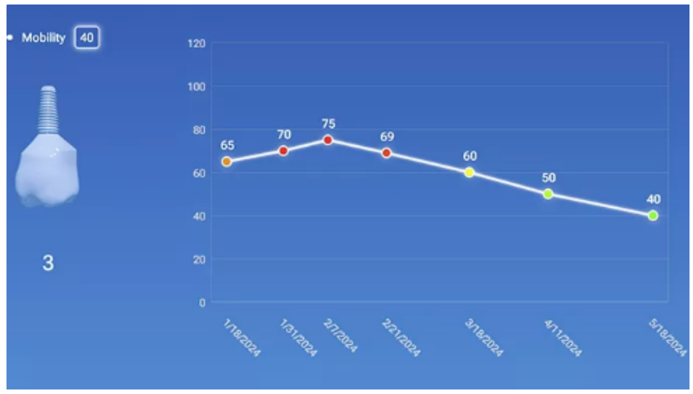
Next Act: High-Tech Dentistry and Future Outlook

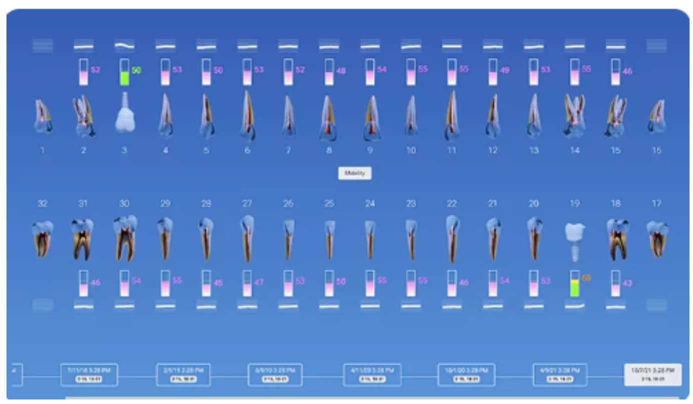
Having conquered retail and real estate, Robert Hayman is now circling back to his roots in dentistry – with a futuristic twist. In recent years, he co-founded and now leads **Perimetrics, Inc.**, a medical technology

startup aiming to revolutionize how dentists detect problems like cracked teeth and failing restorations. (The company name is often misheard as "Parametrics," but it's Perimetrics – a play on perimeter and metrics, alluding to measuring around a tooth.) Based in Redmond, Washington, Perimetrics was originally formed by two renowned experts: **Dr. Cherilyn Sheets**, a prominent Newport Beach dentist, and **Jim Earthman**, a UC Irvine engineering professor specializing in biomaterials. They developed a novel diagnostic method using **artificial intelligence and "tooth tapping" acoustics** to catch hidden dental damage. In 2016, they recruited Hayman – with his 30+ years of industry experience – to come on board as CEO and Chairman, to help commercialize the technology.

The flagship product, **InnerView®**, is a handheld device that gives teeth a gentle tap and analyzes the resulting vibrations using AI algorithms. It sounds simple, but it addresses a major "blind spot" in dentistry. Traditional x-rays fail to show cracks or subtle weaknesses in teeth until it's too late (when the tooth is already fractured or causing serious pain). InnerView's sensors measure micro-movements as well as the damping characteristics of each tooth – essentially detecting if a tooth has lost its structural integrity due to cracks, loose fillings, or even issues with an implant's integration. As Hayman explains, a healthy tooth should be rock-solid; a compromised tooth will have a tiny "wiggle" under percussion that the device can quantify. The system then sends that data to a cloud-based machine learning platform, which instantly compares it against patterns of known dental problems to flag likely cracks or failing restorations. Over time, as more data is gathered, the AI's predictive accuracy improves – a self-learning feature that could continuously refine dental diagnostics.

For dentists and patients, the implications are significant. **Early detection** of cracks and failing restorations could allow more proactive treatment (like placing a crown) before a tooth catastrophically breaks. It also helps solve mysterious toothaches: often patients feel pain that "travels" and is hard to pinpoint – InnerView can help identify the culprit tooth objectively. According to Hayman, roughly 90% of tiny cracks go undetected on routine exams, so this technology fills a real unmet need. "It's truly disruptive… an symphony of technologies that's going to change the way dentistry is performed," Hayman said in a recent interview. Such bold claims are not mere hype: in mid-2023, **Perimetrics received FDA clearance** for the InnerView device hardware and its core diagnostic function, a key regulatory milestone. The company assembled a clinical advisory board of leading dental school professors and practitioners to guide final refinements and ensure the product's





real-world utility. As of late 2023, InnerView units were already in use at a handful of pilot dental offices, and Perimetrics expects a broader commercial rollout in stages – first regionally, then nationwide .

Investor response to Perimetrics has been enthusiastic. Although still essentially a startup, the company has raised over **$30 million** to date from friend and family, family offices (including Hayman's own), and even crowdfunding sources. Notably, Hayman and his co-founders have not yet taken traditional venture capital – a conscious choice that likely reflects a desire to maintain control and a longer-term outlook (common among family office-backed ventures). With 78 patents in its

arsenal and a first-mover advantage in AI dental diagnostics, Perimetrics is positioning itself as a potential game-changer in the $165 billion global dental market. Industry observers note that the company sits at the nexus of two hot sectors – medtech and AI – which has only increased investor interest. At a major life-science investment conference in early 2024, Hayman reported that "people were lined up trying to get an audience with us", and that Perimetrics was "the belle of the ball" among dental startups. That said, Hayman remains cautious, acknowledging "there's a lot left to do" before InnerView becomes a standard tool in every dentist's office. For Robert Hayman personally, Perimetrics represents both a return to his professional passion and a capstone to his career. "Believe it or not, I didn't think I'd go back into dentistryhe admits. After the Discus Dental exit, he had planned a break, but the allure of this new technology was irresistible. In Perimetrics he saw echoes of his past successes: a disruptive product, a market ripe for innovation, and a chance to once again improve millions of smiles – this time by saving teeth that might otherwise be lost. If Perimetrics achieves its promise, it could well become Robert Hayman's third great business triumph.

The Hayman Formula – Innovation, Adaptation, and Legacy

Spanning fashion, fragrance, medical devices, and real estate, the Hayman family's business journey is difficult to pigeonhole – except for a consistent thread of **innovation and brand-building**. Fred Hayman turned a small boutique into a global luxury brand by understanding the power of experience and storytelling. Robert Hayman applied those same principles in an entirely different field, persuading consumers (and dentists) to embrace new ways to perfect their smiles. Then, not content to rest on past laurels, he shifted into real estate, effectively branding space itself with the Vibe concept. In each venture, the Haymans found a way to add a little magic – be it a scented strip in a magazine, a whitening treatment that became a pop-culture moment, or an office lobby that feels like an art gallery.

Robert Hayman today wears many hats: family office CEO, property developer, medtech executive, and philanthropist (he's active in mentoring young entrepreneurs and sits on boards like the Family Office Real Estate

Institute)

This juggling act is possible in part because he has built strong teams and partnerships in each arena. As he plans for the future, Hayman is also mindful of the generational legacy. His two children, now in college, have begun learning the ropes of the family enterprises, joining him at the office and observing how decisions are made. “At some point, they’re going to need to learn what needs to be done… whether they manage it themselves or… come into the family business,” he notes. That business, of course, is no longer a single store or company, but a diversified portfolio of investments that will likely continue to evolve.

What remains constant is the Hayman ethos: a focus on quality, an eye for untapped opportunities, and a knack for marketing that creates intangible value. Few entrepreneurs successfully navigate multiple industries at Robert Hayman’s scale. Those who do tend to share a trait that he exemplifies – the ability to see around corners and act decisively. From Rodeo Drive to dental clinics to office parks, Hayman has repeatedly anticipated trends (or shaped them) by delivering what people **didn’t realize they needed**: be it a luxurious shopping “experience” in the 60s, a camera-ready smile in the 2000's, or a more inspiring workplace in the 2020's.

As the Haymans’ story continues to unfold, one can’t help but recall the bold motto that guided Robert Hayman’s career. Quoting *The Art of War*, he often says: *“Every battle is won before it is fought.”*

In business terms, that preparation is understanding your market and positioning yourself uniquely from the start. Time and again, the Hayman's have entered battles – against established perfume houses, against dull dental products, against mundane office norms – and won decisively by rewriting the rules. It is a legacy that blends old-school elegance with new-school disruption, and it shows no sign of slowing down.

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Navigating the Challenges of Rental Ownership: How a 1031 Exchange Can Help You Transition

By Justin Fossum

Navigating the Challenges of Rental Ownership: How a 1031 Exchange Can Help You Transition

Owners of rental properties or vacation rentals might be feeling the pressures of today's shifting market. While investing in real estate remains a strong strategy for building wealth, managing properties requires a significant amount of time and effort, and rising taxes, changing regulations, increased management costs and saturated markets have made it even more challenging.

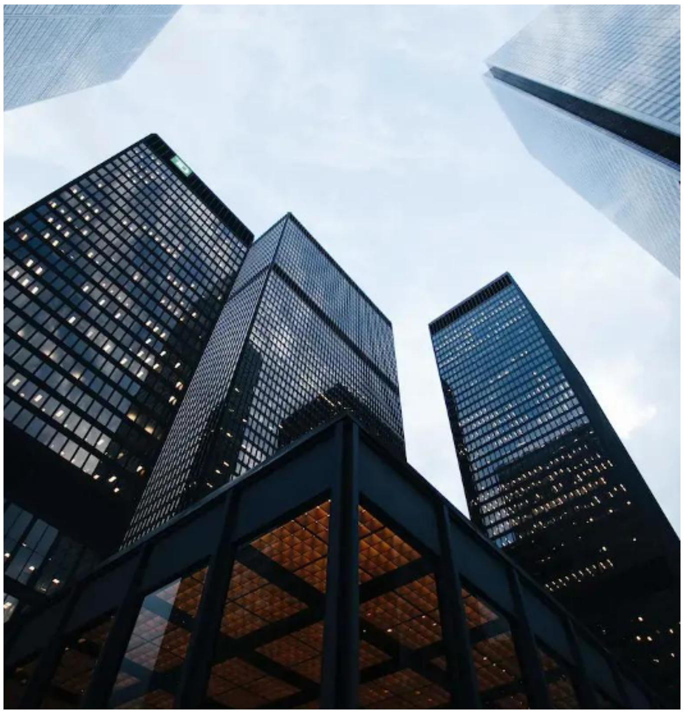
For those considering selling, now is a prime time to explore the benefits of a 1031 exchange, which allows the deferment of capital gains taxes. Plus, investing with a reputable multifamily real estate sponsor through a 1031 enables sellers to continue to enjoy the financial benefits of real estate ownership without the hassle of hands-on management.

Among the pressing challenges currently facing rental property owners:

1. Market Saturation for Short-Term Rentals: So far in 2024, the U.S. vacation rental industry has experienced a continued decline in performance, although at a slower pace than 2023. Occupancy levels have slightly decreased compared to last year, driven by rising supply and softer demand. While rates have remained relatively stable, overall revenues have seen a modest decline. According to AirDNA, occupancy rates for STRs have dropped by 4% year-over-year, reaching only 49.8% as of September. Revenue per available rental declined 1.6% year-over-year to $146.09. As economic conditions evolve, STR demand may continue to slow, leading many owners to question whether now is the right time to sell and reinvest in more stable opportunities.

2. Increasing Management and Insurance Costs: Managing rental properties has become increasingly costly. If you use a property management company to help with your rentals, fees can range from 10% to 30% of gross income. Additionally, rising insurance premiums and property maintenance costs place additional financial burdens on owners, particularly those with properties in high-risk areas. For many, the responsibilities and expenses of property management now outweigh the potential benefits.

3. Stricter Regulations: Rental property regulations and discussions around affordable housing and renter protections are continuously evolving. For STR owners, regulations often involve occupancy limits, mandatory permits and caps on rental nights. For example, cities like New York and Los Angeles have enacted measures that have significantly reduced short-term listings. Compliance with these regulations adds complexity and cost for property owners, which can make doing a 1031 exchange and reinvesting with a multifamily real estate



sponsor a more attractive option. Investors are still able to invest in real estate without having to follow and respond to regulations personally.

Even with the challenges that come with managing rental properties, real estate remains an essential component of a well-balanced portfolio. A 1031 exchange can provide investors with a way to optimize their portfolios while avoiding the stresses and strains of being a property manager.

The Benefits of a 1031 Exchange

A 1031 exchange with a reputable multifamily sponsor offers a tax-efficient way to transition from active property management to a more passive, diversified investment. Here are the benefits such a transaction provides:

● **Defer Capital Gains Taxes:** Selling a property with a low basis without using a 1031 exchange for a like-kind asset can result in substantial capital gains taxes. Long-term capital gains taxes can be up to 20%, and high-earning individuals may also need to account for the net investment income tax (NIIT), an additional 3.8% tax that can be triggered if income exceeds a certain limit. With a 1031 exchange, however, sellers can defer these taxes by reinvesting the proceeds in a "like-kind" property. This creates the ability to reinvest the full value of their equity, providing more wealth-building funds to grow wealth over time through appreciation and income.

● **Shift from Active Management to Receiving Passive Income:** Transition from hands-on property management to passive ownership by reinvesting in a multifamily sponsor with professionally managed properties. This allows investors to enjoy a steady stream of truly passive income.

● **Greater Diversification:** A 1031 exchange with a sponsor creates a diversified portfolio by investing in institutional-quality properties across high-growth markets. This reduces reliance on one market and mitigates exposure to local regulations by spreading investments across multiple locations.

● **Professional Property Management:** Reinvesting with a reputable sponsor gives investors access to professional property management services. This shifts the focus to building wealth and achieving financial goals without the demands of active management.

The decision to sell a rental property can be challenging, but current market conditions, regulatory changes, and rising costs create a compelling case for exploring new investment strategies.

Family Office Ownership of Real Estate: A Strategy for Long-Term Wealth Creation

By Jay Rogers

Family offices, the private wealth management entities established by ultra-high-net-worth individuals and families, have long viewed real estate as a cornerstone of their illiquid investment portfolios. Beyond the potential for steady income and capital appreciation, real estate offers unique tax advantages, a vehicle for generational wealth transfer, and diversification through various subasset classes. This article explores why family offices are drawn to real estate, the benefits provided, the most common property types they invest in, and emerging opportunities shaping the future of this sector.

Long-Term Tax Advantages of Real Estate Ownership

One of the primary reasons family offices invest heavily in real estate is its favorable tax treatment, which enhances long-term returns and preserves wealth across generations. Several key tax benefits stand out:

1. Depreciation Deductions:

Real estate investors can deduct the cost of a property (excluding land) over its useful life—typically 27.5 years for residential properties and 39 years for commercial ones. This non-cash expense reduces taxable income, providing a significant shield against taxes while the property will generally continue to appreciate in value.

2. 1031 Exchanges:

Under U.S. tax law, a 1031 exchange allows family offices to defer capital gains taxes by reinvesting proceeds from the sale of one property into another "like-kind" property. This mechanism enables continuous portfolio growth without the immediate tax burden, compounding wealth over decades.

3. Pass-Through Deductions:

Many family offices structure real estate investments through pass-through entities like LLCs or partnerships. The 2017 Tax Cuts and Jobs Act introduced a 20% qualified business income deduction for such entities, further reducing tax liability.

4. Estate Tax Planning:

Real estate can be transferred to heirs at a stepped-up basis upon the owner’s death, minimizing or eliminating capital gains taxes on appreciation that occurred during the owner’s lifetime. Additionally, strategies like fractional gifting or trusts can reduce the taxable estate, ensuring more wealth passes to the next generation. These tax advantages, combined with real estate’s inflation-hedging qualities, make it an attractive asset for family offices focused on preserving and growing capital over the long haul.

Generational Wealth Creation Through Real Estate

Real estate is uniquely suited to building and sustaining generational wealth. Its tangible nature provides stability, while its income-generating potential offers a reliable cash flow to fund family needs, philanthropy, or reinvestment. Family offices often take a multi-decade view, prioritizing investments that can be held, optimized, and passed down.

• Legacy Building:

Iconic properties - whether trophy office buildings, luxury residences, or expansive estates—serve as symbols of family legacy while appreciating over time.

• Portfolio Diversification:

By spreading investments across geographies and property types, family offices mitigate risks and ensure resilience against economic cycles.

• Control and Customization:

Unlike stocks or bonds, real estate allows owners to actively enhance value through development, renovations, or repositioning, tailoring assets to meet evolving family goals. The ability to retain properties within a family for generations, often through trusts or holding companies, ensures that wealth compounds while avoiding the dilution that can occur with other asset classes.

Most Common Real Estate Asset Types Held by Family Offices

Family offices typically concentrate their real estate holdings in three major categories: multifamily, commercial, and retail. Each offers distinct advantages and aligns with the long-term, risk-adjusted return profiles these investors seek.

1. Multifamily Properties:

Apartments and residential complexes are a favorite due to their consistent demand -

housing is a basic need—and stable cash flows from rental income. Multifamily assets also benefit from economies of scale in management and maintenance, making them a low-risk anchor for portfolios.

2. Commercial Real Estate:

Office buildings, warehouses, and industrial properties fall into this category. While office space has faced headwinds from remote work trends, high-quality "Class A" properties in prime locations remain appealing for their prestige and long-term appreciation potential.

3. Retail Centers:

Family offices often invest in well-located retail properties, such as shopping centers or standalone stores leased to creditworthy tenants (e.g., grocery chains or luxury brands). These assets provide steady income, though they require careful tenant selection to weather e-commerce disruption. These traditional asset types form the backbone of family office real estate portfolios, balancing income, growth, and stability.

The Future of Family Office Real Estate: Emerging Opportunities

As markets evolve, family offices are increasingly looking beyond conventional property types to capitalize on structural shifts in technology, demographics, and infrastructure. Three areas stand out as promising frontiers:

1. Data Centers:

The explosion of cloud computing, AI, and digital services has fueled demand for data centers—specialized facilities housing servers and IT infrastructure. These properties offer long-term leases with tech giants, high barriers to entry, and resilience to economic downturns, making them a compelling addition to portfolios.

2. Infrastructure:

Investments in infrastructure-adjacent real estate, such as logistics hubs, renewable energy sites (e.g., solar farms), or transportation nodes, are gaining traction. These assets align with global decarbonization efforts and urbanization trends, offering both societal impact and financial returns.

3. Industrial Properties:

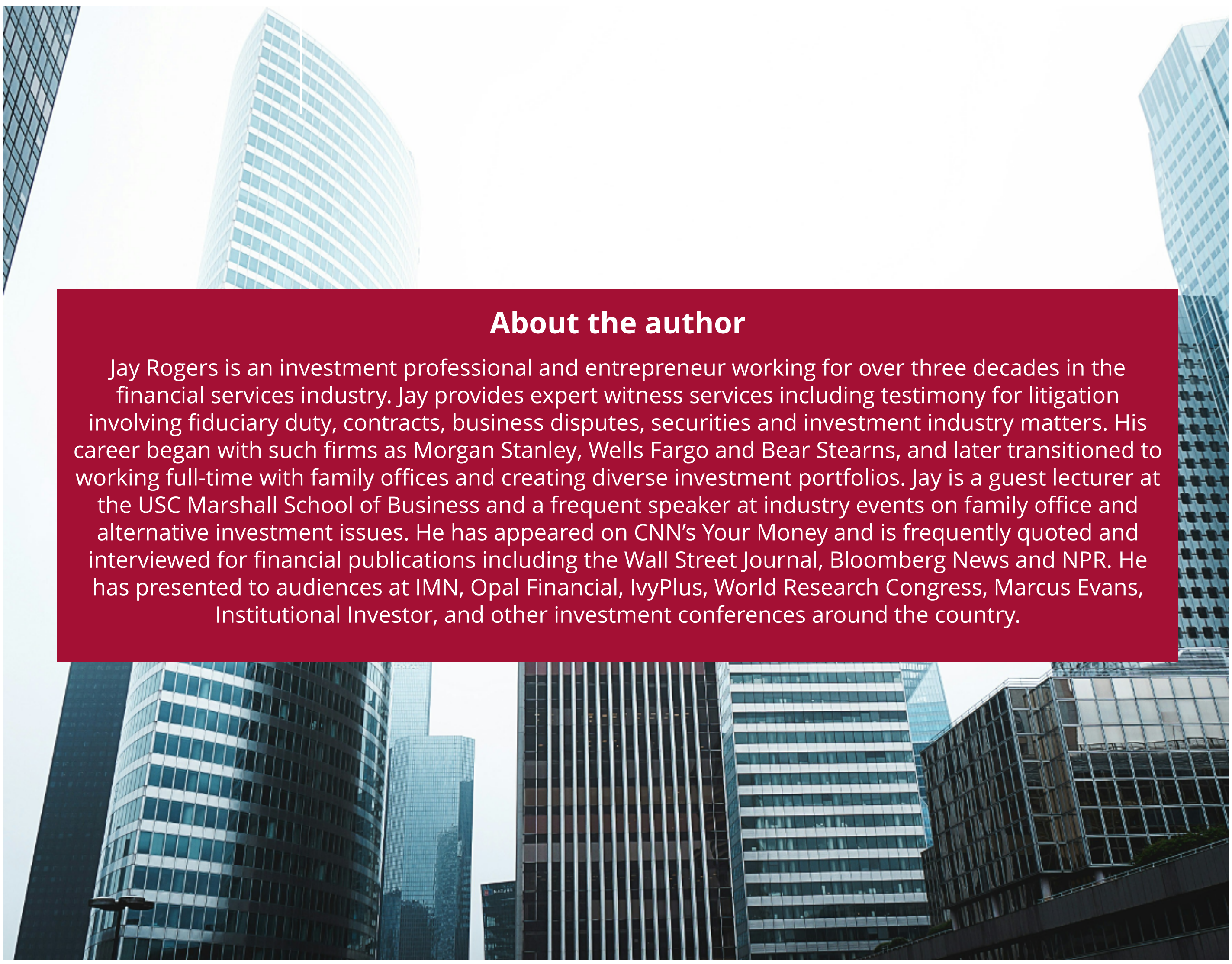
The rise of e-commerce has supercharged demand for warehouses, distribution centers, and last-mile delivery facilities. Industrial real estate benefits from strong tenant demand, shorter development timelines, and adaptability to changing uses, positioning it as a growth driver.

Where to Look for Value

To maximize returns in the coming decades, family offices should focus on regions and sectors poised for transformation. Secondary markets with population growth—think Austin, Raleigh, or Boise—offer undervalued opportunities compared to saturated coastal cities. Properties near emerging tech hubs or transportation corridors also hold upside potential. Additionally, value lies in adaptability. Re-purposing underutilized retail or office spaces into mixed use developments, co-living spaces, or even data centers can unlock hidden potential. Family offices with the patience and capital to execute such strategies can turn yesterday's liabilities into tomorrow's goldmines.

Conclusion

For family offices, real estate is more than an investment—it's a strategic tool for tax optimization, wealth preservation, and legacy creation. While multifamily, commercial, and retail properties remain staples, the future beckons with opportunities in data centers, infrastructure, and industrial assets. By blending tradition with innovation, family offices can ensure their real estate portfolios thrive for generations to come. As of Q1 2025, the outlook remains bright for those willing to adapt and seek value in a rapidly changing world.



About the author

Jay Rogers is an investment professional and entrepreneur working for over three decades in the financial services industry. Jay provides expert witness services including testimony for litigation involving fiduciary duty, contracts, business disputes, securities and investment industry matters. His career began with such firms as Morgan Stanley, Wells Fargo and Bear Stearns, and later transitioned to working full-time with family offices and creating diverse investment portfolios. Jay is a guest lecturer at the USC Marshall School of Business and a frequent speaker at industry events on family office and alternative investment issues. He has appeared on CNN's Your Money and is frequently quoted and interviewed for financial publications including the Wall Street Journal, Bloomberg News and NPR. He has presented to audiences at IMN, Opal Financial, IvyPlus, World Research Congress, Marcus Evans, Institutional Investor, and other investment conferences around the country.

Finding your North Star: Navigating the human side of estate planning

By Brad Werner

In real estate and wealth management, estate planning often evokes images of legal documents and financial calculations. However, at its core, it's a deeply human process involving family dynamics, personal values and long-term ambitions for legacy. It's about finding your North Star, a guiding light that illuminates the path forward for you and future generations.

The importance of vision in estate planning

Estate planning transcends mere asset distribution; it's about crafting a future aligned with your values and aspirations. You can't really get to strategy design, tactical execution or any of the finer details without having a vision of where you want to go and what's important.

This vision serves as your North Star, guiding every decision in the planning process. It helps answer crucial questions:

- What barriers are stopping you and your family from planning?
- Do we have strategic alignment?
- How do you balance maintaining control with transferring wealth efficiently?

The human element: Navigating family dynamics

One of the most challenging aspects of estate planning is navigating family dynamics Frequently, clients are concerned with giving up control and navigating the tough conversations that trigger fears and concerns. A common concern: "My children are going to sue each other and end up in court and never speak again."

These concerns highlight the need for open, facilitated conversations within families. Estate planning isn't just about assets; it's about preserving relationships and helping to ensure a harmonious transition of both wealth and responsibilities.

Key considerations in this process include:

- Assessing the readiness of the next generation.
- Fairly distributing assets and responsibilities.
- Helping to ensure strategic alignment.
- Establishing sustainable governance structures.
- Communicating early and often.

By addressing these human elements head-on, families can create plans that not only distribute wealth effectively but also strengthen bonds and preserve legacies.

The role of a trusted advisor

Navigating the complexities of estate planning requires more than just financial acumen; it demands a partner who can guide you through the emotional and practical challenges of the process. This is where a trusted advisory firm becomes invaluable.

A good advisor isn't just offering technical guidance. They can act as a leader, guiding you and your family through difficult terrain with experience and skill.

You can count on a good advisor to:

- Help define and articulate your vision.
- Facilitate family meetings and difficult conversations.
- Provide objective insights and mediation when needed.
- Offer expertise in tax-efficient structuring and valuation.
- Act as a personal trainer, keeping you on track with your plan.

Good advisors help facilitate conversations with family, provide coaching and objectively answer questions. Whether it's designing the model, interpreting valuations or providing tax-efficient structuring recommendations, they augment the tactical pieces of the puzzle while also moderating interactions.

This holistic approach helps ensure that all aspects of your estate plan — from the big-picture vision to the tiny details — are aligned and working in harmony.

A phased approach to estate planning

Estate planning isn't a one-time event; it's an ongoing process that requires careful sequencing and regular review. **The best strategy is a phased approach:**

- Vision and goal setting: Define your North Star and overall objectives.
- Road mapping: Create a detailed plan to achieve your vision.
- Readiness assessment: Evaluate the preparedness of all involved parties.
- Structuring: Design tax-efficient and legally sound structures.
- Communication: Engage in open dialogues with family members and stakeholders.
- Execution: Implement the plan with ongoing support and guidance.
- Review and adjust: Regularly reassess and update the plan as circumstances change.

This methodical approach helps ensure that no stone is left unturned and that your estate plan remains relevant and effective over time.

The urgency of action

While estate planning may seem like a task for the distant future, the reality is that the best time to start is now. The landscape of wealth transfer is rapidly evolving, with significant amounts of wealth set to change hands in the coming years.

By starting the conversation early, you give yourself and your family the gift of time — time to have meaningful discussions, make thoughtful decisions and implement strategies that will have lasting positive impacts.

Estate planning, when approached with care and foresight, is about much more than distributing assets. It's about defining your legacy, strengthening family bonds and creating a lasting positive impact on the world.

By focusing on your North Star — your vision for the future — and partnering with trusted advisors like Wipfli who can guide you through the process, you can create an estate plan that truly reflects your values and aspirations. It's a journey that requires thoughtfulness, open communication and skilled guidance, but the rewards — a secure future for your loved ones and a lasting legacy that aligns with your deepest values — are immeasurable.

Start the conversation today. Your North Star is waiting to guide you toward a brighter, more secure future for generations to come.

A Case Study in Real Estate Ruin

By Jay Rogers

In April of 2023, Los Angeles approved Measure ULA, referred to as the "Mansion Tax," which is a progressive measure that taxes luxury real estate sales to pay for affordable housing and homelessness programs. The tax levies a 4% charge on sales between $5 million and $10 million and a 5.5% charge on sales above $10 million. Publicized as a solution to the housing crisis in the city, it has instead delivered a devastating blow to the high-end real estate market, shock waves through a previously bruised economic environment. This policy, born of a progressive agenda that has taken control of California's Senate and Assembly, is symptomatic of the state's increasing anti-business animus, combined with corruption in local government and soft-on-crime district attorneys. Cumulatively, these occurrences put California's economic prosperity at risk, overburdening honest taxpayers while sparing criminals.

A Frozen Real Estate Market

The Mansion Tax's impact on the real estate market in Los Angeles has been immediate and drastic. In the year preceding its implementation (April 2022 to March 2023), LA had 366 single-family home sales greater than $5 million. In the 12 months since its April 1, 2023 implementation, that figure dropped to 166 - a breathtaking 68% decline. Commercial and multifamily sales did no better, with losses estimated at over 70% in some

accounts. Nearby communities such as Orange County, which has not yet been affected by the tax, are already experiencing an increase in luxury home demand as high-end buyers and sellers abandon LA's draconian policies.

This market freeze stems from simple economics: the tax hikes transaction costs dramatically, deterring sales. Sellers, facing hundreds of thousands in additional fees, either pull listings or slash prices to duck the $5 million threshold, some offered perks like luxury cars to close deals pre-tax. Buyers, meanwhile, hesitate, knowing their investment now carries a steep penalty upon resale. The result? A liquidity crisis in LA's high-end market, with ripple effects hitting realtors, developers, and ancillary industries like construction and title services.

Advocates argue the tax has raised $375 million by mid-2024 for housing programs, but this falls far short of the $600 million to $1.2 billion annually projected by supporters. Worse, the city hesitates to spend it, fearing legal challenges like the Howard Jarvis Taxpayers Association's ongoing lawsuit, could force refunds. The tax, intended to help the homeless, has instead kneecapped a key economic driver, proving the adage: the road to hell is paved with good intentions.

California's Progressive

Anti-Business Agenda

The Mansion Tax is not an isolated problem—it is a symptom of the overall anti-business environment in California, driven by a progressive Democrat-dominated Senate and Assembly. With supermajorities in both houses, the state has created policies that suffocate business: sky-high taxes (13.3% top income tax rate, 8.84% corporate rate), suffocating regulations, and union-preferred labor laws. The real estate industry, a pillar of California's economy, is especially at risk. The Taxpayer Protection and Government Accountability Act voted upon in 2024 would have retroactively repealed the Mansion Tax by instituting a two-thirds threshold for special taxes, a temporary window to undo this overreach. But it was rejected by the progressive machine, doubling up on wealth redistribution instead of wealth creation. State Democratic leaders and Governor Gavin Newsome sued to keep the measure off the ballot, and the California Supreme Court agreed. So much for giving the voters the opportunity to right their errors.

Businesses are voting with their feet. Tesla's departure from California to Texas in 2021 followed by more than 700 businesses leaving the state from 2018 to 2022 are examples of the danger. The state's $68 billion budget shortfall is the outcome: when high-net-worth individuals and corporations leave, tax revenues shrink but spending, normally on huge public-sector pensions, goes into orbit. Real estate, already dented by elevated interest rates and pandemic fatigue, cannot survive this additional burden. The Mansion Tax demonstrates how liberal ideology disregards market forces and creates a death spiral where spending outpaces revenue.

Public Corruption and Soros-Funded DAs

California's challenges transcend policy to the practice of governing. Public corruption is widespread, with labor unions and progressive politicians allegedly laundering influence through pension deals and campaign funds. The state’s $1 trillion in unfunded pension liabilities, one of the nation’s highest, owes much to cozy union-Democrat pacts, trading votes for unsustainable benefits. In LA, the Mansion Tax’s revenue, meant for the public good, risks being siphoned into inefficient programs or political patronage, a pattern seen in past scandals like the city of Bell.

Compounding this is the influence of George Soros, whose Open Society Foundations have invested millions into the election of progressive district attorneys – such as LA’s George Gascón, recalled in 2024 after narrowly surviving two recalls. Gascón’s tenure saw crime surge - homicides reached a 15-year high in 2021, thanks to no-bail policies and lenient sentencing, financed by Soros’s $32 billion war chest.

These DAs, critics contend, serve ideology first and allow criminals to run amok while law-abiding citizens pay for tax increases and security expenses. The 2024 election saw 12 of 25 Soros-supported DAs lose statewide, a repudiation of this experiment, but the California progressive stranglehold guarantees the harm persists.

Trickle-down Damage

For law-abiding Californian taxpayers, the Mansion Tax and its cousins are a twofer. They pay higher taxes, direct, such as ULA, and indirect, via higher rents as landlords pass the cost along, while the public safety unraveling occurs. Firms, pinched by government regulation and taxes, lay off or flee, reducing the tax base. Meanwhile, unmanaged illegal immigration and the state's sanctuary policies balloon welfare, healthcare, and education expenses, further burdening citizens. The irony? While criminals benefit, taxpayers pay and their quality-of-life dips with increasing crime and economic stagnation.

Conclusion: A Cautionary Tale

The Los Angeles Mansion Tax is more than a misstep—it is a warning. California's unchecked progressive dominance threatens to choke its real estate market and broader economy. Combined 1 Business exodus stats are consistent with widely reported trends. 2 Soros's DA funding and crime trends reflect Fox News analysis and election outcomes from November 2024. with corruption and progressive justice reforms, the state taxes its productive members while eroding safety and prosperity. Companies that find asylum in California need to contend with these perils: a government adverse to profits, an offense-forgets justice system, and a taxation system that penalizes success. For the city of Los Angeles, the Mansion Tax could be the turning point, ushering in an era where prosperity is sacrificed at the altar of progressive orthodoxy.

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In the survey, participants rated key conference aspects and evaluated the event's quality, the representation of prominent family offices, and the expertise of conference speakers.

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100% EXCELLENT	**96.8% YES**	**98.9% YES**	**97.0% YES**

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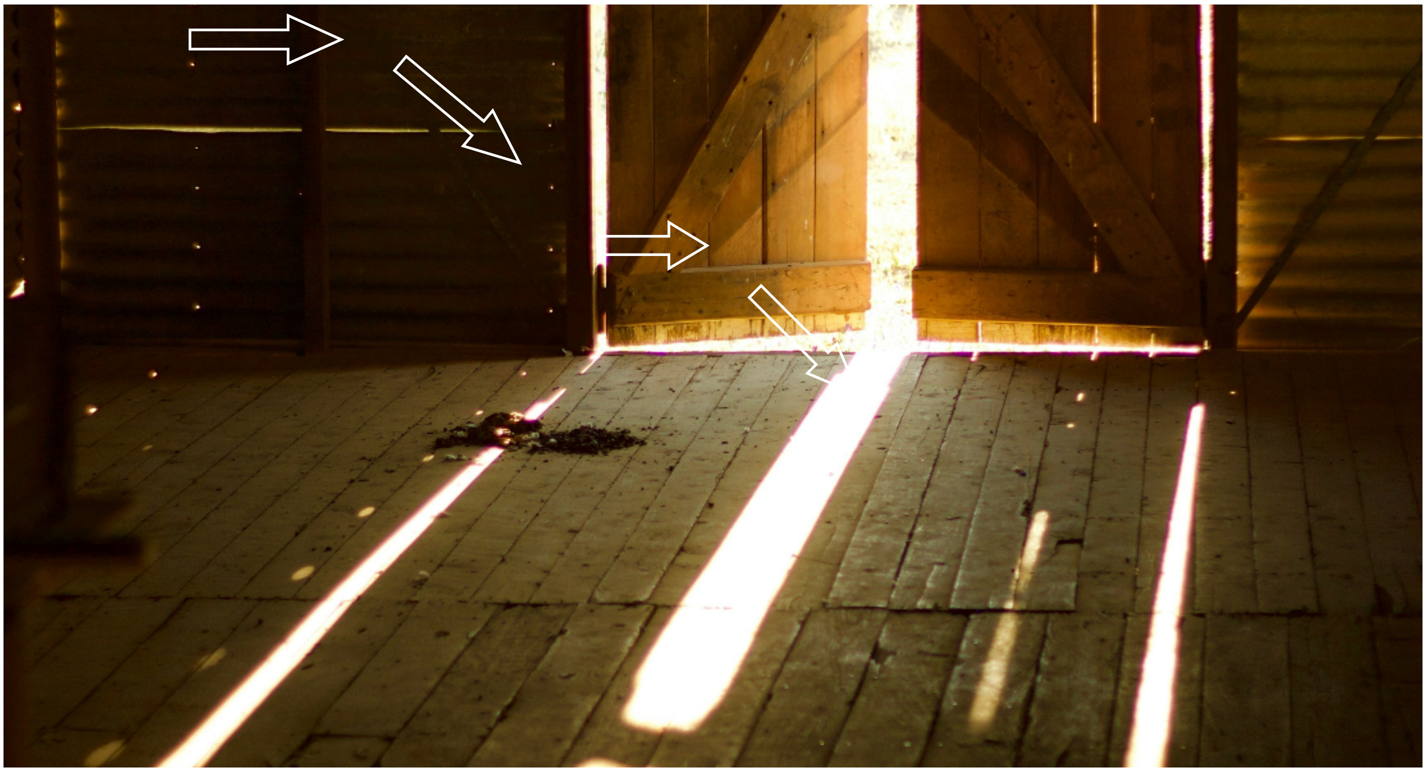

THE FUTURE OF OPPORTUNITY ZONES LEGISLATION: WHAT FAMILY OFFICES NEED TO KNOW

By Jimmy Atkinson, OpportunityZones.com

As 2025 unfolds, the Opportunity Zones investment program stands at a crossroads. Introduced through the 2017 Tax Cuts and Jobs Act, OZs have been a powerful tool for driving capital into distressed communities while offering compelling tax incentives for High Net Worth individuals and ultra wealthy families.

Introductory Context

Opportunity Zone investing allows investors to defer and reduce capital gains taxes, eliminate depreciation recapture, and achieve unlimited tax-free growth by reinvesting eligible gains into Qualified Opportunity Funds (QOFs). These funds then strategically deploy capital into real estate and business projects located in federally designated Opportunity Zones around the country.

It is estimated that the program has attracted over $160 billion since inception. Many family offices have favored Opportunity Zones as a strategic vehicle to achieve multiple investment goals simultaneously: capital gains tax efficiency, wealth preservation, social impact, and targeted allocation to real estate projects in emerging markets.

Although the Opportunity Zones program is scheduled to sunset after 2026, upcoming tax legislation could extend or even permanently embed OZs into the tax code, with some alterations. As the legislative landscape evolves, family offices should proactively assess potential changes to investment timelines, compliance obligations, and geographic eligibility, positioning themselves strategically to maximize after-tax returns.

The Legislative Landscape: What's Next for Opportunity Zones?

With Donald Trump's return to the White House and Republican control of Congress, the political climate favors renewing the Tax Cuts and Jobs Act, signed into law during Trump's first year in office. Trump has consistently championed Opportunity Zones as a cornerstone of his economic policy, frequently highlighting their role in revitalizing struggling communities and encouraging private investment. His administration has signaled a strong commitment to not only extending the program, but also enhancing it to maximize economic impact and investor participation for many years to come.

Trump's advocacy for OZs has been a key talking point in his economic agenda, with multiple public statements reaffirming his belief that the program is essential for job creation and economic development. As recently as February 2025, he referred to Opportunity Zones as "the #1 economic development project" in U.S. history. His administration is expected to work aggressively to secure legislative backing, positioning Opportunity Zones as a major component of his broader tax and economic strategy.

While there is bipartisan interest in refining the program, concerns over OZ impact measurement persist. Some legislators argue for increased transparency and the removal of higher income tracts that may not align with the program's original intent. As negotiations unfold, family offices should prepare for potential shifts in zone eligibility, reporting requirements, and investment structures.

Key Legislative Proposals Under Consideration

Current discussions in the White House and on Capitol Hill suggest that Opportunity Zones reform will focus on two primary areas:

1. Extending the Existing OZ Program

- The tax deferral date for OZ investment is currently December 31, 2026. Gains triggered after this date are not eligible for favorable OZ tax treatment. Lawmakers are considering pushing back this date to 2028, allowing investors additional time to deploy capital into this program.
- Enhanced reporting requirements could be introduced to ensure that OZ investments are driving meaningful economic development in distressed communities.
- The introduction of a "fund of funds" structure could enable QOFs to invest in other QOFs, offering greater flexibility for portfolio diversification and risk management for family offices.

2. Renewing the OZ Program with New Census Tract Designations

- A potential "OZ 2.0" initiative would adjust the geographic eligibility of Opportunity Zones based on updated 2020 Census data.
- Governors would be given the opportunity to produce new zone selections to better reflect current economic needs, a process that could start as early as 2026, for implementation as early as 2027.
- Additional incentives may be introduced to encourage investments in rural areas and affordable housing.
- An option for permanence of the OZ program would allow for zone redesignation every 7-10 years.

Many other ideas are currently being floated to enhance the OZ tax incentive, including rolling deferral periods, extending some tax benefits to non-capital gains dollars, interim gains reinvestment, and eased compliance rules for properties that comply with historic or low-income tax credit programs.

For family offices, these changes could create new investment opportunities while also introducing compliance complexities. The ability to reassess and strategically reposition capital within the OZ framework will be critical, once new legislation is enacted.

Legislative Pathway: The Role of Budget Reconciliation and Timing Considerations

Opportunity Zone legislation is expected to pass through budget reconciliation, allowing a simple majority in the Senate and aligning OZ reforms with broader Republican-led tax initiatives. Because the reconciliation mechanism requires that all provisions of a tax bill have direct budgetary impact, certain desired OZ policy changes—such as enhanced reporting requirements—may require separate legislative or administrative action.

Timing of Tax Legislation

The timing of any Opportunity Zone-related legislation will largely depend on broader tax negotiations in Congress. Significant movement is expected in the second half of 2025 as lawmakers work to extend key provisions of the 2017 Tax Cuts and Jobs Act, many of which are set to expire in 2026.

Some progress has already been made. On February 25, 2025, the House passed their 2025 budget resolution, a blueprint for $4.5 trillion in tax cuts over the next 10 years, which paves the way for work to begin on tax legislation. On March 15, 2025, the President signed a continuing resolution that prevented a government shutdown, and will keep the federal government funded through September 30, 2025.

Given the legislative calendar and the complexity of tax negotiations, family offices should anticipate potential enactment of a major tax bill toward the end of 2025.

Potential Political and Regulatory Challenges

Despite strong executive and congressional support for OZs, legislative hurdles remain. The program has faced criticism regarding whether its benefits are fairly distributed, prompting calls for stricter oversight. Additionally, broader negotiations on tax reform could delay or reshape OZ modifications.

New Implications and Strategic Considerations for Family Offices

As lawmakers work to extend and refine the Opportunity Zones program, family offices should consider several key factors:

1. Extended Tax Benefits and Investment Horizon

- A potential extension to 2028 provides more flexibility for investors managing large capital gains.
- The continuation of the 10-year tax-free gain benefit remains a compelling incentive for long-term wealth planning (even in the absence of new tax legislation).

2. Enhanced Compliance and Reporting Requirements

- New statute or regulations may require more robust impact reporting and financial disclosures for Qualified Opportunity Funds.
- Family offices should assess whether their QOFs are well-positioned to meet heightened compliance standards.

3. Shifting Geographic Investment Priorities

- If higher income zones are removed and new tracts designated, investors may need to adjust their portfolios accordingly. Of note, it is widely expected that investments already

placed in any de-certified zones would be grandfathered in.
- Family offices should identify emerging OZ markets that align with their risk tolerance and impact investment goals.

4. New Investment Vehicles: Fund of Funds and Rural Incentives

- A "fund of funds" model could provide additional flexibility for attaining diversified exposure to multiple OZ projects, reducing concentrated risk.
- New incentives for rural investments could drive opportunities in sectors such as logistics, renewable energy, and infrastructure.

5. Early-Mover Advantages in a Changing Landscape

- If new OZ designations emerge, there could be a surge in investment opportunities.
- Investors prepared to deploy capital swiftly may gain an edge in securing prime assets before market saturation.

Given the evolving statutory and regulatory environment, investors are encouraged to monitor legislative developments throughout the rest of this year. Engaging with the following industry groups can provide ongoing education, networking, and advocacy opportunities.

- OZ Insiders: https://ozinsiders.com/
- EIG Opportunity Zones Coalition: https://eig.org/opportunity-zones/
- Novogradac Opportunity Zone Working Group: https://novoco.com/
- Opportunity Funds Association: https://zonefunds.org/

Final Thoughts

The Opportunity Zones program has been a powerful tool for family offices seeking tax-efficient investment opportunities with positive social impact. With legislative reforms on the horizon, investors must remain agile, well-informed, and proactive in adapting their strategies. By staying ahead of policy changes and leveraging potential enhancements to the OZ program, family offices can continue to maximize returns while contributing to meaningful economic development. As always, close collaboration with legal and tax advisors will be essential in navigating the evolving Opportunity Zones landscape effectively

WHEN FAMILY OFFICES BECOME REAL ESTATE DEVELOPERS

By Adam Ducker and Eric Willett

The family office world and real estate sector are far from strangers to each other. There are many examples in the US and elsewhere of family offices that either slowly and organically, or purposefully and intentionally, have become significant owner/operators of real estate

More infrequent but not uncommon, and in our experience this is increasingly "in the ether" in 2025, are family offices that have built or bought a development platform, which we explore in this article.

Perhaps the place to start is why a family office would want to evolve into an at-risk real estate developer with the primary complication being that the cyclicality and unpredictability of the returns are far more amplified than owning stabilized assets, which can be done passively or actively. Further, the cultural fit (at risk of painting the development community with too broad a brush) between these two worlds seems, and in many cases has been, hard to square.

Lastly, if one of the attractions to growing a real estate platform that owns real estate is the opportunity to evolve into an investment management model and eventually manage third party capital (not a motivation for all, but for some) development does not easily lend itself to that strategy.

The Rationale for Getting into the Development Game

The simplest answer may be the most important – common challenges with the typical LP role is how most family offices usually begin their journey into becoming development companies. For groups where opportunistic investment is an important component of their capital allocation strategy, being in the LP role can create economic frustration (driven by the desire to be part of the promote in a high value creation endeavor such as development) or concern around control.

The Evolution from LP to GP There are of course opportunities, particularly if economics alone are the motivation to become co-GP or to invest in GP fund. These structures can be difficult to source, although we increasingly see sponsors gravitating to this space. Such investors sometimes still have frustrations around the promote within the promote, or the scale of investment activity being too limited. A multi-generational family development company out of Texas, has demonstrated the interest of wealthy families in this strategy. Their series of successful GP funds has drawn on family offices, HNW families, as well as select institutions, interested in participating in opportunistic investments in a unique economic position.

The Desire to Do it Yourself For some family offices the desire for control, or to pursue unique opportunities and guide the product and the outcome, is compelling in itself and even a co-GP role doesn't satisfy the objective. Sometimes this is the result of a family member taking a real interest in the process or finding that they have a vision that they would like to implement. For other organizations that have built up real estate expertise, development can be a logical extension and migration up the value chain.

One good example of this is a family office based in southern California that began investing in industrial development with a strategic partner in the early 2000s, as one

member of the second generation became increasingly passionate about the industry and crafted a vision for an economically sustainable development platform they decided to grow an in-house, regionally focused, development platform.

Legacy Holdings Many family offices have built up large portfolios of real estate organically over time, either through direct or indirect ownership. Within these portfolios, development or redevelopment opportunities can offer a path to optimizing the value of the assets. Depending on the scale and complexity of the projects, establishing a development function rather than partnering with a third-party can be an attractive strategy.

Wanting to Have an Impact Another interesting dimension of this phenomenon is family offices that are focused on having an impact on their community, perhaps the opportunity to create projects that the local market is not responding too is or that require double bottom line thinking to act against. We see examples of this in smaller markets where a family offices may either organically or more deliberately stand up a development platform as a way of investing in the growth of its home community.

One good example of this is the High Family in Lancaster, Pennsylvania, who moved into real estate many years ago to build and invest in central Pennsylvania and today is a robust development platform. Very recently the High Foundation has begun a collaboration and investment program to help the region respond to rising home affordability challenges. An interest in mission-driven housing development seems to be growing among family offices. The rapid growth of Bedrock, a development firm built by Michigan-native Dan Gilbert with the explicit goal of participating in and catalyzing parallel development in the City of Detroit is successful example of this.

Market Entry Strategies

Organic Growth Family offices have largely become development companies through an organic process that is slow and sometimes not entirely strategic. A family member, along the lines of the Southern California family above, becomes passionate about development and steps into a project or two. As the volume of activity grows a team is slowly cobbled together, and one day a platform exists.

Start Up In the last several years when family interest in development has been on the uptick, we have for the first time seen family offices make a strategic decision to stand up a development practice by hiring a seasoned business leader or executive team with a mandate to build a team around them. Recently a European family office with a strong track record of LP investment in US real estate set out to identify and hire co-leaders of a new multifamily development platform based on the markets they know best from their investment activity. As another example, Seattle-based Vulcan's strategic expansion of their team as they embarked on an ambitious development plan for South Lake Union reflected thoughtful consideration of how to launch a development platform at scale.

Acquisition Far less common, but there is of course an entry strategy that relies on acquiring an existing development shop. The challenge is that they are rarely available, efficiently priced, and for family offices that are fixed on a geographic and/or product focus the difficulty in finding an aligned firm is significant and typically requires using a third party to proactively source potential opportunities. The benefit, of course, is that the investor can step into a much higher volume of activity than the organic models above. While this is a less common strategy, some of the larger family offices have successfully leveraged their scale to acquire smaller development organizations as a key distribution channel.

Strategic Joint Venture/Platform Investments This may not constitute family offices "becoming developers" but it is not uncommon for family offices to gain this desired level of exposure through a strategic joint venture – a common version of this is a scenario in which an existing development organization is captive to the family office investor for GP capital in exchange for favorable economics and shared decision making. This sometimes included the partial acquisition or recapitalization of the platform itself, which may come with similar rights and opportunities. In our work with family offices and sponsors, this approach can often be a win-win and one we find ourselves recommending frequently. Sponsors are able to solve capital challenges (including potentially a balance sheet to support guarantees); family offices are able to enhance control and economics for their investments as well as secure a pathway to deploying opportunistic capital efficiently.

Pitfalls and Mistakes Made

There are of course real risks to launching and owning a development platform, beginning with the high level of risk and cyclicality that we discussed above. Development requires an organization that is far more nimble and able to change strategy compared to LP investing or even to active ownership of real estate.

The Outsourcing Risk One common area of failure or poor performance is the perception that development activity at scale can be achieved without creating a real platform internally. It stands to reason -- construction is often outsourced to a general contractor, the property management to another third party, can't the whole process be managed externally? The pitfall here is that the outsourced and unmanaged risks compound. Costs drift up dramatically at every stage of the process, lack of team and focus result in doing poor deals, and disconnected owners are late to buy land and late to sell assets.

There is the added complication that during down cycles in the market the development team is under-utilized. It can be painful in the absence of meaningful investment volume to keep the platform in place while capital is burned. We counsel that development is really an in or out opportunity ."In" has to mean creating a dedicated team of professions to execute the business and being prepared to support the platform through bad years. "Out" means exiting the business for good not for a few years.

Family Member Interest We discussed above entry into development driven by the interest of a family member. There is nothing inherently wrong with this, in fact, there is good evidence that the vision and passion of a family member can give rise to a highly effective development platform. The risk is that years, or maybe more common generations later, family member interest in the business can be low or non-existent. We see this phenomenon very frequently with legacy organizations where management is now relatively detached, or even misaligned with the family. Strong governance and reporting can manage the dynamic, but often the question needs to be asked and answered: does development still align with the family's objectives and ability to drive the strategy? And can the office's structure hold the management accountable for implementation of the strategy?

Unclear or Unrealistic Objectives Not uncommon is the simple challenge that the family's objective, or problematically competing objectives, are simply not achievable. The expectations are not shared with management creating a downward spiral of bad investments. Unlike owning real estate assets which very rarely (although tell that to owners of non-core office today) lose value, the downside of development is significant and passionate entrants to the space without an ironclad strategy often crash into reality. There are, unfortunately, many good examples (we will not single them out here) of family office-driven development strategies that just didn't produce returns and, tragically, it can take years for the evidence to rise to the surface and years more to pivot.

Final Thoughts

Several factors discussed above are colliding to drive family office interest in development – deepening interest in real estate, the favorable returns from development, the desire to have an impact through new production. Creating a development company probably requires $100M to $200M or more of investible assets assuming that strategy concentration should not be higher than the 10% to 20% range and that this is the level of capital that would allow creation of a platform to invest it.

Keys to success seem to be having an explicit and well researched strategy that is widely understood and supported throughout the organization, matching the market entry approach to the strategic objectives, being realistic that development is not a passive opportunity that can be executed without building a platform that can live through market cycles, and being prepared to exit the space if family priorities and the ability to manage risk move away from each other

REAL ESTATE AND THE WORLD OF FAMILY OFFICES

Let´s build bridges

Bridge between families and developers

By Gustavo O´Farrill Ayala, Fundador Director at Impacto Creer

During these times of uncertainty , high interest rates, high inflation and strong geopolitical and economic instability, several questions come to mind. Will the interest of family offices in real estate projects and investments continue to grow? Or will they be forgotten? Regardless if it is one case or the other, the real questions are: what can be done to build better bridges across this divide? And, how can real estate players and developers improve in attracting family offices capital to their projects and investment opportunities?

Even though family offices investment has continued to grow substantially in recent years, today many Real Estate players continue to struggle to attract their investments, sometimes due to family internal dynamics and the way family groups process information and key variables to those investments presented to them.

Will family offices investments become an irrelevant source of capital? Will families continue to hesitate about what to do with their properties? Letting land sit idle for decades? Will they keep viewing real estate investments as "alternatives" of little relevance? And will family offices keep avoiding stronger, more agile, and informed investments in real estate?

Through this discussion, we propose three core objectives: a) Better Development and Impact Projects, b) Greater Investments and Better Returns, and c) Better Project Experiences, fostering seamless collaboration between family offices and better deals.

WHAT IS HAPPENING among families?

With more than 20 years dealing with family offices and real estate endeavors we have consistently found the following traits and challenges that family offices and families in general face.

At times, family dynamics can be complex and may not help the revision and decision making processes. For example, family members may being to discuss real estate issues at a dinner table, ar at the very end of a board meeting, but since real estate might not be their core business, it is easy to find themselves discussing endlessly, in loops and getting nowhere. What happens is that the dicussion is pushed to a future date, and so on.

The above situation, can often generate tension among decision-makers, relatives, or other internal teams, and if not careful ego may kick in and instead of finding solutions and making progress, family members find these contexts as a perfect excuse to flex their muscles.

Within families we find as many types of leadership as there are members in a family. At times past real estate experiences can generate biases or fears among family members that can potentially lead to paralysis, especially when they hear that a friend or another member of the family had a bad investment experience, and we could fall into the temptation to think wrongly that every real estate deal will also go wrong. Or perhaps, we can deal with sentimental attachments, for example, when family members remember when “they used to go and play with grandpa to a particular piece of land” or the house where we lived since we were little which ends up making it more and

more difficult to post-pone decisions and action.

Or perhaps the opposite is true, when some family members have had some experience in real estate transactions of some kind, for example selling their grand fathers estate, second home or ranch, and we might think “we already know it all”, this might work in favor but it can at times work against us in new deals, because that experience might not be too relevant to the investments we face at the moment.

The lack of proper teams and expertise within family offices can generate a disconnect between those variables presented to them within the various deals and the expectations family members have with regards to real estate investments. Concerns might be different, developers offer certain guarantees but families do not fully feel comfortable with them, or expected returns vary, etc.

WHAT IS HAPPENING among real estate players and developers?

Today mora than ever, real estate players need capital and interesting pieces of land from family offices, at this particular moment in time, U.S. real estate projects are looking to American and to an extent to Latin American capital like never before. However, many times old school developers really don't understand this market and need external groups to help them bridge this gap and or misunderstanding. And the fact is that at times, projects developing groups present to family offices “raise more questions than answers”, more “doubts than certainties”. And just like on social media, there’s a tendency to "swipe" or scroll them over. Often, family offices find projects poorly structured or incomplete.

However, there are good news on the horizon. According to the UBS Global Family Office Report 2024, family offices are reassessing their real estate investment strategies, are increasing diversification in geography and sectors (logistics, real estate technology) and growing interest in sustainable investments.

In terms of direct investment, Real Estate is the third favorite topic among family offices: a) 76% of Family offices invest in Real Estate, with 16% of their capital in RE, compared to 9% seven or ten years ago; b) of all resources allocated to direct investment, 39% are assigned to Real Estate; c) 26% keep their investments in Real Estate permanent, 43% long-term, and 30% revolving. Sources: The North America FO Report, 2022; El Economista (2022)

What is happening with family offices in relation to real estate is that Real Estate is seen as a solution for permanent capital, with a minimum IRR of 11-13%, and an average return of 14-15% in direct (sophisticated)

investment. Globally, reports agree that approximately 29% of family offices plan to increase their investment in Real Estate, 58% to stay as they are, and 13% to decrease. (The North America FO Report, 2022; El Economista, Mexico, 2022). However, 40% of companies do not plan for transitions, risking and attending problems when the time comes..." — R. Aparicio, El Economista newspaper Mexico, 2023

We find economic and political uncertainties worldwide and in particular within the real estate industry, family offices seek to "reinvent" or find real estate alternatives, and are looking to capitalize on investments that benefit from high inflation. And in that regard the door opens for FOs to consider other available options, including Real Estate, Health Care, and Tech. Citibank Private Capital Survey (2022). With a changing world, family offices need to learn and adapt quickly.

Rising interest rates and cost of capital has been a constant in recent months and years. And there is great caution on behalf of lending institutions (The Knight Frank 150: Family offices set to expand real estate investment - Knight Frank, 2025) Which have generated longer response times and increased conditions for granting loans. In that regard Loan to value percentages to the cost of the project (LTV) have constantly dropped in the last 3-4 years. Three years ago among the investment projects we analysed for family offices and clients, we found levels of LTV in the 70-80%s, those levels have substantially dropped to less than 60% and in some cases to 50%. Before it was solid and cool to have higher LTVs, today is stronger to be on the lower side. As a result, developers are looking to funds and family offices capital. For example this situation has generated important challenges to multifamily investments. *"With a changing world, FO's need to learn and adapt quickly"* **Multi-Family Office Real Estate Trends For 2024 & Beyond: A New Investing ERA, Keith Thomas** | September, 2023.

Family offices are changing (Global Family Office Deals Study, How family offices are

Evergreen

Helping Family Offices Preserve and Expand Their Legacy and Wealth for Current and Future Generations through Real Estate

ABOUT US

Evergreen Property Partners is an **exclusive, invitation-only consortium** of family offices who benefit from our extensive real estate experience and relationships, whereby we provide families with unique opportunities to invest in carefully curated, tax-efficient Co-GP and GP-LP transactions alongside other like-minded families.

Evergreen's mission is to 1) **preserve and enhance family legacy and wealth** through compelling, tax-efficient, real property-related investment opportunities; 2) **provide programmatic equity, strategic advice, and key relationships** to our local operating and development partners; and 3) **improve the communities where we invest** by developing or repositioning real property, thereby providing employment opportunities and exciting and architecturally attractive places to live, eat, work, and play.

STRATEGY

Evergreen invests in existing **industrial, workforce housing, and market-rate multifamily** properties or development projects in high-growth U.S. markets that are valued at **$10-$50MM**. We invest alongside experienced, local operating partners and developers via tax-efficient, discretionary equity funds and special purpose vehicles.

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transforming to balance growth and sustainability, January 2025), 56% plan to make *"tactical changes"* to their portfolios, 14% plan to make *"significant changes"*, 22% are in a *"wait and see"* state due to economic uncertainty. *"Family offices, with their long-term investment horizons and focus on wealth preservation, are well-positioned to adapt and thrive in this environment."*

According to CNBC Wealth Editor Robert Frank, there are over 10,000 large FOs worldwide, and 110,000 including medium-sized ones — which represent 10 times more than 20 years ago. Their growth is explained by the ability to invest in non-traditional investments, which largely includes Real Estate.

CNBC's Robert Frank joined 'Squawk Box' with the latest news back in april 2024. Dicussing how total worldwide family offices worth $100M+, grew from 1,300 in 2019 to 4,500 this year. And explained how the capital of Family Offices is now a larger portion than hedge funds, private equity, or venture capital for the first time in history, becoming a major force in the market. More and more family offices are allocating their money to private markets and moving away from public assets, they used to be a relatively quiet corner of the market, but now they are taking the place of traditional investors, such as pension funds. In other words, there´s a lot of available capital.

WHAT IS THE OUTLOOK?

While there is a rising tendency of family offices investing in real estate, and there is a blatant need amongs developers to access into that capital more than ever before, there seems to be a disconnect between them and several challenges family offices need to resolve or address in order to bridge that gap, — at times we seem to be seeing two languages, two types of financial analysis, and priorities. There´s a need to build bridges. Let´s continue to understand, gather ourselves or external experts that can potentially accompany us along the way and let´s make this ecosystem work everyday better and better for the good of family offices, developments and those benefiting of better spaces, designs, and investment opportunities.

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