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Now at Six, ViceRoy Tops \$90M AUM; Capo, Valeri Best Covid, Flood, Fires

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General Washington Apartments, 625 Main St., Reading MA

PEABODY — ViceRoy Capital Management is celebrating another anniversary, but Sandra M. Capo and Carl A. Valeri are hardly resting on successes over their first six seasons—surviving a global pandemic among earned feathers—as was deploying \$90 million buying eight assets, mostly after Covid arrived, the latest 50 Somerville apartments acquired this spring for \$11 million “go-to” lender Brookline Bank funded via an \$8 million credit line used in all but one purchase; those include VCM’s biggest deal, a 149-unit Peabody portfolio bought in August 2019 for \$17.3 million from a Horvath & Tremblay exclusive many players skipped due to the mingling of 15 retail properties plus 134 apartments and SRO units, considered by some a tricky blend to leverage and price.

VCM passed on the same package’s earlier listing that was later pulled, yet when ownership opted to try, try again by hiring HT, “We thought of (ViceRoy) immediately,” says Executive VP Dennis Kelleher, who joined EVPs John Pentore and Stephen Girolamo convincing VCM to reboot, the difference a 33-page study from Horvath & Tremblay’s multifamily division showing clear potential a value-add sponsor could attain, recounts Valeri, whose firm has since bought two more Peabody assets thereby growing to 13 buildings—and counting? “We have put together a nice cluster (in Peabody), but we are constantly looking at opportunities to grow in all our target markets,” was the only response Valeri would convey. File under stay tuned.

The investor was deemed “a natural fit” by HT from prior interactions. “ViceRoy is really good at finding (properties) that need some or even a lot of work, and making things better quickly and (impactfully), and in a market with a ton of growth potential patient capital can benefit from, it seemed like a natural fit,” says Kelleher.



Sandra M. Capo



Carl A. Valeri

“They are smart and savvy and have built a nice base of properties and revenue streams,” relays Sally E. Michael, the Saul Ewing LLP partner advising VCM on trades such as Somerville’s residential buy of 333 Broadway. Among New England’s top CRE attorneys evidenced in major clients including residential giant Hamilton Co. where Valeri and Capo met in 2017, Michael adds: “People with a vision and ability to execute their plan effectively and completely can accomplish really special things, and Sandra and Carl have done that in a relatively short period while (besting) challenges unseen in our lifetime . . . and to always perform in such an ethical and responsible manner is certainly refreshing and worthy of admiration.”

Confidence Brookline Bank has in ViceRoy stems from a lengthy relationship with Capo’s partner, recounts Executive VP Robert E. Brown, the institution’s CRE Division leader who also met Valeri through Hamilton Co. where the son of a construction company owner rose to president and in 22 years did \$1 billion of real estate investments acquiring and financing over 70 assets. Founded by the late Harold Brown, Hamilton soared in value from \$6 million to \$2 billion during Valeri’s tenure, its engines operational modernization, developing legacy urban sites and Tier 1 hole-in-ones such as a 2009 buy of Dexter Park Apartments in Brookline to outduel multiple institutional bidders with an asset Hamilton still owns barely a mile from its headquarters in Boston’s Allston district.

“Carl is a model of consistency and accountability,” says Robert Brown who adds he “realized pretty quickly” Capo would be a worthy colleague to Valeri’s talents, an instinct exemplified when she led a 2021 purchase and financing of 99 Rowley apartments for \$13.8 million in which Brookline Bank loaned \$10.7 million to secure 803-804 Haverhill St. and 4 Dodge Rd., a six-building complex that answers to Millwood Apartments and has performed “exceptionally well,” Capo reports of the property wedged between Interstate 95 and Route 1 close to the New Hampshire border.



Robert E. Brown



Sally E. Michael

As to Brookline Bank, which loaned \$8 million on the Somerville acquisition, Robert Brown states that of the VCM investments his bank has funded, “every one has met or exceeded our expectations,” including Peabody which VCM used Brookline Bank to make the initial portfolio purchase, then engineered the KeyBank/Freddie Mac funding; also, since the agency lender is unable to finance SRO units, Brookline Bank secured that piece via a \$1.2 million loan, the total of \$13.2 million amounting to an LTV of about 77 percent.

Coming to Hamilton Co. by way of Boston College School of Management and First National Bank of Boston fuel Valeri’s acumen leading the acquisition and financial elements of VCM’s operations even though Capo has her own admirable educational and career credentials in that arena, Valeri pointing to their Rowley deal as showing “a superior grasp” of money matters, the Bentley University alum who used her finance degree to run a \$30 million portfolio with distinction at Equis Financial Group for a dozen years after graduation then took those customer service skills and real estate expertise to the family owned Mirra Co. construction group started in 1953 by her parents and friends who sponsored the penniless couple on their arrival from Italy. Capo handled operations and was controller of related real estate at Mirra Co.

In 2017, Capo and two brothers were bought out by a relative and part-owner. She then matriculated to Hamilton Co. until she joined a briefly “retired” Valeri to launch their entity “from a kitchen table” in November 2018 and open an office in Woburn armed with a mission statement vowing “to separate ourselves from other real estate companies creating sustainable long-term value in the assets and increased value and cash flow to our investors” and “aim to have all stakeholders, investors nad vendors alike, aligned in this long-term view.” They even spent considerable energy thinking of the unique branding of their firm, ViceRoy’s handle parts Hippocratic Oath and Lepidopterology forging a credo aspiring to “leave things better than when you arrived,” unlike the seductive/destructive Monarch butterfly whose acclaimed platform is lethally invasive unlike the lookalike Viceroy to which Capo and Valeri pay homage.



Dennis Kelleher



John Pentore



Stephen Girolamo

Multi-tasking is also a hallmark of this ViceRoy hive. While Valeri targets acquisitions and finance plus “implementing the business plan tailored to each property under management,” Capo tackles due diligence knowledge leading up to an acquisition as well as day to day operations, her people skills especially honed from the front-line Equis Financial experience and duties at Mirra Co., which she indicates are similar to those she was hired by Hamilton for, overseeing 500 market rate units in Cambridge and surrounding tony suburbs for which she received accolades delivering above average revenue increases without sacrificing tenancy, the vacancy rate under 1 percent even tight by metropolitan Boston standards, especially in desired communities.

“Sandra is an excellent communicator by every measure,” says Valeri. “She understands how to get our (philosophies across) and also when we are interacting with (vendors) and tenants on compliments, concerns or suggestions they might have to improve a property or a (process),” a notion shared by Brown, Michael and others, while the Brookline Bank executive credits both principals for enhancing their own collective half-century of experience. “It has proven to be a very good partnership thanks to Carl and Sandra, and the great people they have surrounded themselves with is a significant advantage for (obtaining) market knowledge and another reason they have done so well, which I am pleased with but not really surprised by,” says Robert Brown. “You could see right away they had the makings of a great partnership.”

Capo and Valeri vociferously second the banker on his assessment of the Board of Advisors who include banking veteran Darryl J. Fess; tax attorney and accountant Kelly A. Berardi JD of Gray, Gray & Gray, her expertise “strategies to minimize tax burden” and meeting applicable laws; and they also lean on former Bear Stearns executive Robert Verrone, now approaching 40 years in CRE whose goals include “changing needs of under-served commercial real estate owners in a down economy,” his other experience development and management of Wachovia’s Large Loan group that grew to over \$20 billion in originations while he was also acting as co-head of the bank’s real estate unit.

“They are a terrific resource who we are constantly relying on,” Valeri says of the advisory board, as well as other support groups and trusted vendors, plus the aforementioned Saul Ewing partner who spent years helping Valeri in his Hamilton Co. days. At first opportunity, VCM appointed Sally Michael as the firm’s chief legal counsel. “We would be lost without her,” he says, crediting Michael for helping navigate the complicated process leading to the Somerville acquisition that pushed its sale into this year, the sellers an extended family with ownership dating back a half-century, a perfect scenario for estate sideshows and protracted closings.

Valeri also praises Brookline Bank for its continued support in the firm’s first half-dozen seasons, the flexibility of a credit line enabling VCM to withstand such delays. “They are our go-to lender,” relays Valeri who is also quick to credit others such as KeyBank that has leveraged multiple VCM assets, though he agrees the line of credit arrangement “has been incredibly important.”

Rowley's Millwood Apartments community is not the northernmost point of the firm's holdings, that current spot can be found on Cape Ann involving a mix of Gloucester retail and apartments that VCM paid \$4.8 million to acquire in April 2023. The buildings there are 7 Middle St. and 29-31 Western Ave. whose sale was negotiated by Mega Group principal Brian DApice. Soon after the acquisition, VCM reeled in a sushi restaurant for the commercial space.

VCM made its first investment in June 2019, acquiring a dozen apartments at 76-78 Grant St. in Framingham for \$2.7 million in an all-cash transaction. Its Somerville purchase of 333 Broadway this March also through Mega Group put the number of residential rentals at 405, including a 39-unit apartment property in Reading bought for \$7.32 million in November 2020, also with Brookline Bank financing, in that case \$1.8 million and another \$4.8 million a month later was borrowed from old friend KeyBank on the General Washington Apartments at 625 Main St.



The Princeton, 333 Broadway, Somerville MA

Capo and Valeri have taken similar paths to their collaboration as offspring of construction company owners who mixed that foundation with college-refined careers honing salient skills until ultimately launching ViceRoy, the pair conceiving a best-practices entity aiming to attractive returns for investors numbering 86 at last count—not including the two managing partners and \$4 million of their equity infused “as a measure of confidence for investors,” Capo explains.

She and Valeri each brought to that kitchen table hands-on operational expertise to generate cash flow for quarterly distributions and address the inevitable gremlins that can disrupt the most well-intentioned CRE stewardship. All are elements lender Brown finds impactful, including and possibly especially the latter aspect.

Both Capo and Valeri concur the pandemic was the worst crisis they have ever had to confront professionally, but as hands-on operators, the presence of problems minor and macro can occur at any moment, and in assessing its risks for the Peabody portfolio, as in the normal process, Brookline Bank received a detailed synopsis from VCM outlining how to deal with any unforeseen issues, answers found in sufficient capital reserves for emergencies that did come in handy.

During Covid, Peabody residential denizens were given a 10 percent rebate for timely rents, a formula tenants embraced, and resulting in “no problem” with rents and a measure of goodwill since that \$30,000 effort was voluntary, as was the case when tenants in Peabody were displaced by two fires and in Reading, the General Washington Apartments were flooded sufficient to require evacuation lasting four months and \$75,000 in hotel expenses for that situation alone which VCM funded and even bought microwaves for residents given

the rather upscale hotel they stayed at did not have that hotel room 101 amenity for reasons that left Valeri scratching his head, but he uses the ability to respond as a cornerstone of ViceRoy mindset to be adequately funded enough to address emergencies such as keeping tenants from being displaced, even if such bills cannot be reimbursed. Both are aspects Brown alludes to as factors steeling his bank's confidence towards the client.

"First, they are very open about strategies and sharing that helps us understand the risks and how they intend to handle them should an issue (arise), and they are flexible to (adapt) if there is a sudden shift in their plan, so that preparation for surprises is also extensive," Brown says, adding, "they always have a plan to follow, but they find different ways to get there and achieve their targets as circumstances or conditions change."

In terms of VCM goals at Year 5, there was a loose target of \$100 million and that would have been 90 percent attained by 2023 with the Somerville deal under agreement that autumn until being slowed by the sellers' family estate complications. The remainder of 2024 did not produce any other deals, though it was not for a lack of trying, according to Valeri, the searching coming close on a couple of promising trades, but not enough to push the needle further ahead on AUM, a metric they hope could reach \$200 million as of the 10th anniversary in November 2028 even in stressing that is among the least worrisome aims for the platform that expresses a willingness to turn away from an opportunity should it not meet an exacting criteria.

To Valeri, that should offer comfort to investors versus sponsors who favor transactions to generate fees whereas VCM is adamant about pursuing long-term properties that can generate income through rents and the occasional re-financing that Hamilton Co. became quite skilled at to monetize its substantial leverage positions. Valeri had been doing real estate appraisal, foreclosure and workout duties as well as debt restructuring and loan reviews even before joining that company.

"At the end of the day, we can walk away and feel good about ourselves," says Valeri, whereas "a fee-driven group will do everything they can to keep that from happening . . . and that can put you in a desperate situation we do not feel contributes to our long-term approach."

The first year in business, Capo and Valeri drove "countless hours" to look at 82 opportunities, of which two were ultimately purchased, and that is fine with them in order to secure diamonds in the rough others might not espy. The figure over time has been winnowed down to about 40 prospects annually thanks to improved efficiencies and focused investing, and fewer prospects meeting their criteria. "It's still a healthy number, but is more manageable with everything else we are working on," Valeri outlines.

While that can be frustrating, it is all part of the philosophy of careful introspection of a deal in relationship to its select approach focused primarily inside Interstate 495 on deals up to \$20 million but with a capacity to do \$30 million to \$50 million "under the right circumstances," Valeri says. Multifamily is preferred, but medical office and "neighborhood shopping centers" are also of interest. The firm, as evidenced in the Gloucester deal, will extend beyond I-495, even into New Hampshire and Rhode Island, though no cross-border deals have yet to materialize.

In her roles leading investor relations and tenant matters plus operations, Capo says the hallmark is "quality service and expediency in service to both investors and tenants," adding, "We are proud of our response time and timely payments to vendors and our track record of timely distributions and hitting our projections." Along those lines, she points to systems often reserved for Tier 1 entities, tools provided via groups such as Yardi Systems and Juniper Square, a 25,000-strong investor database and a tenant portal work order network.

"We have multiple constituencies, including many family and friends who rely on us to be their stewards of wealth, which we keep satisfied" with transparency and "open lines of communication," explains Capo while again hammering the key message that "we are most proud of our desire to take the long view and not the short view of fees which many of our competitors do to the detriment of the limited partner."

Valeri in his firm's 2019 annual message to investors actually made an observation trumpeting "slow and steady" investing in November of that year by musing that "while it is not lost on us that we have not won

every deal, and yes, others are paying more in anticipation of even higher highs,” that “not every economic or real estate cycle is the same; each one is triggered by an event unforeseen by even the wisest scholars and economists,” like, maybe the global pandemic that hit town roughly three months after that observation?

To Valeri, the reference made was hardly a pandemic premonition or sixth sense, but he does have another metric in mind: “I think it is just second nature for both Sandra and me to anticipate (problems will occur),” he says. “We have been around the (construction industry) our entire lives, and from watching our parents, and now our own life experiences, we recognize real estate will always have issues that can happen at the worst time possible, almost without fail it seems . . . and you need the capacity built in to keep those from becoming a catastrophe instead of a manageable nuisance,” plus offering that, “We were not preparing for a pandemic, we were just preparing for the inevitable of something going haywire, and I do think that helped us adjust when the worst situation arrived.”

With Valeri leery that a “slack tide” that has a pricing delta between buyer and seller keeping deal flow mired for much of 2023 could linger, as well as intractable movement of interest rates he is anticipating, the seasoned investor warns he is not convinced activity will rebound in 2025, and while VCM is “eager” to place capital, he reiterates the criteria will not loosen, with the focus at present using their hands-on capabilities to make needed upgrades in the existing portfolio, as evidenced in the Princeton’s \$150,000 roof replacement that ceased a constant problem tenants had with leaky ceilings, and the landlord is working on the unit renovations expected to be finished in early 2025, the figure now at 42 percent of the apartments having been modernized.

Having their rents depressed below market for decades, certain of their Somerville tenants might experience sticker shock, yet Capo conveys “positive feedback” from residents there thanks to the extensive improvements underway from conditions reflective of rents being depressed below market for decades. “It really is great to see the transformation” on a personal level, she observes, and in being able to take a property stuck in the old millennium and breathe new life and purpose for another generation or two.

“We are making some really good progress there,” concurs Valeri, who said in an earlier Real Reporter article unveiling the purchase in March that VCM leaders “want to send a message right from the start that things are changing for the better” and will “improve the quality of life” for those who remain. “We think it is worth the investment and the effort so they know what the money is being used for,” he says, including for the first time installing fire extinguishers on each floor, a “right thing to do” decision even though fire officials noted the building is exempt from that mandate required in newer structures. “They were a bit surprised” when ViceRoy proceeded with the additions mindful of a threat pre-dating buildings themselves.

The infill location in an improving community, proximity to numerous colleges and universities plus extensive public transit options are among the factors Capo and Valeri studied before making the plunge on 333 Broadway. “The location is fantastic,” says Capo. “Now we are making sure the building matches up in quality, and if we do, we feel it will be a successful (result) both our investors and tenants can enjoy going forward.”

Having founded VCM using LegalZoom, Valeri says getting Saul Ewing partner Michael on board soon after “is a real relief,” and for the complicated Somerville transaction he says she “surely” provided a comfort level the company would be able to endure a lengthy negotiation whose pace did appear to strain the seller side on multiple occasions, but a patient VCM held together just in time for a springtime closing—and cleaning—with a large crew including the managing principals on hand mere hours after its acquisition to paint common areas and add the new lighting and fixtures, changes incorporated without requiring permits such as that needed for the roof replacement and larger undertakings.

“It was amazing to witness,” says Brian DApice, the Mega Group broker who brought VCM to the Gloucester and Somerville opportunities. “It was like an Army of people showed up.” For his part, Valeri recalls being at the event focusing on his father who passed away this summer at the age of 94, his son reflecting on his influence owning a construction company Valeri cut his teeth on before the collegiate schooling and career path running the Hamilton Co. and now VCM, Valeri recalling mentally going back to the time where he “rode

shotgun” in his father’s pickup truck absorbing aspects of the sector “inside and out” plus celebrating a few axioms from his father he carried into the 333 Broadway buy and others at VCM: “he stressed being organized, to always compile and carry a list of what needs to be done with a given asset, and to make sure to have enough capital to invest in your property as you will get a better tenant and improve the value of your investment” were among the pearls Valeri says he still treasures.

“I was realizing ‘this is everything my father used to preach on steroids,’” Valeri says of that day on Broadway in March. “We were doing exactly what he believed is the (path to) success,” the list that afternoon containing close to 300 items since winnowed down to zero in a coordinated execution by the assembled team. “It was really special,” says Valeri, who counts the “army” at about 15 people.

One would imagine his father’s pride would be substantial in Valeri graduating from Boston College similar to the path pursued by Capo at what was then Bentley College and the aforementioned finance degree in 1989. While supportive of her two brothers pursuing a secondary education, Capo’s parents were still of an old-world mindset that women should not take such a route, prompting Capo to “rebel” and secretly apply to her alma mater which did accept her application, her success leading ultimately to that same day in Somerville this past March.

One would also imagine her parents would be beaming by this point, and Capo appears to have moved beyond any slight felt and even attributing her real inspiration to “their sacrifices” in coming from Italy at a young age and literally building their way to the American dream. Her mother had her own business mind as well, Capo notes, having desired to open a pizza restaurant before throwing her support behind the then-struggling construction business that still continues today in a more stable condition.

Capo’s parents are also credited with the official ViceRoy motto, her mother fond of the Latin term, “Sic parvis magna,” i.e., “From Small Beginnings, Great Things Come.” ViceRoy’s treasured attorney could sign off on that with another Latin phrase: “Ea est Veritas.”

“They are just terrific,” says Sally Michael. “It is impressive how they are able to identify prospects and make them work with an ability to see things others do not in value creation and long-term growth, and when they make a commitment, they are able to execute it, and that reputation feeds your image and leads to other deals.” According to Valeri, at least one respected Boston-area developer he declined to identify has already contacted ViceRoy with an invitation to consider partnerships.

For all that has transpired, Valeri maintains the results are clear beginning their seventh campaign. “We beat Covid, we beat the fires, we beat the flood, and overall, I think that’s something to celebrate as we look to 2025.”

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