

business

Academic approach to the real estate industry

By Margaret Jackson
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Entrepreneur Marcel Arsenault hardly projects the image of a man who's spent the last 25 years building a \$400 million real estate empire.

Donning a ponytail and wearing blue jeans, Arsenault carries himself more like a scientist or university professor. He drives a Prius and spends his time developing economic and real estate industry theories.

"I'm a frustrated academic pretending to be a businessman," jokes Arsenault, 62.

Though his name isn't widely known outside real estate circles, Arsenault has earned a strong reputation within the industry and is now at the forefront of investors seeking to respond to — and profit from — the ongoing real estate crisis.

"He's one of those rare men who, except that it's required by bank examiners, would not need a

promissory note," said Dave Boyles, chairman of Collegiate Peaks Bank and an earlier financier of Arsenault's real estate deals. "You can count on his handshake."

Arsenault, who once pursued a Ph.D. in molecular biology, approaches the real estate business from an academic perspective. He estimates he spends about 20 hours a week reading about the industry in his quest to understand the "story behind the story" of real estate cycles.

"You can't just do it for the money. You have to be passionate about it," he said.

History of endeavors

Arsenault grew up in Quebec. He earned the money he would later invest in real estate by founding a yogurt company while he was still a student. He sold Mountain High Yoghurt in 1983 to Beatrice Foods Co. for \$1.5 million. He worked for the company as brand manager for the next year before starting Colorado & Santa Fe Real Estate at the dawn of the nation's savings and loan crisis.

The company — along with Arsenault's other business endeavors — is based in Louisville.

"Real estate became a very difficult business," Arsenault recalled of his early foray into the sector. "I invested into the S&L downturn and watched it almost collapse in front of me."

He became proficient at workouts and repositioning distressed real estate as a

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performing asset — skills that are once again serving him well.

"Now, I'm just dusting off the playbook because it looks like (that era) is coming back," he said. "We go through this every generation where the elders die off or retire, and new people come in with a lot of testosterone and no memory."

Arsenault said he saw the current meltdown coming when he discovered the amount of mortgage debt on commercial properties doubled from \$1.6 trillion in 2001 to \$3.2 trillion in 2007. That's when he started selling off his apartment and commercial real estate portfolios.

Since then, he's been employing global macro-economic theories about the real estate industry to manage most of the capital from the sale of his portfolios through a private hedge fund.

"We stick to our industry," he said. "Most of our investments are real estate or real estate derivatives — banks we think are going under or construction companies."

Arsenault is using the remaining proceeds from the sales to invest in distressed condominium projects in oversupplied markets such as Florida, Arizona, California and Las Vegas. That business is led by Peter Wells, senior partner in another company, Condo Capital Solutions.

"He does what seems to be risky investing, but because of his approach, he's quantified all those risks," said Dan Sorrells, a business analyst with Colorado & Santa Fe. "It's not quarter-to-quarter

investing. We're watching the grand cycle."

Stellar reputation

Over the past 25 years, Arsenault has earned a stellar reputation in the industry. One of the nation's premier real estate investment brokerage firms, Marcus & Millichap, asked Arsenault and three other real estate investors to share their stories for the book "Foundations of Wealth: How to Build a Real Estate Empire."

Arsenault revels in the time he now spends analyzing and thinking about the real estate industry. He develops economic and industry theories to determine where to invest.

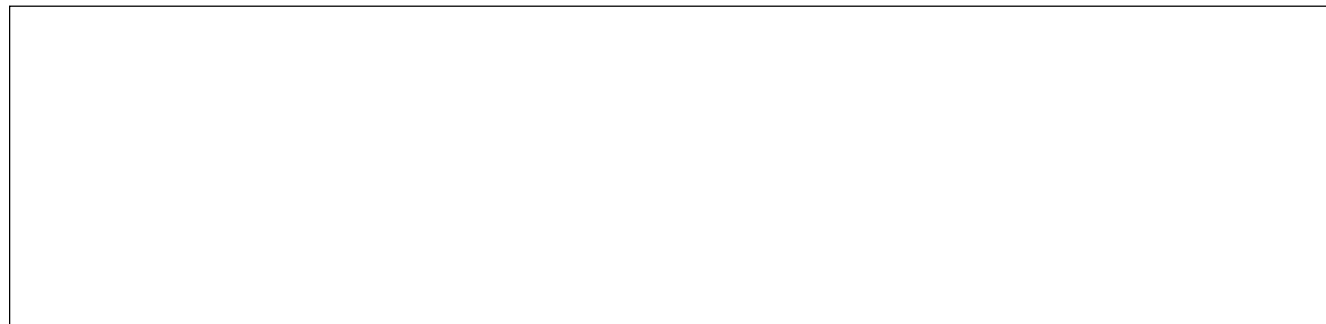
"It's not that difficult, you just have to spend time on it," he said. "I get my head kicked in once in a while, but mostly I do quite well."

When he's not focusing on his earthly investments, Arsenault, who lives in Superior, tends to focus on lofty pursuits. He has launched three foundations: One Earth Future, Secure World Foundation and the Arsenault Family Foundation

The goal of One Earth Future, started in 2007, is to create a global governance system to address problems of the world, including global warming and diseases such as SARS and H1N1.

Secure World Foundation, run by Arsenault's wife, Cynda Collins-Arsenault, is dedicated to maintaining the secure and sustainable use of space for the benefit of Earth and its people.

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The Arsenault Family Foundation makes grants to organizations with ideals similar to One Earth and Secure World.

To support those efforts, Arsenault has donated several real estate projects.

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Background

Age: 62 Degree: B.S. from McGill University; also attended University of Colorado

Sports: Rafting, sailing, cycling Founder: Mountain High Yoghurt, Santa Fe & Colorado Real Estate, Condo Capital Solutions

Photo by RJ Sangosti, The Denver Post

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