



# How CREModels Supports Results-Driven Inception Property Group

cremodels.com

# \$1B

contracts successfully bid

# 1.1MILLION

square feet of medical real estate projects  
modeled in the CRE Suite  
- and counting

# TENS

OF THOUSANDS of dollars  
in annual labor-cost savings

CREModels has become a key part of the development methodology at Inception Property Group (IPG). “Conducting a real estate financial analysis without CREModels would be like designing a building without AutoCAD,” said Co-Founder Peter Becronis, a 35-year real estate and healthcare veteran who runs IPG’s Southern California office.

Ten-year-old IPG leverages decades of real estate experience to bring needed services like healthcare, housing and childcare/early childhood education to American communities. Becronis and two other company leaders are former senior real estate executives for healthcare giant Kaiser Permanente; another co-founder is a veteran architect and designer. On a typical project, IPG will recruit providers and corporate partners and spearhead everything from development and financing to site-selection, entitlements and construction.

### COLLABORATING ON HIGH-PROFILE PROJECTS

Profiled in *The Wall Street Journal* and toured by the American Institute of Architects, IPG’s award-winning Downtown West Medical is the largest independent medical campus in downtown L.A. When its roughly 110,000-square-foot initial phase opened in 2019, it was the first major new development project in the medically underserved Pico-Union neighborhood for 30 years. Downtown West Medical serves as a regional flagship location for HealthCare Partners, a United Healthcare subsidiary. An eight-level parking structure with 462 stalls was part of Phase I as well. With lease-up underway, Phase II is set to add another 100,000 square feet or so to the project.

### INCEPTION PROPERTY GROUP

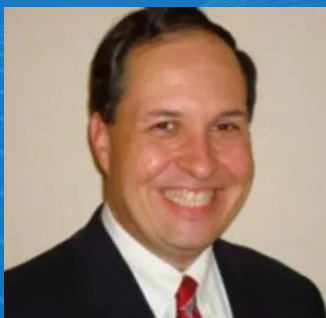
Throughout the complex development process for this nationally recognized healthcare asset, IPG relied on CREModels’ real estate modeling platform, the CRE Suite and managed services to guarantee accurate analysis and effectively communicate with municipal and financial stakeholders.

Challenges included dealing with downtown L.A.’s heaviest rainy season in a decade. “We actually lost four months on that project, just because the ground was so soaked you couldn’t get a pad certified,” Becronis explained. “We were able to use CREModels to model out the financial effects of those weather delays. Something that was not only difficult, but constantly changing.”





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Peter Becronis  
Inception Property Group  
Co-Founder

The analysis included factoring in an escalator for materials costs based on prevailing marketplace trends, calculating the impact of a later-than-anticipated rent commencement, and determining and communicating how the new schedule would affect the investor waterfall and distributions.

Such scenario-testing is among the benefits of the CRE Suite. IPG uses the platform to model comps in areas such as rent and the costs of finance and construction, along with different cost trajectories. “With CREModels, we can say, ‘Look, here’s what this project looks like in 12, 24 or 36 months, depending on entitlements and the scale,” Becronis said.

CREModels’ platform and bench of experienced real estate financial analysts also played a contributing role in the selection of IPG for a nearly \$1 billion project envisioned for 17th Street in Santa Ana, California.

In response to the original Orange County RFP, IPG had proposed 611 multifamily units along with a county-requested medical office building. “We used CREModels to figure out where we needed to come in on land costs, soft costs, hard costs, rents, everything,” Becronis said.

On several occasions, planners asked IPG and CREModels to run different financial scenarios through the CRE Suite, including calculations related to affordable multifamily units. “The county wanted to understand how rent would differ if we used, say, 80 percent of AMI [average median income] versus 60 percent,” Becronis noted. “We were able to show those effects in CREModels.”

CREModels’ analysts used the CRE Suite to export data into Microsoft Excel spreadsheets and produced high-level overviews of the model at the request of municipal officials. The team also modeled a public private partnership (PPP) that IPG proposed in which the county would contribute the land, receive a lower rent for its medical office building but participate in the upside on the multifamily.

That pitch was successful, and county officials were bullish on the concept, architecture and financial model/structure proposed by IPG. “They were supposed to award it to both a primary developer and a backup developer. In the end, they decided that they didn’t



need a backup and saw us as the only choice,” Becronis recalled. “So CREModels materially contributed to our being selected as the sole developer on a project that was potentially worth up to \$700 million.”

### EMBRACING SCALABLE, THIRD-PARTY REAL ESTATE ANALYSIS

Prior to working with CREModels, IPG relied on models produced by IPG Co-Founder Adam Matar, who previously ran Kaiser Permanente’s Hawaii real estate portfolio and is an alumni of Harvard University’s Advanced Management Development Program for real estate.

The quality of the analysis in IPG’s spreadsheet was top-notch, but having multiple users manually manipulate the file involved too much risk. “You don’t know where the issues are with inputs, and you can inadvertently change the formulas for the base model,” Becronis noted. “When that happens, unless you carefully protect a ‘correct’ version of that spreadsheet, the numbers that you run out of your model can be inaccurate and you’d never even know. On large projects like ours, seemingly small errors can be substantial, so this is crucial.”

By contrast, CREModels built a feature into the CRE Suite called “model governance,” which protects against these issues and automatically saves all iterations. “That means we know that there aren’t any formula busts,” Becronis said. “We also can tell investors or other stakeholders that there is no way to have a skewed number, because the model has been produced and managed by a third-party, empirical source.”

Indeed, the involvement of an objective, experienced team of CREModels analysts inspires confidence in the lenders and prospective investors who work with IPG. “With a spreadsheet that somebody created at home, no investor is going to come along and say, ‘Here’s \$20 million in equity, and we’ll help you raise the debt for your \$100 million project,’” Becronis said. “And if you give something like that to a lender, they will look at





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Stakeholders appreciate IPG's ability to quickly run critical factors such as the land basis or end-of-lifecycle rents through the model. "Let's say an investor wants an 18, 19 or 20 percent IRR," Becronis said. "We can use the platform to show them how to get there."

In addition, CREModels Managing Director Mike Jaworski flags and questions any numbers that seem like potential outliers as he inputs and oversees data going into IPG financial models. "Mike will call and say, 'Hey Peter, I just want to double-check this figure, because it is not quite what we're seeing for this type of product in your area,'" Becronis said. "Having that second pair of eyes adds another layer of due diligence."

### WALKING AWAY FROM BAD DEALS

In the multifamily residential markets of Southern California, investors will find no shortage of shovel-ready, permitted projects for sale. As Becronis sees it, these properties often are on the market because the seller's land basis was too high, especially given today's dauntingly high costs. "We are now seeing something akin to stagflation when it comes to multifamily in Southern California," he said. "Rents just have not caught up with the costs of development, land acquisition, finance and construction. In some cases, that's because of rent control."

In analyzing prospective deals alongside the CREModels team, IPG has walked away from "hundreds of thousands of dollars and boatloads of hours on projects that were not viable," Becronis said.

This capability also has proved valuable in helping deal partners understand certain mistaken assumptions. "You can say, 'Look, without this specific land basis, this deal is a non-starter' and then show them the analysis in the model," Becronis explained. "It's a litmus test. Should we move forward with this project or not?"

### REDUCING LABOR COSTS

As Managing Director of private equity-backed ShareMD Asset Management, Becronis oversees a medical office portfolio that has grown from 156,000 to more than 1.1 million square feet over the past five years. Relying on CREModels' experienced team of real estate analysts

allowed the company to rely on fewer fulltime positions and save tens of thousands of dollars annually. The approach comports with Becronis' intent to stay lean while efficiently managing the varying demand for analytical services within his real estate ventures.

"I can use CREModels if, as and when needed," he explained. "That might be three times in a month, or it might be once every three months. Our model is to outsource everything. We are asset-light, which includes human assets as well."

Jaworski and the CREModels team have been accessible to both IPG and its municipal and investment partners. "If they have questions, I can literally get Mike on a conference or Zoom call and have him speak to the viability of the project and also how it was put together," Becronis said. "That personal touch is invaluable."

But as Jaworski noted, clients still control the process, which differentiates CREModels' managed services from those offered by brokers or appraisers. "Our clients tend to like the back-and-forth aspect to working with us," he said "We're part of the team, as opposed to us just disappearing and coming back with a number. It's like hiring veteran real estate analysts to jump in as needed."

Concludes Jaworski, "I continue to be impressed by the financial acumen, entrepreneurship and results-oriented approach of Peter and IPG. They operate in sectors and markets that absolutely require those motivations and core competencies. Since geeking out on real estate performance and projections is what we're all about at CREModels, it truly is a great fit."



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