



GTIS to invest \$2bn in US, Brazil real estate

The New York-based real estate fund manager plans to expand its investment activities in the US and Brazil over the next five years, spending approximately \$1 billion of equity in each market. Additionally, it will open a new Los Angeles office early next year.

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GTIS Partners is seeking to ramp up its real estate investments in the US and Brazil over the next five years, with an eye toward investing a total of \$2 billion of equity in the two markets.

In the US, GTIS has made residential real estate its sole investment focus. The New York-based firm anticipates deploying \$150 million to \$200 million in equity per year to its residential real estate strategy in the US, where it has invested \$400 million of equity in the acquisition of 25,000 lots and 4,000 homes in 11 states since 2009. Given the lack of capital available for the sector, the firm views such real estate as offering the best risk-adjusted returns.

The fund manager also sees a need for liquidity among overleveraged US homebuilders. Prior to the global financial crisis, "builders bought a ton of land and financed a lot of it through debt," said president and founder Tom Shapiro. "Wall Street has a limited tolerance at this point for homebuilders to acquire a lot of land inventory."

While it previously targeted suburban communities in the US, GTIS now will be broadening its focus to include urban real estate, with one of its initial projects being a \$250 million apartment development in the Chelsea neighborhood of Manhattan.

Given the high concentration of homebuilders located on the West Coast, GTIS also will be opening a Los Angeles office, to be headed by vice president of acquisitions Theodore Karatz. "There are many deals we want to pursue," said Karatz, who currently is based at the firm's New York headquarters. "Being in California will allow us to do that."

On the West Coast, GTIS will be pursuing investments in California and in Phoenix, Las Vegas and Seattle. "It's a continuation of our business plan, but we're expanding our coverage," said Robert Vahradian, the firm's head of US acquisitions.

Part of GTIS' strategy is to acquire land, create the building "pads" on the site and then sell those lots to homebuilders, most of which have capital constraints and therefore prefer to acquire finished lots. In October, the firm closed on the \$36.5 million acquisition of a master-planned community on 560 acres of land in Mesa, Arizona. The site is fully entitled for up to 3,500 single-family and multifamily homes, as well as 60 acres of commercial and retail development.

GTIS' new real estate investments in the US will be made on behalf of its GTIS US Residential Strategies Fund, for which the firm is targeting between \$400 million and \$500 million in commitments. The firm also plans make additional hires in both its New York and Los Angeles offices as it expands its residential investment activity in the US.

Meanwhile, in Brazil, GTIS plans to put about \$1.25 billion in equity to work over the next five years. To date, the firm invested about 30 percent of the \$810.2 million in capital that it raised for its second Brazil-focused real estate fund, GTIS Brazil Real Estate Fund II. Investments include Embu Logistics I and II, two 1 million-square-foot industrial developments in the São Paulo metropolitan area; Sense, a three-building, 582-unit high-rise residential project in São Paulo; and an office development in Rio de Janeiro.

"It'll be a great year for execution," said Josh Pristaw, managing director and head of GTIS' Brazil business. "We have a rich pipeline now, and we're going to be busy." The firm anticipates closing on three large transactions in three different property sectors in early 2013. Additionally, it expects to break ground on Embu Logistics II in January and deliver Embu Logistics I in May.

In addition, the firm is nearing the full lease-up of Infinity, a 380,000-square-foot office tower in São Paulo that will serve as the Brazil or Latin American headquarters for high-profile tenants such as Apple, Facebook, Bloomberg, Goldman Sachs and Credit Suisse. The building, a Fund I investment that was completed during the first half of 2012, is expected to be put up for sale after it reaches full occupancy.

Founded in 2005, GTIS has 56 employees and currently manages approximately \$2.1 billion in assets, comprising residential, retail, industrial, office, hotel and mixed-use properties in the US and Brazil.

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