26 AUG 2022 Michael Rodwell

GTIS eyes OZ, BTR, special sits credit

$4.7bn firm to begin developing industrial and multifamily projects in-house, says founder Tom Shapiro

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GTIS Partners is bullish on opportunity zones (OZs), build-to-rent (BTR) housing and special situations credit, according to the firm's founder, Tom Shapiro.

The New York-headquartered real estate specialist is closely monitoring trends across migration, ecommerce, and onshoring amidst rising interest rates. These macro changes are driving opportunities in its core markets: US residential, warehousing and Brazilian real estate.

While many are focusing on outmigration from traditional urban centers, Shapiro has noted the enduring allure of city life on young professionals: "We are continuing to see a theme where the best and brightest move out of school and come to the big cities, particularly New York, and I do not think that is going to change," he tells With Intelligence.

While Shapiro does not see the end of city dwelling, he does see growing demand for rental properties. Particularly in fast-growing Sunbelt regions driven by the increasing costs of homes and mortgages.

"People do not feel the same affinity towards homeownership as they did in previous generations," he said. "There is continued demand [for BTR] and we have not seen a drop off at all in our rental portfolio."

The firm develops and operates BTR and single-family-rentals (SFRs) across its OZ strategy and its joint venture (JV) with the $315bn California State Teachers' Retirement System (CalSTRS).

Recent BTR projects include a 260-unit community in Tampa and a 144-unit development in Glendale, Arizona. Many of the firm's OZ developments have been in Sunbelt markets and include industrial distribution and commercial office space in addition to housing.

"One of the things we have been doing is becoming more vertically integrated as we move more towards self-development," Shapiro said. "We develop all of our BTR properties now and we are moving that way for our industrial and multifamily projects."

GTIS is also closely monitoring the industrial sector. Shapiro said that the shift toward de-globalization, together with a move away from just in time delivery, was creating demand for warehouses and factories in the US.

The firm is currently targeting $500m for its second OZ fund, GTIS Qualified Opportunity Zone Fund II, to capitalize on residential and industrial opportunities within designated areas that have hefty capital gains tax incentives.

Recently, the manager has also strengthened its focus on industrial and logistics by hiring ex-Wells Fargo pro Gaurav Sahay as managing director, as reported by With Intelligence.

Brazil

GTIS' Brazilian arm remains active in office development. The firm is currently constructing a 650,000 square foot speculative office building in Sao Paulo.

"Interestingly, Sao Paulo is completely different than the rest of the world," said Shapiro. "Brazilians like going into the office, there is very low vacancy rates and rents continue to climb in the Faria Lima region."

While the firm had generally been slow to invest in the region lately, it has been focusing on last mile logistics.

Last year, in a first for the company, GTIS took its entire Brazilian logistics portfolio public via a local real estate investment trust, similar to a US REIT. In July 2021, the firm launched its fourth Brazilian focused fund, GTIS Brazil

Real Estate Fund IV.

Special Situations Credit

Another area of focus for GTIS is special situations credit. The firm has a debt solution in partnership with GoldenTree Asset Management, a minority owner of GTIS, which offers development and bridge debt with loans ranging between $20m and $200m.

One recent deal was a $146m inventory loan made in partnership with Blackstone's real estate debt strategies team to help refinance an existing luxury condo on the Upper East Side of Manhattan.

"Many properties have capital issues and they will need a capital solution to fix it," Shapiro said.

Real estate debt strategies have been gaining traction with investors as rising interest rates cause dislocation throughout the debt markets.

Large investors including Santa Clara Valley Transport Authority, Nordea Asset Management, and New York State Teachers Retirement System have all indicated that they are closely monitoring real estate debt opportunities in recent months.

GTIS manages $4.7bn across offices in the US, Brazil, and Europe.

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