Siguler Guff forms busted condo JV

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Zoe Hughes

Siguler Guff has formed a $108 million joint venture with Kennedy Wilson to target equity and debt positions in busted condo deals in the US.

The New York-based private equity firm, which recently hired James Corl to lead its re-entry into real estate distressed investing, has invested $100 million into the JV, with Kennedy Wilson injecting $8 million.

The firms will target California among other US states where the residential market has been most affected. Kennedy Wilson said in a statement there were approximately 450 condo projects with 37,000 unsold apartments in California alone.

Corl said in the statement: "You can't extend and pretend a broken condominium construction loan." Siguler Guff said it would source deals though the network of financial institutions used by Kennedy Wilson's auction and property management divisions.

In September, Kennedy Wilson was bought out by the special purpose acquisition company Prospect Acquisition Corp. The deal has been billed at the time by Kennedy Wilson chairman and chief executive officer William McMorrow as a means of injecting capital into the firm at a time when distressed real estate opportunities were "unprecedented".

Corl, former Cohen & Steers' chief investment officer, was hired by Siguler Guff as managing director of real estate investments in March. The firm had previously invested in real estate in the 1990s. Corl told the September issue of *PERE* magazine that, as a funds of funds, it was crucial to look at real estate investments more "holistically".

The traditional funds of funds strategy of investing almost exclusively in direct property investment funds is unnecessarily limiting, he said. Rather, accessing a more expanded "menu of options", including public, private, domestic and international real estate and debt as well as equity, gives you more opportunity to "unearth value".

"You want to find the silo that has the most beta and then find the fund manager who can create the most alpha," Corl explained. "If you are going to be opportunistic you should be finding where the best returns are and going there, irrespective of whether it's public or private or anything else. One's investment process should not be constrained by the underlying manager's compensation structure."