

## Greystar Real Estate Partners

# Building a global rental housing platform with institutional capital and local expertise

**Jonathan A. Schein**, Institutional Real Estate, Inc.'s managing director of global business development, spoke recently with **Wes Fuller**, executive managing director of Greystar Real Estate Partners, responsible for Greystar's global investment management business. They discussed the prospects of investing in rental housing in Europe. An excerpt of that conversation follows.



Wes Fuller

*Who is Greystar? What is the company all about?*

Greystar is a rental housing specialist. That is our sole focus. The company was founded in 1993, and the origins of the company really evolved from a multifamily industry in the U.S., which lacked professional management and institutional capital.

Bob Faith, the founder and our CEO, saw the opportunity to build a blue-chip firm that was exclusively focused on providing industry-leading services for quality properties on behalf of institutional capital.

The rental housing industry has since evolved in the United States, driven by substantial investment from institutional investors, the emergence of professional managers, and the wider breadth of investable, high-quality buildings. Greystar has benefitted from the maturation of the industry, becoming the largest rental housing company in the United States.

We manage more than 415,000 units globally, have accumulated an ownership interest in assets worth \$23 billion, and have a development pipeline of more than \$7.3 billion. Today we're a vertically integrated business that offers expertise across property management, investment management and development. From a geographic standpoint, we have offices in more than 40 markets across the U.S. and have expanded to Europe, Latin America and Asia, with offices in London, The Hague, Barcelona, Madrid, Frankfurt, Shanghai, Sydney, Mexico City and Santiago.

*Why the term "rental housing" instead of multifamily?*

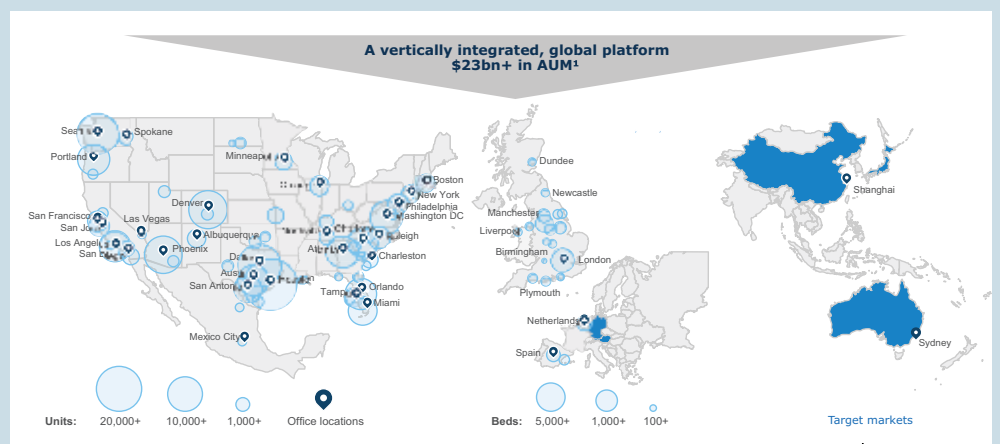
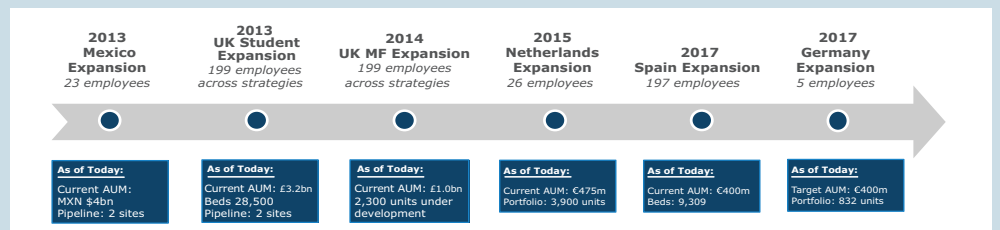
We use the term rental housing because it encompasses not only multifamily, but also student housing, corporate housing and senior housing. We own, operate and develop across the full spectrum of the rental housing sector.

*Greystar has grown tremendously in the past few years. What is driving your growth?*

The market in the U.S. has been very strong for the past seven years, which has afforded us and others the ability to grow. Additionally, we see an interesting opportunity to grow outside of the United States as other markets begin to develop professional rental housing industries. The situation is not too dissimilar to the opportunity that Bob saw when he founded Greystar in the U.S. in the early '90s — there is growing demand globally for professional rental housing, but a similar lack of high-quality buildings, professional operators and institutional capital persists. Collectively, those factors frame what we see as a very compelling global rental housing opportunity and drive our continued focus on expanding into countries where the right elements exist for us to build a Greystar business.

*What is your strategy in Europe, and what markets are you targeting specifically?*

## Timeline of Greystar's growth



Note: Chilean operations not in above graphic. As of Dec. 31, 2017. <sup>1</sup>AUM as of 3Q17.

Our strategy is city-specific versus a broader country-specific approach — we target dynamic metro areas that host growing, younger populations but suffer from a lack of quality housing options. London, Paris, the Randstad, Berlin, Frankfurt, Vienna, Madrid and Barcelona would all fit in this category for us.

Our European business model parallels how we've grown in the U.S., with similar focus across student housing, multifamily and potentially senior housing in major markets. We want to build a sizeable portfolio in major cities as we aim to build vertically integrated businesses as an operator, an investor and a developer in each chosen market.

In the U.K. we have an ownership interest in more than 32,000 student beds in two different platforms — Chapter Student Living in Central London and IQ Student Accommodation, where Greystar is a shareholder. We also have a growing multifamily business with 4,000 units operating or in development across London. In the Netherlands and Germany, we have over 1,000 units in operation, with another \$2.9 billion in our development pipeline

**Chapter Spitalfields offers 1,117 units of Central London zone 1 student accommodation**



**Campus Diemen Zuid, Amsterdam Diemen, 941 student units**



**The Guild, a new Greystar luxury property located in downtown Charleston, South Carolina. Leasing now under way.**



across Europe. We are focused on growing our portfolio across the Randstad, Paris, Berlin, Frankfurt and Vienna. In late 2017, we acquired the largest student housing platform in Spain, called Resa, with over 9,000 student beds across the country. We will continue to grow that student housing business and will focus on developing multifamily in both Barcelona and Madrid, as well.

*In the U.S., Greystar's multifamily communities are high-quality, purpose-built properties with significant amenity offerings and services. Does that same model translate to Europe and elsewhere?*

The defining characteristics of our properties — and this will remain the case globally with few exceptions — is that our buildings are going to be at scale at 150 units or larger, they will have onsite amenities and services, and Greystar will heavily influence the design of the buildings, including the unit layouts, the unit mix and the amenity offering. We are effectively building a global portfolio of purpose-built, high-quality rental housing properties at scale.

We want to provide our customers with a better rental experience than currently exists in their markets. As an example, London has more than 4 million renters, so if we build a portfolio of 10,000 units, we are confident that of the 4 million renters there will be more than 10,000 residents who value the better product and services that our properties deliver, and that really is the business model. While there will be common elements of our properties, we want to tailor each building to our underlying customer. Whether we are talking about Sydney or Shanghai or Mexico City, we are focused on understanding the target resident and what services and amenities that resident most desires.

*You are defining what the institutional rental housing asset class is in some of these markets. What kind of challenges are you facing when you go to new markets?*

Any time you are going to do something that is different or new, it comes with challenges, and we have plenty of lessons learned! But, it also forces us to constantly innovate and improve to meet the challenges of being part of newly formed industries in new geographies. Ultimately, we are building local teams with local expertise and then supporting our local teams to share best practices and lessons learned. We know real estate by its very nature is local, so our formula is to mix our local and global knowledge and expertise. Over the course of the last five years, we have found that the rental housing markets in these major cities are more similar than different. Housing is a fundamental need, and our business can thrive when there is a lack of homeownership attainability and quality rental product and services. We hope to fill this gap by providing customers with quality properties and great service.

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