

Greystar

Taking our US residential investment model around the globe

Recently, **Jonathan Schein**, senior vice president and managing director of global business development for Institutional Real Estate, Inc, spoke with **Wes Fuller**, executive managing director, investment management, of Greystar. Following is an excerpt of that conversation.

Who is Greystar?

Greystar is a global real estate firm specialising in the investment, development and management of rental housing. We have offices in 51 cities around the world and operate over 525,000 units with a value of US\$160 billion. We define our key stakeholders as our team members, our investors and our residents. We employ more than 15,500 people globally, making us a team of teams. Our vertically integrated global platform allows us to build businesses and maintain consistency of product types and best practices in all the global markets in which we operate, making Greystar a very people-centric business. Our second group of stakeholders comprises our investors. Greystar invests on behalf of many of the largest global institutional capital providers. Our third key group of stakeholders is our residents. We have well over a million residents living in Greystar properties across the globe, at any point in time. We know that if we can deliver great results to our team members, our investors and our residents, we will have great results as a company.

To Greystar, what does the residential sector include?

Our residential sector includes the full spectrum of rental housing as an income-producing investment, such as student housing, multifamily, senior housing, and then the niche spaces of co-living, and serviced apartments. The sector in the United States established itself as an institutional asset class some time ago. This is happening now across the world where investors want increased exposure to the residential rental sector due to the income-stability and low-volatility attributes of the asset class. While there are many elements that make up a successful residential project, investors do know that building design and ongoing operations are extremely important. We design our buildings with long-term operations in mind so we tailor our building designs, unit mixes and amenities to suit our target resident demographics. We are also vertically integrated at the city level — having the expertise of property operations, investment management, acquisitions, development, and construction all at that local level has been key to our success.

How would you define Greystar's target market, geographically?

We began as a regional US company and focused our first 20 years on growing across all major cities in the United States, which we have accomplished. In 2013, we saw a very similar opportunity in rental housing in some of the great cities around the world. Today, we have a presence in 14 different cities

outside of the United States, and 189 markets globally. We are in Mexico and Chile in Latin America; in Europe, the UK, Ireland, France, Netherlands, Germany, Spain and Austria; and in Asia, China, Japan, Australia and Singapore. But effectively, our business model is the same across all those cities.

We are looking for opportunity in the rental-housing segment across that broad spectrum and we are executing based on our vertically integrated local city office model. The business model is fairly consistent globally, with a consistent focus on residential rental housing and our three key stakeholders.

You said you house more than a million people. That is really something to reflect on. When did you break through the 1 million-person threshold?

We have roughly 1.5 million residents living in our communities globally. It is a very humbling position to be in. We take the responsibility very seriously to be a great steward for people's homes. Greystar is incredibly focused on not being a landlord, but being a service provider for our residents, which is very different from the traditional approach in the residential space. Being at this scale really ratchets up the importance of quality and consistent service, and the convenience that residents want today. There is an obvious global trend towards renting in many industries, and the residential space is no different. We want to ensure we are providing a quality housing experience and delivering the service and amenities our target residents value.

What has driven your growth? Can you give me a trajectory of Greystar's progress?

Greystar was founded in 1993 by Bob Faith, who is our active chairman and CEO. Bob's vision was to create a blue-chip company in the US multifamily space. At that time, with the industry coming out of the real estate recession of the late 1980s and early 1990s, multifamily was not an institutional asset class. There was a very small allocation of institutional capital in apartments, and there were very few service providers that people would deem professional — it was more of a "mom and pop" industry. Bob had come from Trammell Crow, a national vertically integrated company in the industrial and office space, an asset class with institutional capital with professional service providers; he then co-founded Starwood Capital, where he raised capital from institutional investors. Greystar was a merger of Bob's two experiences — combining a private equity real estate model, backed by institutional capital, with an infrastructure of vertically integrated local teams. We are really just continuing to implement Bob's original vision of the company around the world. In the United States, the student, multifamily and senior housing spaces are institutionalised with a significant number of professional service providers,

high-quality assets and an investment track record as one of the best-performing sectors of most institutional investors' portfolios.

Now you have a strategy in the Asia Pacific market. What markets are you specifically targeting?

We are growing businesses and portfolios in many of the world's great cities because we believe the same trend line in the US is happening elsewhere, including the Asia Pacific region. Japan is an established multifamily market, and industry is sprouting in China and Australia, as well. We are not going to simply allocate capital across a variety of markets; we are going to hyper focus on cities and submarkets where our local teams believe we will outperform, and we are going to start building businesses and portfolios in those target cities. As of today, our China strategy is in Shanghai. We will build out our team in Shanghai and then add cities methodically. In Australia, we started in Sydney and Melbourne, and in Japan, we are focused on Tokyo. Our vision is that in five years we will have expanded to some of the other major cities in Japan and China.

There are plenty of cities with a million people or more in China — how will you choose your markets?

Urbanisation and demographics are macro-drivers of the sector. Where there is population growth and urbanisation, you see high demand for rental housing. When we are selecting target cities, we look for an imbalance of supply and demand, which typically correlates to a market with a housing shortage where it is very expensive or prohibitive to add new supply. We also look for an employment base with high incomes, and an urban environment with great transportation links. At Greystar, however, we focus on methodically building scale in target markets before growing to new markets.

In the United States, Greystar's multifamily communities are high-quality, purpose-built properties with significant amenity

offerings and services. Does the same model translate to the Asia Pacific markets?

We believe it does translate. Our buildings will be at scale with on-site service and amenities with adjustments for local and/or regional preferences. We will focus on design to provide our target residents the features they value. This does not mean we will focus on only one price point, as our target demographic is a large range as described.

For your Japan strategy, you recently hired Akira Kosugi. Would you elaborate more specifically on the country strategy for Japan?

We are thrilled to have Akira join our team. Prior to Greystar, Akira was at Westbrook, and prior to Westbrook, at Blackstone, so he has abundant experience working with global firms investing in Japan. He was educated in the United States and has spent his real estate career in Japan, making him a key strategic hire for Greystar. The Japan opportunity is interesting because we can reach scale very quickly by acquiring existing assets and portfolios. In a lot of other markets where the asset class doesn't exist, you must develop assets, which takes time. It is a competitive environment and the yields are low, but from a relative perspective, there are other interesting aspects to the Japanese market — urbanisation is happening, particularly in Tokyo; tourism is dramatically increasing employment growth; there are value-add opportunities of acquiring assets and repositioning those assets; and there are redevelopment opportunities. Tokyo is a very dynamic city, given population growth, and continued urbanisation has made it a difficult city to build new assets. We see a lot of opportunity to implement our business strategy in Japan.

Greystar takes a very long-term view — there will always be macro risk that we will have to manage, but we are going to protect our investors as we manage through these types of challenges.

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CORPORATE OVERVIEW

Greystar is a leading, fully integrated real estate company offering expertise in investment management, development and management of rental housing properties globally. Headquartered in Charleston, SC, Greystar manages and operates an estimated US\$160 billion-plus of real estate in nearly 200 markets globally, including offices throughout the United States, UK, Continental Europe, Latin America, and the Asia Pacific region. Greystar is the largest operator of apartments in the United States, managing more than 525,000 units/beds, and has a robust institutional investment management platform with approximately US\$36.1 billion of assets under management, including nearly US\$14.2 billion of assets under development. Greystar was founded by Bob Faith in 1993 with the intent to become a provider of world-class service in the rental residential real estate business. To learn more, visit www.greystar.com.

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