

Paramount Group has \$600M in commitments for a new fund

REIT's co-investment platform will target value-add properties

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Paramount Group has \$600 million of dry powder to snap up office buildings when the time is right.

The real estate investment trust has \$600 million worth of commitments for a co-investment fund named the Paramount Gateway Office Club, company CEO Albert Behler said on the real estate investment trust's earnings call Friday. The company is still in fundraising mode, and the club could grow as large as \$1 billion, Behler said.

The equity comes from foreign third-party capital partners and Paramount has the option – but no obligation – to co-invest up to 51 percent on each deal. Behler said, however, that the public company will be very selective about which properties the club purchases, and how much Paramount will invest in each deal.

“[We] just wanted to be ready for the right time and the right moment,” he said. “Because I’ve had the experience over the last 20 years, that when the market is right to make an investment, very often the investors are getting gun shy and they’re not willing to commit. So we wanted to be ready for it.”

Behler said the fund will target value-add properties, particularly those in New York City and San Francisco, but stay away from ultra-core acquisitions.

Paramount Group has been pretty conservative when it comes to acquisitions this past cycle, focusing more on recapitalizing properties or buying stakes rather than making outright purchases. The company last year sold a 95 percent stake in 60 Wall Street to the Singapore sovereign wealth fund GIC in a deal that valued the tower at \$1.1 billion.

But more than two years into a correction in the investment-sales market, property prices across the board started to come down last year. And some industry experts predict transaction volumes will pick up this year as sellers become more realistic about pricing and buyers start to pull out their checkbooks.

L&L Holding recently partnered with the California State Teachers' Retirement System to launch a \$500 million joint venture with \$4 billion of purchasing power.

Behler said, though, that the company is under no pressure to do a deal.

“This doesn't mean that we would pull a trigger tomorrow and we have to invest this capital,” he explained. “These are very prudent institutional investors who know that one has to be ready if the time is right and that's why we did it. So nobody should expect us to . . . get the money out quickly, only to get the money to work.”