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The King of REITs Is Moving Into Private Real Estate

With the re-hiring of James Corl, Cohen & Steers is making a bet that the ground is fertile for a resetting of the real estate market.

Julie Segal

Cohen & Steers — the firm that was arguably responsible for putting real estate investment trusts on the map — is now moving into privately held real estate and building the first investment strategies that can move back and forth between public and private markets.

To lead the effort, the firm has tapped James Corl, who had been Cohen & Steers' chief investment officer of listed real estate before leaving to build out Siguler Guff & Co.'s \$3 billion private real estate team eleven years ago.

With this move, Cohen & Steers can now invest in \$15 trillion worth of commercial real estate in the U.S. that is privately held. Among other things, the team will make direct investments and private investments in public equity, or PIPE deals, as well as invest in pre-IPO securities.

Joe Harvey, president and acting CEO at Cohen & Steers, said the firm has spent years educating institutional investors about the value of REITs, which generally hold different types of properties than private funds, and the varied points in the market cycle when each vehicle does well. As a result, investors now have more control over their total real estate exposure and the role the asset class can play in their overall portfolios.

"I've seen over my career that institutions have become much more agile in going back and forth between the listed and private real estate markets, depending on where the opportunities are," Harvey said in an interview with *Institutional Investor*. "That's a sea change."

That trend is part of what set the stage for the firm's move into private real estate, an expansion Cohen & Steers had been considering for years. "Pre-pandemic, as we started to think about how to create these capabilities, we had a good



Joseph Harvey and Robert Steers of Cohen & Steers.

bull market in real estate so we weren't anxious to do something that was transformative or big and bold by going out and acquiring a capability," Harvey said. "That's not in our DNA, plus it was late in the cycle."

When the pandemic hit, the team at Cohen & Steers believed the real estate cycle was being reset with the hit to demand for office space and with both fiscal and monetary stimulus setting the stage for greater inflation amid a low-yield environment, according to Harvey. Real estate, like infrastructure, commodities and other real assets, is a classic inflation hedge.

Corl said there are a number of forces at work in real estate. One is demographic.

"The median millennial is 31 years old," he said. "They are done with picking beer cans off the floor and don't want to live in a shoe box anymore." As a result, people are moving to regions that are a little further from cities and to parts of the country that are more affordable, including Texas and Florida among others.

The second force, he said, is technology. "Destigmatizing the Zoom meeting is revelational for where people want to live and work," he added.

Corl also argued that there are plenty of opportunities in retail, even though he said that belief is controversial. “Click and collect is the future and Target understands this very well,” he said. “This is counterintuitive. Amazon has built a big giant real estate footprint — all for purpose of generating revenues, not profits. But most households are driving one mile to Target or Walmart. They originate the sale online and they zip to the store. That means warehouses are overvalued. Basic bread and butter necessity-driven and internet-resistant business models will be alive and well.”

Cohen & Steers is designing a range of strategies and vehicles to offer private real estate both on a standalone basis and with different blends of listed real estate. First, the firm is considering a strategy for institutions that is primarily focused on

private real estate, but which could have a sleeve of listed securities.

The firm has also hired Hamid Tabib, who was on the real estate team at Siguler Guff, as head of real estate acquisitions for North America. Josh Silverman, who previously worked at real estate private equity firm Northwood Investors, has been brought on as a principal focused on acquisitions. Cohen & Steers has also hired Jon Rhoden, who was with Goldman Sachs’ merchant banking real estate group, as senior associate.

“Our mantra has always been, ‘Where is real estate trading the cheapest?’” said Corl. “This move enables us to look further and wider in the never-ending search for mispriced, undervalued real estate assets. We’re structurally agnostic.”

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