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Debut Fund Aims at Mid-Market Plays

Startup investment manager **Advalurem Group** has begun marketing its first real estate fund.

The New York shop is seeking to raise \$100 million of equity for Advalurem Group Middle Market Fund 1, which will shoot for 10-12% returns, primarily by taking majority stakes in properties of various types nationwide.

While the firm prefers to raise a commingled fund, it could structure the vehicle as a separate account or club fund to suit a lead investor. Advalurem has talked with placement agents but still hasn't chosen one.

The manager will aim for 50-90% stakes in deals valued up to \$60 million. It can also provide preferred equity. The sweet spot for equity commitments per deal is \$3 million to \$15 million. Advalurem believes that borrowers are having difficulty lining up equity commitments of that size because they are too small for most institutional investors. Also, the family offices and wealthy individuals who have historically provided that capital have pulled back a bit.

"It's a niche investment strategy that targets an underserved market," one market player said.

Using leverage that will vary by asset class, Advalurem expects to have some \$350 million of buying power. The manager is telling investors that by taking majority or preferred-equity positions, it can retain control of investments while teaming with local operators. It will look to fund acquisitions and recapitalizations of office, multi-family, retail and industrial properties, in primary and high-growth secondary markets.

Advalurem was formed last year by three principals: **Jeffrey Carus**, **Gabriel Pozo** and **Paul Sygrove**. Carus heads asset management, risk management and investor reporting. He previously ran his own property firm, **JAC Partners** of New York, which he founded in 2009. Before that he had stints at **CWCapital** and **Credit Suisse**. Pozo focuses on business development and deal flow. He last worked at fund shop **Madison International Realty** of New York, and previously served with Carus at Credit Suisse. Sygrove handles investment strategy and capital raising. He was a managing director at **L&L Holding**, and previously chief investment officer of **Swig Equities**, both of New York. ❖

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