The ElmTree Edge

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Better Together

Leveraging relationships to maximize value and source investment opportunities in a competitive market landscape

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In the complex world of commercial real estate, there are so many variables at play that it's all too easy to get lost in the details. While consistently identifying, developing, managing, and unlocking the value of commercial real estate assets is an inherently complicated process—one that requires a sophisticated skillset and a combination of experience, insight, flexibility, and robust resources—so much of what defines success in this space can be distilled down to one simple truth:

Firms with established relationships and a track record of execution, we believe, have an advantage when pursuing attractive investment opportunities in the build-to-suit sector.

What do those relationships look like? How and why are they important? And how do close and collaborative relationships between private equity real estate companies and developers, industrial tenants, and investors pay literal and figurative dividends?

The relationship advantage

For real estate private equity investors, the advantages of working with consistent development partners are considerable—especially in a space as dynamic as the industrial sector. With the growth in the industrial sector anticipated to remain elevated, identifying attractive investment opportunities and creating value requires our team to strategically capitalize on our pipeline of new projects, expand into new markets, and source new investment opportunities.

In a sector filled with new market participants and opportunists as of the last few years, established managers with track records of execution and substantial experience in the space we believe are a rare commodity. Some of the most successful managers in this space grow those professional relationships into formidable structural and operational advantages, such as vertical integration and in-house asset management that enables them to deploy personnel with experience in build-to-suit development across the portfolio during the phases of development and stabilization. That reliable ecosystem of expertise facilitates better communication, improved efficiency, and seamless knowledge-sharing. We believe that this results in a higher level of quality and consistency.

Ideally, having this type of construction and development background means managers can create and utilize sophisticated and comprehensive construction management protocols. From lease negotiation to construction logistics, tested protocols help ensure projects are delivered on time and on budget, which we believe, facilitates strong value creation for investors.

Clarity and experience go a long way in the development process. When paired with familiarity, we believe new synergies and efficiencies are unlocked, such as managers that are more nimble and development projects where all parties understand each other's strengths and how to cater to them. Even something as simple as knowing the internal dynamics of your construction manager—how to communicate, how to meet, how to address issues and elevate them when necessary—has a meaningful impact on both the process and project execution.

Priorities and possibilities

In the build-to-suit development space, equity partners with a background in construction and development can more readily "speak the same language" as their development managers. That shared expertise and mutual understanding, we believe, ensures seamless resolution to any construction issues that may arise. General contractors and other construction professionals value partners who can monitor construction in a way that's helpful but not intrusive, who have a deep understanding of timing, pricing, and construction coordination, and who can organize funding accordingly.

While site selection and project attributes (e.g., road and rail access, labor availability, market dynamics) are essential, what ultimately determines project or portfolio success is less about whether an asset is a fit and more about if the people involved with the asset know how to execute and deliver. Developers want a third-party capital source that knows how to fund construction, one that understands what the developer's requirements are and how to fulfill them and is agile enough to adapt to those requirements if they change. Tenants are looking for partners who are committed: equity partners who not only have experience with similar assets but have a proven business model predicated on acting as a long-term landlord and asset manager.

Professional competency and reputational currency

Real estate investing, despite all the brick-and-mortar logistics and financial calculus, remains an industry built on a foundation of in-person connections that require eye-to-eye contact. Personal relationships carry real weight in developing trust and help to provide confidence for a successful execution.

That trust is particularly critical because of the nature of the extended development lifecycle of build-to-suit assets. The timelines are long—and the stakes are high. When there is a long timeline to develop value and so much money on the table, you are asking people to put their trust in you and your abilities.

Rewarding that trust comes with its own benefits. In a relatively small professional community, successes and failures resonate loudly and have real consequences. On the corporate side, these established relationships have the potential to become effective marketing tools. Serving as a long-term landlord for prominent corporate tenants in successful projects equates to deeper relationships and new potential opportunities moving forward.

Longstanding relationships—and the trust they build—can elevate a capital partner in the eyes of both corporate tenants and developer partners, which we believe enables us to source deals in an efficient and effective manner, leading to better returns for our investors. In other words, in a very real and tangible way, strong relationships are the bottom line.

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