

Avanath Plots Buys, Development After Closing \$536M Fund

To Become its Sole Investment Vehicle

Avanath Capital Management LLC is prepping for a new wave of affordable housing investments—and, for the first time, apartment development—after closing its first open-ended fund totaling \$536 million.

The fund is a consolidation of the firm's first two funds and will serve as the company's sole investment vehicle for new affordable and workforce housing acquisitions moving forward.

"In addition to accelerating the firm's growth and expanding our acquisition capacity, the fund's infinite lifespan enables us to invest on an ongoing basis in affordable housing that serves residents and communities in need throughout the country," Chairman and CEO **Daryl Carter** said in a statement.

The Irvine-based company, one of the country's largest owners of affordable housing rental properties, has previously opened four funds; all of them have had a 10-year shelf life, which has limited the possibility of long-term holds for Avanath, officials said. The new fund's open-ended structure changes that.

"We plan to make this a \$7 billion fund over the next five to six years," Avanath Partner and CFO **Wes Wilson** told the Business Journal.

The fund was launched with investor **UBS** and adviser **Accord Capital Partners**.

Big Ticket Investors

The fund's seed portfolio includes 27 apartment communities including 4,256 units with a value of \$830 million. Those assets were part of the first two closed funds.

The new fund isn't the company's largest to date—its fourth fund totaled \$760 million when it closed at the start of last year—but it will grow to be the firm's largest investment vehicle when it absorbs the two remaining funds and brings on additional investors.

"Part of the benefit of this open-end fund is it opens up more opportunities for big-ticket



Yorba Linda Palms: 44-unit complex bought in February for \$11M

investors," Wilson said. "Investments in our prior funds started at \$5 million and went to \$100 million on the larger side; the new fund will start at \$100 million and could hit \$400 million."

The third fund, which closed in 2017 with \$330 million in capital, is currently in a "stabilization phase," and will roll into the open fund within the next year, Wilson said.

The fourth fund will do the same in about four years.

Avanath used the fourth fund to make its largest apartment investment year to date, spending \$103 million for a 315-unit high-rise apartment community in Washington, D.C.

After buying its first Orange County asset in February of last year in Garden Grove, Avanath now counts four local properties, most recently acquiring a 44-unit apartment complex in Yorba Linda for about \$11 million.

Deals, Projects

After operating as solely an investment firm, Avanath is now getting ready to dip its toes in the development pool.

Rather than delving into land acquisitions for ground-up development, which poses many challenges for affordable housing builders, Avanath is looking to convert

excess or adjacent land on projects it already owns into additional housing units.

"It's a good work around to the challenges that come with affordable housing development," Wilson said.

The company has yet to begin construction on these types of projects, but it's planning proposals for various sites it owns. For example, one of its projects in downtown Oakland can accommodate up to 70 additional units, while another project in Los Angeles is also being discussed.

"The LA project is a large property that could accommodate two to three times the project," Wilson said. "We're very excited about this new opportunity." ■

Avanath Capital Management LLC

avanath+

- **FOUNDED:** 2008
- **CEO:** Daryl Carter
- **HEADQUARTERS:** Irvine
- **BUSINESS:** affordable housing investor, operator
- **EMPLOYEES:** 360
- **NOTABLE:** closed \$536M open-ended fund; planning development business