



Tremont Launches Real Estate Fund

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Tremont Realty Capital is hoping to take advantage of the current real estate markets for foundations and endowments through its newly launched Tremont Special Opportunity Debt Fund.

The fund, which opened shortly after Labor Day, is an opportunistic investment portfolio that will invest in newly-originated and secondary market commercial real estate loans targeting subordinated debt structures and discounted whole loans.

“Historically, foundations and endowments are willing to look more on the edges of the alternative space,” said **Rick Gallitto**, founder and executive director. “They can look at opportunities and see we are uniquely positioned.”

Gallitto said Tremont’s approach is very simple in that they are investing in subordinated and mezzanine debt, as opposed to going into the securitized debt arena. The firm is more comfortable with its own asset-specific underwriting and only invests in actual property transactions, rather than in a pool of securitized transactions.

From a nonprofit perspective, he said the benefits will be seen by those organizations that have a business need to generate income for operational and grants management, but also have an investment need. “I believe our approach accomplishes both, and it is a timely investment idea,” he said, noting that the fund’s return profile includes an expected cash yield of 8-10% distributed quarterly to investors. Overall, the fund is projected to generate a total net IRR of 15-20% over the life of the fund.

In addition, he said the firm is unique in that it is originated in the middle market debt area. Tremont’s beliefs lie in that there is a shortage of capital at the large end of the market and a multiple of that demand in the middle market. This is an area where nonprofits can prosper due to their comfort levels in dealing with these types of investments in much in the same way as they would an equity portfolio.

Gallitto said that in the current market environment, several geographic markets may be in for a prolonged slump and should be avoided. However, he said, real estate is a very localized market and there are always good areas for investing and good properties to finance.

“We’re extremely well positioned for opportunities available in the marketplace,” he said. “We get the pick of the litter, which is a nice position to be in, and we can very easily be able to deploy it.”