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New JV Looking To Buy Sun Belt Apartments

Ashcroft Capital has tapped **Temerity Strategic Partners** to help it expand its multifamily-property portfolio in the Sun Belt.

To launch the partnership, Temerity and the New York-based apartment specialist have formed a venture that will provide Ashcroft with \$50 million of growth capital to support its expansion efforts. Combined with leverage and institutional joint-venture capital, that's expected to fuel approximately \$1.5 billion of investment over the next three years. The firm's contribution comes via its Temerity Strategic Partners Fund. The vehicle, which held an initial close on \$42.1 million of equity at the end of August, is looking to raise \$300 million, according to an **SEC** filing.

Based in Chicago, Temerity was founded last year by **Bruce Cohen** and **Jeff Citrin**. Cohen founded **Wrightwood Capital**, which he sold to **Ares Management**, and more recently advised **Sterling Bay** and **Cortland**. Citrin founded **Blackacre Capital**, the real estate arm of **Cerberus Capital Management**, and **Square Mile Capital Management**, which **USAA Real Estate** later bought.

Ashcroft chief executive **Frank Roessler** said a "serendipitous introduction" with Citrin by a mutual friend as Temerity was starting up laid the foundation for the partnership.

"We've long been admirers and fans of both [Cohen and Citrin] and their outstanding investing track record and remarkable history of nurturing companies to new heights," Roessler said. "While the financial aspects of the partnership make enormous sense for both Ashcroft and Temerity, the primary driver for us is the strategic alliance and advisory support that Temerity offers."

Roessler said Ashcroft has ambitious growth goals, and Temerity's support is instrumental in achieving them. Founded in 2015, Ashcroft owns and manages 14,000 multifamily units in Florida, Georgia, North Carolina and Texas with a combined value of \$2.6 billion.

The Ashcroft-Temerity partnership will serve as the general partner on investments, typically representing 10% to 20% of the equity. They plan to establish joint ventures with institutional limited partners to acquire properties. Ashcroft expects to buy five to 10 properties in each of the next three years, with deal sizes running from \$40 million to \$150 million.

The partners' focus is on major metropolitan areas with diverse economies and population growth where Ashcroft has a strong foothold. Those markets include the Carolinas, Dallas-Fort Worth, Orlando, South Florida and — with some caution — Atlanta. They also are exploring opportunities in areas around Nashville and Phoenix.

Roessler said the partners are not actively seeking distressed multifamily properties. "We are interested in acquiring assets where there is a significant difference between the current pricing and higher pricing from two years ago," he said.

Cohen said that when Temerity was mapping out its inaugural focus areas, it gravitated toward value-added multifamily properties in the Sun Belt, as well as logistics properties, open-air shopping centers and student housing. He said Ashcroft emerged as "the poster child for the kind of best-in-class, vertically integrated owner/operators we're looking to support," due to its track record in executing business plans and its respected reputation in the capital markets, "which ensures continued access to capital even during periods of market dislocation." In the current market environment, debt and equity providers have become more selective about deploying capital.

"Only the strongest operators will be able to attract capital in this environment, and we think that will afford [Ashcroft] the ability to accelerate when everyone else is pausing," Cohen said. "For the right assets in the right markets with the right business plans, we actually view the current environment of reduced entry valuations as a very good time to be strategically deploying capital."