

Rialto Capital blasts through \$950m target

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The Miami-based firm joins other US companies in surpassing a fundraising target by closing on \$1.3 billion for Rialto Real Estate Fund II (RREF II) – more than 35 percent above target.

Rialto Capital Management, the Miami-based private equity real estate firm, has blasted through its \$950 million fundraising target for its second fund, raising \$1.3 billion of commitments – more than 35 percent ahead of aspirations.

Miami-based Rialto, which is owned by publicly-traded housebuilder Lennar Corporation, has been in the market for 15 months with its follow up to a debut fund, which closed in 2011 on \$700 million.

Lennar disclosed on an earnings call yesterday that Rialto was closing Rialto Real Estate Fund II (RREF II) this week, adding: “Our second real estate fund is also well on its way, finishing out its \$1.3 billion equity raise this week. We far exceeded our \$950 million fundraising goal and Fund 2 has already invested or committed to invest approximately \$600 million in 40 transactions.”

Rialto is led by founder and chief executive officer Jeffrey Krasnoff. The president of the firm is Jay Mantz, who joined in 2011 having served as global co-head of Morgan Stanley's Merchant Bank Group, which includes Morgan Stanley Real Estate Investing funds, the Morgan Stanley Infrastructure Fund and other private equity funds, from 2007 to 2009.

As PERE previously reported, the firm held a first close on \$520 million in May, which suggests that the company advised by New York's Hodes Weill & Associates as the placement agent has secured an additional \$780 million in seven months.

The second fund is a replica of Fund I in that the strategy is to invest in distressed real estate assets and commercial real estate backed securities. Commitments came in from a mixture of endowments, foundations, public and private pension funds, global financial institutions, family offices, fund of funds and insurance companies.

For the first fund, Lennar kicked in \$75 million of co-investment capital. The level of co-investment for the second fund has not been disclosed.

The company has around 290 professionals in nine offices in the US. It is also rated as a special servicer by the major rating agencies. The roots of Rialto lie in LNR Property , which was established by Krasnoff and Stuart Miller in 1990, and was an early pioneer in the commercial mortgage-backed securities industry. LNR was spun out by Lennar as a separate public company in 1996 and was taken private in 2004 for \$4.4 billion. Rialto then was founded by Krasnoff, again with the backing of Lennar, in 2007 to take advantage of the turmoil in the residential market.

The success of Rialto mirrors a clutch of other US firms that have held final closings this year. Shortlisted in the current Global PERE Awards , for which voting is under way, are; Crow Holdings Capital Partners, which successfully raised \$1 billion for its sixth US diversified RE fund, Crow Holdings Realty Partners VI, beating its target of \$750 million; Harrison Street Real Estate whose

Harrison Street Real Estate Partners IV corralled \$750 million for its education, healthcare and storage niche property sector fund; Kohlberg Kravis Roberts, which managed \$700 million so far for KKR Real Estate Partners Americas Fund targeting \$1 billion; and, KTR Capital Partners which secured an impressive \$1.2 billion for KTR Industrial Fund III, far above the initial \$750 million target and equal to its previous two funds combined.