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EXCLUSIVE | FUND NEWS

Benefit Street Partners Amasses $10 Billion for Real-Estate Credit Deals

The lender cites rising investor appetite for funds that back nonbank loans for multifamily properties

By Isaac Taylor

Benefit Street focuses on deals involving U.S.-based commercial and multifamily residential assets.

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Private-credit firm Benefit Street Partners has collected $3 billion for its latest fund focused on real-estate deals, including related vehicles, giving the firm $10 billion of investible capital when anticipated leverage is included.

The fund

The fresh capital amassed for Benefit Street Partners Real Estate Opportunistic Debt Fund II marks a more than sixfold increase from the investment capacity of the firm's previous fund, which collected roughly $1.5 billion including leverage in 2022. The additional vehicles are a mix of co-investment sidecars and parallel funds.

"A switch was flipped in the past six to nine months where everybody on the institutional side decided that they needed an allocation to commercial real-estate credit," said Michael Comparato, a senior managing director and head of real estate at the New York firm. "Private credit was a really under-allocated asset class institutionally for forever."

Benefit Street is an affiliate of asset manager Franklin Templeton. The investor base supporting the firm's new fund is heavily weighted with international institutional investors. Close to half of the fund investors are based in the Asia-Pacific region, roughly 30% are in North America and nearly 20% are in Europe, the Middle East or Africa.

The strategy

The firm's strategy for the fund is largely consistent with the investment themes used for its predecessor. Benefit Street focuses on deals involving U.S.-based commercial and multifamily residential assets, with a special interest in locations in low- or no-tax states such as Florida, Texas and Tennessee.

Last year, interest rates, tariffs and potential labor cost increases related to deportation efforts were top of mind for many real-estate investors. But the effects of tariffs at least have been muted for the firm, Comparato said.

However, deportation has affected some of its residential assets.

"[Immigration and Customs Enforcement] has allegedly come in and removed 20%, 30% of tenants or they fled on their own," Comparato said.

This led to declines in occupancy rates in some multifamily properties, with decreases to 65% leased from 95% virtually overnight, he added.

Benefit Street has already deployed roughly 40% of the latest fund.

The firm recently backed a multifamily property in Jersey City, N.J. But with construction roughly 80% complete, the borrower decided to redesign the top portion of the apartment building as condominiums. The firm provided the capital needed to make the late change.

The context

Benefit Street, which originated roughly $9 billion of real-estate investments last year, typically lends at a loan-to-value ratio of 65%. The firm's real-estate debt operation has been an active lender since 2013.

As of November, the firm oversaw $91 billion in assets under management with over 500 employees operating across North America, Europe and the Asia-Pacific regions. Franklin Resources, the owner of Franklin Templeton, acquired Benefit Street in 2019 to boost its fixed-income capabilities in private credit.