

TPG takes its real estate debt unit public

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The IPO was priced at \$20 per share of common stock of TRTX.

TPG's real estate investment trust has followed the path of KKR, Blackstone and other mortgage REITs into the public market.

The TPG Real Estate Finance Trust will be sold on the New York Stock Exchange under the ticker symbol "TRTX," the company said on Wednesday in a statement. The firm expected to sell 11 million shares of its common stock at \$20 per share for its initial public offering.

By the close of its first day on the public market Thursday, TRTX stock was valued at \$19.58, according to NYSE's website.

The IPO underwriters include Bank of America Merrill Lynch, Citigroup, Goldman Sachs and Wells Fargo, with the latter two as joint book-running managers, a statement showed. Deutsche Bank, JPMorgan Chase, Morgan Stanley and Barclays are acting as additional book-running managers.

The real estate finance trust has allowed the underwriters a 30-day option to purchase up to an additional 1.65 million shares at the IPO-price minus an underwriting discount. The initial public offering is expected to close 25 July, subject to closing conditions.

TRTX expects to use the net proceeds from the offering to originate and acquire commercial mortgage loans and debt, primarily floating rate first mortgage loans backed by transitional properties in primary and some secondary US markets, according to the statement.

A spokesman for the firm said TPG would not comment about the IPO during a quiet period.

The firm filed a registration with the US Securities and Exchange Commission to take its business public in April. The trust was incorporated in October 2014 and commenced operations in December 2014 with

\$713.5 million of equity commitments from seven third-party investors and \$53.7 million from TPG affiliates, the filing showed.

TRTX managed \$3 billion in real estate debt at the end of first quarter, according to its website.

TPG is only the latest in a series of real estate debt platform public offerings, as *Private Debt Investor's* sister publication *Private Equity Real Estate* reported.

KKR took its KKR Real Estate Finance Trust public in May, raising \$210 million. With the IPOs of their real estate debt businesses, KKR and TPG both join the ranks of Starwood Capital Group, Blackstone and Apollo Global Management, all of which have taken similar platforms public.

David Blatt, chief executive officer at the advisory firm CapStack Partners, told *PDI* that he has been working with private groups looking to form similar real estate credit-focused structures, and he expects to see more public offerings of property debt platforms soon.

He added that investor appetite for these higher-yielding products has been strong – both historically and currently – particularly among pension funds looking for fixed return. Wealthy individuals have also shown a growing interest in this asset class, Blatt said.

And from a fund manager's perspective, investing in real estate debt in the public markets can allow a firm greater flexibility than with a private fund to pursue other types of investment opportunities.

"When a firm like that goes public, it has a much more diverse profile of investors, with lower return expectations than private vehicle investors," Blatt said.