

## Arnaud Karsenti launches \$300M fund targeting Sun Belt, distress

*13th Floor Investments founder says about a third of investments could go toward assets in financial trouble due to high interest rates*

By Lidia Dinkova



Arnaud Karsenti is launching a \$300 million real estate fund targeting growing markets nationwide, as well as distressed opportunities in South Florida and elsewhere.

The fifth fund by Miami-based 13th Floor Investments, led by Karsenti, is a wager on a future real estate upswing, especially in the Sun Belt, which has experienced a population influx over the past two and a half years, he said. But the fund also would seize on properties that are facing financial woes amid an expensive lending market, Karsenti said.

“It doesn’t seem to me like blood on the streets and everybody is running for an escape right now,” he said. Yet, the “macroeconomic situation ... [is] creating a lot of stress in certain situations, and we are actively seeking those kinds of opportunities and those kinds of situations that could create investment opportunities for us.”

Karsenti estimates that about a third of the fund, which has so far raised roughly \$200 million, could go toward distressed real estate. That could be acquisitions or joint ventures with the owner of a distressed property to provide an equity infusion, he said.

South Florida's market, supercharged by an influx of people and businesses since late 2020, is expected to experience some distress, experts have told The Real Deal. Yet, some brokers and investors say robust leasing will stave off discounted sales, and owners with floating-rate loans have already purchased interest rate caps.

The Federal Reserve's eight interest rate hikes since last year and an expectation for additional increases have already caught up to South Florida and put the kibosh on the investment sales frenzy. At issue: The bid-ask gap. The expensive cost of borrowing means buyers can't pony up as much for properties as sellers expect.

Karsenti said the market is in a wait-and-see mode.

"I think it's more that things are slow, and people are waiting for the next round of deal activity to happen," he said.

13th Floor's fifth fund will largely concentrate on South Florida, as the tri-county region is the firm's primary focus. But the fund also would explore opportunities in the rest of the Southeast, Karsenti said.

Among the projects the fund will back is 13th Floor's plan for an apartment building with up to 350 units just south of the recently opened Brightline station in Ojus. 13th Floor is under contract to purchase the 2.4 acres at 19680-19770 West Dixie Highway, separated from the train station by the Forum Aventura office building.

13th Floor also wants to continue to invest in transit-oriented development like its Link at Douglas project near the Metrorail stop at Douglas Road. In partnership with Adler Group, 13th Floor has so far completed the 37-story, 421-unit Cascade, and 22-story, 312-unit Core apartment towers. The firm also is bullish on single-family home rentals, Karsenti said.

Karsenti founded 13th Floor in 2008 and opened its first fund in 2010 that raised \$50 million. It was much more of a bet on distressed real estate than the most recent fund, he said.

"We're seeing, you know, an unprecedented growth happening" in the Southeast, Karsenti said, "that I think is much more powerful than the short-term macroeconomic difficulty that we're faced with today."