NATIONAL REAL ESTATE Investor®

# Q&A

## William Shopoff: Unlisted REIT will focus on distressed land, debt

In the aftermath of the housing meltdown, a number of developers are looking to rid themselves of land that they had accumulated in anticipation of building more homes. William Shopoff, a real estate investor since the Resolution Trust Corp. days of the early 1990s, has been waiting on the sidelines for this buying opportunity for a long time.

The president and CEO of Shopoff Properties Trust based in Irvine, Calif., is in the process of raising as much as $200 million through an initial public offering (IPO) of a hybrid REIT. The unlisted REIT will make equity investments in land and and also invest in debt through short-term bridge loans, mezzanine loans or discounted purchases of debt. About 30% of the funds are slated for commercial real estate land.

Shopoff opted for the unlisted REIT vehicle because he felt that the publicly traded REITs have too much of a short-term, mark-to-market focus that would not suit his long-term investment strategy. NREI recently spoke to Shopoff about the strategies of his new venture.

NREI: What sort of investors are you targeting for your REIT?
Shopoff: Our investors are generally professional people including lawyers and physicians. We have a large number of self-employed individuals. The minimum investment is 2,000 shares, which are currently priced at $9.50 per share. There is no redemption provision for our shareholders, therefore they are committing to this investment for the life of our underlying purchases. We commit to a liquidity event within nine years.

NREI: What is the greatest investment opportunity in today's market?
Shopoff: The land markets are in total upheaval right now. The sellers are primarily homebuilders and developers, and our biggest activity now is with financial institutions, primarily regional banks. I think they are going to be better sellers [of land they foreclose on] in the short term.

NREI: Are you going to focus solely on undeveloped land?
Shopoff: What we're looking at today is buying a project where the developer began the development process and has run out of funding. We also have the ability to do some lending. And given the challenge in the capital markets, we may do some higher-yield lending.

NREI: What are your criteria for acquisitions?
Shopoff: We are looking for property that has potential for sharp increase in value due to a recent or potential future zoning change, or other opportunity where the property may lie in the path of progress. We have a geographic preference for California, Nevada, Arizona, Hawaii, and Texas, primarily states that have had significant run-ups [in real estate values].

NREI: What are your plans for commercial land?
Shopoff: I think there is going to be some downward pressure on pricing in the income property business. We are going to see how that shakes out before we undertake any vertical development of our sites, which would be the actual construction of buildings that would be held to rent or sell.

— Poonkulali Thangavelu

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