

Diamond in the Rough

How Siguler Guff's James Zumot finds investment opportunities in unknown places

James Zumot has quite a bit of responsibility. As managing director and co-portfolio manager of Siguler Guff's real estate investment platform, he sources investment capital, structures deals, and handles risk management of the firm's CRE debt and equity book. Over the last 12 years, Zumot has led in excess of \$1 billion of CRE deals, particularly in middle-market opportunities across real estate private equity, emerging markets, and private credit.

Zumot sat down with CO to discuss his career, what makes Siguler Guff a unique investment firm, and why he likes undercelebrated markets like Indianapolis, Indiana.

This interview has been edited for length and clarity.

What led you into commercial real estate finance?

Real estate has always been in my blood. My grandmother, when she first moved to the U.S., accumulated homes down in Miami in the 1970s. My father built a real estate business that spans several million square feet in Northern Virginia. To a certain extent, I didn't have much of a choice. I kinda grew up inside my father's business, tearing down walls, digging ditches, cleaning windows, and all these things taught me a couple lessons: first, is the value of a hard-earned dollar; second, is that I might not be well suited for blue-collar work, which definitely helped me focus on my studies.

After college, I worked in Citigroup industrial's group practice before transferring to New York. And while I didn't realize at the time, it set up a major decision for me. Moving to New York, not knowing folks, I placed into a coverage group, and real estate was all I had ever known. So I made a conscious decision to avoid real estate altogether because I wanted to try something new. In a way, I knew real estate would always be there for me, but I didn't realize real estate actually wouldn't let me go. I ultimately joined a financial institution's coverage group, part of the Citigroup investment franchise, and considering it was after the Global Financial Crisis, nearly all of my time went into Citi loans, the firm's bad bank, which held \$1 trillion in assets, the bulk of which



James Zumot, Managing Director and Co-Portfolio Manager of Siguler Guff's real estate investment platform

were real estate related. So I spent most of my time at Citi working on liquidations around the loan book, whether through bulk loan sales or novel strategies such as rolling things up into a REIT.

So I served time on Wall Street, and planned on returning home. However, when a colleague learned I was interested in real estate, he was insistent I meet the team at Siguler Guff. And I'd say it's been quite a fortuitous introduction.

What makes Siguler Guff stand out?

When I joined back in 2013, I didn't appreciate the breadth of the strategies the firm covers, but I started as an analyst, and 12 years later, I've been promoted to co-portfolio manager of the real estate vertical. That type of journey, personally, is wild to think about, but it's consistent with the firm's focus of investing in young talent. My principal and I started a month apart, and have been here together for over a decade. In millennial years that's four careers we've had together. Even though the firm has \$18 billion AUM, you do benefit from all of the scale we have, but we're not so large we can't remain nimble in our pursuit of alpha-generative strategies. We're able to have a collaborative workplace across real estate, private equity, credit and emerging markets. That

makes it pretty simple to have the difficult yet intellectually honest conversations we're having around the decision we're faced with.

How do those various Siguler Guff verticals differ from one another?

Siguler Guff, as a whole, is best viewed as a house of private equity funds. We approach the market through a middle-market lens, entirely focused on private illiquid strategies. We approach small market buyouts out of our Boston office — they're currently raising a \$2 billion fund, but they focus on lower-end original market companies that have been around for an average of about 40 years in business. So they're trying to buy small companies and help them institutionalize and grow a structural opportunity in that space. When we grow it, we can sell it into a more liquid middle market. It's a classic private equity arm focused on family-owned businesses in growth stages that need to be institutionalized.

On the credit side, we spend a lot of time being nimble within the credit space, so that could be corporate or specialty finance, and we're focused on finding niches within spaces that can be value-added around. For instance, we launched a U.S. Department of Agriculture bridge loans program, where we have exclusive relationships with the largest USDA loan originators around the country.

The real estate team can focus on debt or equity, and of the \$3 billion we've invested going to 2010, just over \$1 billion has come from the credit team. That's the part of the real estate cycle that we think is most interesting right now. In 2025, we're projected to do \$300 million in new mezzanine originations as part of a broader credit platform.

And you also have emerging markets investments?

Siguler Guff was one of the first emerging markets to go into Russia after the Berlin Wall came down in the early 1990s. We've since moved toward Eastern Europe, especially since the invasion of Crimea in 2013, so we don't do anything in Russia, but we do a lot in Eastern Europe, India and Brazil as we have offices in Mumbai, Shanghai and Sao Paulo and focus on the emerging markets opportunities out there.

How has Siguler Guff's real estate vertical and strategies evolved?

They really emerged out of the ashes of the GFC back in 2009. Our strategy was actually incubated within our broader credit platform. Back then, we were seeding large funds. We invested more than \$300 million to do Rialto's early vintage credit funds. From there, as the cycle moved on, we moved with the market to be more of a direct investor, to move away with funds and more into 90-10 joint ventures on the equity side. That has remained part of our ethos to be flexible and nimble. Sometimes you want to be a New York-based investor or a South Florida-based investor,

and now markets like Indianapolis are getting their day in the sun, and so we need to have a strategy that can help our investors build exposure to all those markets. Sometimes it makes sense to be the equity, and sometimes it makes sense to be part of the credit, and I think we've been one of the earliest movers to make that transition from equity to credit, starting in 2021.

And how have you juggled credit versus equity?

Our equity business has been predicated on deep value investments that can pair an attractive basis that's strong discount to replacement cost with a growth profile that can raise the bar or demand across the market. What we've seen more recently is most business plans outside of multifamily and industrial tend to be more expensive and take more time to achieve. Quite frankly, it's been a more difficult proposition to pound the table for equity deals in today's environment, particularly since spreads between debt and equity are so low — Green Street released a report that the equity risk premium in the U.S. is 85 basis points higher than it is on credit. In that kind of market we've been more focused on credit transactions.

Where have you focused most of your attention in recent months in terms of asset classes and markets?

On the equity side, it depends what lens you look at. Viewing our real estate credit business, 70 percent of what we do today is in residential space: build-to-rent development, multifamily and for-sale products. We do have carve-outs for more esoteric and niche strategies like historic tax credits, bridge lending and special situations that can look and feel across asset classes, but that's been the bread and butter and where we focus our attention today.

The markets we look at must have reason to exist. Ultimately, we're paid to create a pricing mechanism across markets. So it doesn't mean simply focusing on New York or anywhere else, but what we want to see is a healthy balance between tenant demand as well as shortage of new development. When you look at Indianapolis, for instance, and you see there's only marginal development going back 10 years, that's a market that most folks wouldn't be excited to underwrite deals in, but for us it's a market where there's a serious imbalance of supply and demand, and we can step in quite readily.

What's your best CRE advice?

The best advice I've gotten is one I really believe in: The harder you work, the luckier you tend to get. There's no substitute for rolling up sleeves and getting your hands dirty. That's something that's served me time and time again. The only way to close the numbers is to really spend time on them.
