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RailField Partners Finds Value-Add In Multifamily Market

Value-add real estate manager RailField Partners sees a lot of opportunities in the "very hot" multifamily marketplace.

"It's an incredible business to be in and there's now a lot of institutional capital flocking into the space," Co-Founder and CIO Jon Siegel said. "We offer investors something unique. We're very established in our very specific market of multifamily and we think we have a ton of opportunity going forward in terms of new investments."

Having inherited its name from a previous firm, minority-owned RailField Partners was founded in 2013 by former Fannie Mae multifamily veterans Siegel, Co-Founder and Managing Partner Kenneth Bacon and Co-Founder and COO Todd Watkins.

Piggybacking on their days at Fannie Mae, the firm's founders strongly believe in communities and the mission of multifamily properties as there is a "huge" affordable housing crisis in the U.S.

"We really try to focus on properties that are affordable to people. These are working people, what we call workforce housing. We believe pretty strongly that this is a business where you can do very well as an investor and you can also have an impact on people's lives," Siegel said.

The firm began as an emerging manager after receiving funds from the New York State Common Retirement Fund and Artemis Real Estate Partners, where Bacon was a board member.

The firm also recently entered into a venture with New York State Common emerging manager program partner GCM Grosvenor, so "it's been a little bit full circle," Siegel said.

Siegel implied that RailField "wandered in the desert for a short period of time" when attempting to build its track record with institutions and ended up expanding the firm by forming relationships with family offices and buying properties that they were then able to sell to build traffic.

"Now that we have the track record, we have found it significantly easier to raise money and attract institutional capital," he added.

Siegel indicated that the firm has had a "tremendous amount of interest" from institutions as a minority-owned firm and more generally due to its track record and longevity. While the firm has received "great feedback," he noted it has stuck to its conservative nature when it comes to its investments and relationships.

"We're pretty conservative in terms of the way we structure our investments and the way we've grown. We've never really had an outside investor at the firm level, and we have never raised any capital in terms of growing the firm, we've done it all ourselves," Siegel said.

“Obviously, we want to grow the firm and we plan to continue to grow, but we’ve been pretty conservative about nurturing relationships and finding relationships with people that we work really well with,” he added.

The firm’s research efforts led it to take a “fairly deep dive” on the data front when they began investing in properties by looking at market data through the RailField market index.

“We actually went and did the research and did the numbers and looked at not only your standard economic factors, but what are factors that are sort of unique to being a good multifamily investment market. Those are items like job growth and household formation,” Siegel explained.

“We did a lot of research on that and also what kind of transaction volume there is to make sure that there’s a decent-sized market. We ended up isolating seven or eight markets that we thought were good to go,” he continued.

When it came to the analysis, some of the areas the firm initially focused on turned out to be “duds,” but RailField ended up expanding its markets. Siegel indicated that they tended to end up focusing on the Washington, D.C. area down to the markets in Virginia, North and South Carolina and Austin, Dallas and San Antonio in Texas. The firm has properties in all of these markets now and is currently focused primarily in the Atlanta and Jacksonville, Fla. areas.

“We focus on the markets, and then once we get to the market, then we focus on the submarkets. Our theory on that is really that we focus on submarkets where there is a built-in demand driver,” Siegel said.

With a firm totaling nine people, RailField Partners is small yet comes to the table “very intellectually,” according to Director of Marketing & Operations Carol Greenspun.

“We all have a lot of professional training to do what we do. I think that helps put us in a smart position,” she said.

The investment team consists of Bacon and Siegel along with two others who do acquisitions on the transaction and analysis side, both of which started as interns from Georgetown Business School and now work for the Bethesda, Md.-based firm full time.

Watkins, a lawyer by training, serves as the firm’s general counsel and helps run the asset management side, while Greenspun is the firm’s marketing “guru.”

The firm has started to expand its marketing both in terms of talking to other institutions and doing a lot more with its public relations firm following its best year ever in 2021, according to Greenspun.

While the firm’s strategy is ongoing and focused on institutional and family office relationships, it is not currently raising funds, but has the goal of potentially doing so in the future, according to Siegel.

“From a marketing perspective, we’re going to build on that momentum and do more outreach in terms of tooting our horn through social media and also seizing upon opportunities that get some of our partners front and center in the industry because now the track record speaks for itself,” Greenspun said.