LOS ANGELES BUSINESS JOURNAL
THE COMMUNITY OF BUSINESS™

LaTerra Looks to Buy More Assets

Brynn Shaffer
October 28, 2024

President/CEO Charlie Tourtellotte and Managing Director Chris Tourtellotte of LaTerra Development. (Photo by David Sprague.)

Marina del Rey-based **LaTerra Development LLC** – which specializes in developing multifamily and self-storage asset types across the Western U.S., targeting Sun Belt states – has implemented a new strategy to buy existing apartment assets and has appointed a new real estate investment executive in order to obtain the capital to do so.

“We are seeing generational buying opportunities of existing multifamily buildings in Southern California and frankly across the country,” **Chris Tourtellotte**, managing director at LaTerra, said. “Values are down like 20% to 30%. (That means) we can buy a brand-new apartment building today for 20% to 30% less than it costs to build that building.”

Unlike some other asset types, multifamily complexes can be especially pricey to build because of the demand for subterranean parking and structural implications. For Tourtellotte, these issues, on top of today's high interest rates and high construction costs, have made multifamily development no longer economically viable.

The company currently has 3,000 multifamily units under management, which it has almost exclusively developed itself. With its new strategy, LaTerra hopes to deploy $250 million in equity over the next two years in buying existing housing stock – which equates to roughly $600 million in total project cost – and could increase that number by hundreds.

A new line of business

As interest rates have risen, many developers are unable to refinance their construction loans, leading to an influx of new apartments coming online.

According to Tourtellotte, LaTerra has its eyes on newly delivered, class A, fully operational apartment buildings across the country that are either all or partially leased – posing no construction risk while only increasing cash flow.

These apartments will likely be managed by third-party companies but are intended to blend in with the overall quality and portfolio of the company.

"We find that different property managers are better suited for different markets and submarkets so the best property manager in Phoenix or Dallas may not be the best property manager for Los Angeles," Tourtellotte said. "We use third-party property managers, and then we asset manage. We have a team of asset managers who can get pretty hands on to help drive revenues and keep costs down."

LaTerra's newly appointed head of capital markets and investor relations, **Ben Grosberg**, has been brought on to secure the capital under this new strategy. Grosberg joins LaTerra after five years at Century City-based **Dekel Capital Inc.** where he most recently served as the firm's director of capital markets.

Other than the push to purchase existing apartment stock, Tourtellotte also noted Grosberg's hiring itself marks another big transition for the company, stating LaTerra will be changing the way it has historically financed properties, transitioning away from institutional funds and instead beginning to lean on high net-worth individuals, registered investment advisors and family offices.

"He'll bring relationships to the table," Tourtellotte said on Grosberg's network. "He has existing relationships with high net worths, RIAs and family offices that we don't have. He's very smart. He has a really good understanding of finance and capital markets and the capital stack."

The company is currently building Intro, a 573-unit apartment complex in Burbank and LaTerra del Rey, a 210-unit apartment complex in Marina del Rey, but other than that is steering clear of new multifamily development, making way for its new line of business.

According to Tourtellotte, LaTerra is actively pursuing three deals in Dallas, one in Denver, one in Phoenix, one in Orange County and one in Hollywood, although they are looking at dozens of others, taking it one deal at a time.

“It’s really exciting to be able to take advantage of these opportunities while we can within our existing business line of residential,” he said. “It’s super exciting for us.”