

THE WALL STREET JOURNAL.

KKR and Gulf Bay Team Up To Develop Prime Site in Naples, Fla.

May 22, 2015

By PETER GRANT



Naples, Fla. site acquired by a venture of KKR and Gulf Bay Group — Gulf Bay Group

Private equity giant KKR is joining forces with a Florida developer to develop a luxury condominium project on a prime site in Naples, Fla.

KKR's partner, Gulf Bay Group of Cos., has owned the site in Pelican Bay for a quarter century. KKR and Gulf Bay have formed a 50-50 joint venture to buy the property in a deal which values the site at \$80 million. Their plan is to build an 87-unit luxury project.

The deal is the first ground-up condominium project KKR has invested in since it **closed fundraising for its first post-crash real estate fund**—to the tune of \$1.5 billion—in late 2013. Roger Morales, the KKR director who led the Naples deal, said it was attractive partly because of the appeal of the site, which has unobstructed views of the Gulf of Mexico and is one of the last two developable sites in the tony Pelican Bay area.

"There's no supply-side risk," he said.

Gulf Bay was founded by Aubrey Ferrao and has developed 14 luxury project in the Pelican Bay community. He is "best in class" in the Naples market, Mr. Morales said.

KKR also liked demand trends in the Naples luxury condo market. Values have been steadily rising and previously owned units are currently selling for \$900 to \$1,700 a square foot, Mr. Morales said.

"There's definitely pent up demand from the Northeast and Midwest," he said.