

A man with dark hair, wearing a dark blue blazer over a white shirt and blue jeans, is sitting on a clear plastic chair. He is looking towards the camera with a slight smile. The background is a large window with a grid pattern, showing a view of a city. The lighting is soft and even.

Alpha Deal Maker

From his base in Hong Kong, **Goodwin Gaw** is building his Gaw Capital investment funds into a global real estate force.

BY RON GLUCKMAN

Goodwin Gaw bounds into the boardroom, T-shirt over a muscular build, shiny black sport shoes on his feet. Looking more like a weekend clubber than a real estate rainmaker, this charismatic chief executive talks in rapid-fire fashion about billion-dollar valuations, disruptive technology and other buzzwords of the startup age.

Gaw, 49, embraces tech, yet he's no IT mogul. Quite the contrary: He's a Hong Kong investment guru who digs bricks and mortar. Starting in the U.S., then ramping up in China, he and his two siblings have built Gaw Capital into one of the world's largest private equity firms in real estate, with \$13 billion under management. The U.K. publication *PERE* (formerly *Private Equity Real Estate*) now ranks Gaw Capital as the 19th-biggest real estate private equity firm worldwide, up from 44th last year. Only one other Asian firm, Singapore's Global Logistic Properties (No. 5), cracks the top 20.

Gaw's specialty is derelict warehouses and forlorn hotels, hardly Silicon Valley stuff. However, he's also invested his funds in much bigger deals, such as the \$940 million purchase of the InterContinental Hotel (the former Regent) on Hong Kong's Kowloon waterfront. It was the largest hotel transaction in the Asia-Pacific region in 2015 and second biggest in the world. He will close soon on The Standard, High Line, in New York's Meatpacking District. That hotel was supposedly sold in 2014 for \$300 million, and it was largely unknown that the deal had stalled until Gaw swooped in and agreed to pay \$340 million. Hotels are rarely the target of funds that aim to deliver alpha, but Gaw is generating excellent returns, say investors familiar with the firm, while also cultivating an interest in hotels and urban redevelopment.

Gaw Capital doesn't disclose returns publicly, but the Preqin Global Real Estate Report in London has ranked it as one of the world's most-consistent high performers among real estate fund managers for four years in a row. This year it's tied for fifth in the world and tops in Asia, up from a tie for seventh last year. "Gaw definitely is among the most successful funds," adds Joseph Tsang, managing director of the Hong Kong office of JLL, a global real estate and investment company. He credits the firm's portfolio diversity,



Gaw's younger siblings Kenneth (the "bean counter"), and Christina (the "best fundraiser in Asia.")

flexibility and especially Goodwin's risk taking. "They are diligent and pay attention to the numbers, but Goodwin is also entrepreneurial. He takes risks and gets results."

That's how it's been since he started in southern California, buying the iconic Roosevelt Hotel, host of the first Academy Awards ceremony. "That really put me on the map," he recalls. It was the mid-1990s. Gaw was 29 and had been working in real estate in Los Angeles for three years. Cajoling cash from friends, family and key early investors, he bought a hotel built by Hollywood legends Louis B. Mayer, Mary Pickford and Douglas Fairbanks in 1926. But 70 years later, he says, "it was bankrupt and the Hollywood district was on its knees." Gaw had no experience, but in a pattern that would typify his career, he immersed himself in the property, talking to staff and trusting his instincts. Within two years he turned it around.

Forming Downtown Properties, he continued buying distressed assets, snapping up nearly 50 properties by 2002. Then he rejoined his family in Hong Kong. His plan was to continue reviving distressed real estate, but by scouring China and using Western capital. "I thought maybe I could channel some of that capital to Asia and China, sort of as the local partner."

Then the SARS epidemic hit, and Hong Kong reeled. Tourism plummeted and real estate tanked. Investors fled. Sensing opportunity, Gaw went on a spending spree. "Disruption creates opportunities; to stir things up, disturb the status quo. So I like disruption," he says. "We were quite active investing during SARS since we believed Hong Kong would bounce back." The bets paid off, and Gaw had come home.

His father's family had emigrated from the Fujian region of China to Burma before World War II. His father, Anthony Gaw Teong, was born in Burma but moved in 1955 with the family to Hong Kong when he was 13. He studied science at Stanford and Purdue in the U.S., before founding Pioneer Global Group, a listed company that started in textiles in the 1970s, but later moved into banking and shipping and then amassed a fortune in real estate.

Anthony was only 57 when he died in 1999. With Goodwin in the U.S., his younger brother Kenneth Gaw became director of the family firm, doing deals alongside their mother, Rossana Wang Gaw, Pioneer's executive chair. They're a close family; the Pioneer head office is on the floors above Gaw Capital's art-filled headquarters in Causeway Bay. As Goodwin's Hong Kong business flourished, he offered to join up with his brother. "I said to him, 'What you are doing? Let's do it together—it's more fun!'"

It's not only been fun but also insanely profitable for the Gaws, as well as those along for the ride. *Forbes Asia* puts the family's wealth at nearly \$3 billion. Goodwin and his brother formed Gaw Capital Partners, originally called Gateway Capital, and raised just under \$260 million for the initial Gaw Capital Gateway China Fund in 2005. Two years later they raised \$800 million for Gateway Capital Real Estate Fund II, and the numbers keep rising. In 2008 the youngest of the three children, Christina Gaw, 45, joined the firm, bringing her experience in investment banking with UBS and Goldman Sachs. "Christina is the best fundraiser in Asia," says Goodwin. She oversees client services and fundraising, while many call Kenneth, 47, the bean counter, deadly astute at assessing value. "Kenny was always supersmart, the best student amongst us," notes Goodwin. "Kenny is very detail-oriented," adds Christina. "If a number is a tiny bit off, he notices and corrects you. We know the numbers will work if vetted by Kenny. He's our safety net."

Goodwin, on the other hand, is the gambler on a winning streak. "I'd always say, 'Why can't we do this? Why can't we be doing it that way?' I'm always looking at the glass as half-full and saying, 'What can we do to make it more full?'" He adds, laughing, "What can go wrong?"

Both siblings describe Goodwin as more entrepreneur than typical fund manager. "We told him to keep at that, he's always full of ideas and innovations," notes Christina, who says she added structure to the firm. "That first fund was like a test fund. But then we were going for the big money. The setup needed to change. We needed a good corporate structure." Kenneth says it all worked: "We all know our roles and fell into them naturally." A fourth partner is Humbert Pang, the director and head of China investment for Savills China for a decade before joining in 2006 as managing principal and Gaw's China director.

Gaw's funds hold investments from London to Vietnam and Japan. The U.S. is a huge source of investment, with \$2.7 billion of assets under management via Gaw Capital USA. Yet China is Gaw's main focus.

PROPERTY PROWESS

ASIA'S FIVE TOP PRIVATE EQUITY REAL ESTATE FIRMS ARE ALL BASED IN SINGAPORE OR HONG KONG.

RANK		FIRM/HEADQUARTERS	FUNDRAISING TOTAL (US\$BIL)
ASIA	WORLD		
1	5	GLOBAL LOGISTIC PROPERTIES/SINGAPORE	\$8.1
2	19	GAW CAPITAL/HONG KONG	4.5
3	30	PAG/SECURED CAPITAL/HONG KONG	3.4
4	39	CAPITALAND/SINGAPORE	2.9
5	50	ALPHA INVESTMENT PARTNERS/SINGAPORE	2.3

SOURCE: 2017 PERE 50 RANKINGS.

Gaw Capital provides more than fund management, often working in a variety of roles. It will act as an advisor or consultant on real estate deals, most prominently as Chinese companies began acquiring trophy assets in the West. Gaw may also join up with the same firms it competes against for other properties. And it offers account services for projects, and sometimes brings in investment partners, such as for the huge InterContinental deal.

Maintaining the confidence of investors isn't all about delivering results. Invariably, when talking about Gaw Capital, sources extol the value of trust, something that is often in scant supply in China. "They are among the best operators in China," says the former head of a large institutional investor who has invested with Gaw Capital and bid against it on some deals (he requested anonymity because company policy forbids him to speak publicly). "You just don't find many like the Gaws operating in China. They uncover value and can be quick to pounce. But whether you work with them or compete against them, they are always fair and responsible."

The Gaws seem to operate under the radar. Despite their aggressive deal-making around the globe, even established names in the industry and analysts in China and Hong Kong often haven't heard of them. "They like to remain low-key," notes a senior Gaw Capital executive in Shanghai.

In China circles, Swire Properties' Sanlitun project is regularly cited as an outstanding example of redevelopment. A run-down section of Beijing was reborn a dozen years ago as one of the capital's trendiest areas for eating, nightlife and shopping. Yet few know Gaw Capital's role in the project. Goodwin spied the area of low-rises and saw its potential as the kind of pedestrian shopping district common in the West but unseen in China then. "But it was really too big a project for us," he says. "We had just raised our first fund. So I went to Swire, and they came in as a co-investor." Never mind that Swire got the credit. Gaw sold its stake in the site to Swire a few years ago, exiting with a tidy profit.

Now Gaw Capital is back in the neighborhood, having bought nearby Pacific Century Place from Hong Kong tycoon Richard Li in 2014 for \$924 million. When it opened in the late 1990s, office, retail and residential space was in short supply, but now the project must compete with glitzy shopping malls and new residential developments. Goodwin's vision was to repurpose the space for firms that wanted large open spaces with exclusive access. "It's perfect for tech companies and the creative industries," he says. "That worked with warehouses we've done in Los Angeles, and Beijing has all these tech companies now."

He has a similar vision for Kwun Tong, an industrial area of Hong Kong. Industry long ago moved to China, leaving behind hulking factories. Gaw bought a dilapidated building and brought in Dutch design firm MVRDV. Balconies and open floor plans were highlighted and a space that serves as a showroom was turned into a sleek glass palace. "Hong Kong got to where we are today because of its industrious past, the factories that made toys

A WINNING PORTFOLIO

GOODWIN GAW'S BIGGEST REAL ESTATE DEALS HAVE RANGED FROM THE U.S. AND LONDON TO HONG KONG AND CHINA.

PROPERTY/CITY	YEAR ACQUIRED	COST (US\$MIL)
INTERCONTINENTAL HOTEL/HONG KONG KOWLOON WATERFRONT LANDMARK	2015	\$940
PACIFIC CENTURY PLACE/BEIJING MIXED-USE COMPLEX REVAMPED AS OFFICES	2014	930
123 & 151 BUCKINGHAM PALACE ROAD/LONDON OFFICES AND RETAIL SPACE	2015	775
SKY SOHO/SHANGHAI ZAHA HADID-DESIGNED OFFICE-COMMERCIAL CENTER	2017	750
COLUMBIA CENTER/SEATTLE 76-STORY OFFICE TOWER, TALLEST IN THE CITY	2015	725
STANDARD, HIGH LINE/NEW YORK BOUTIQUE HOTEL IN MEATPACKING DISTRICT	2017	340*

*DEAL NOT COMPLETED YET. SOURCE: GAW CAPITAL.

and electronic goods for the world," he says. "Why not wrap it in glass to showcase the industrial past? But more than that, in a creative way to attract new industry—hopefully, the tech, design and fashion industries."

Goodwin circles the globe regularly, talking ideas and possibilities. He confides that he originally wanted to be an architect, but realized early that architects only design structures; it's developers who really create them. And he's acutely aware of how developers need to adapt to the times. "I don't look at us as a real estate business. I look at us as a product business. It just so happens that our product is real estate. If you just think you are the real estate guy, you are going to be left behind because real estate is being consumed in a very different fashion these days." That's why Gaw has been investing more in residential spaces for the mobile generation. In Hong Kong, a serviced-apartment project now features units designed for four students to share, dorm-style, and targets overseas students. In China, Gaw started opening Italian-themed outlet shopping villages outside major cities, banking on rising consumer spending. Another area of expansion is distribution and logistics, and Gaw has been acquiring warehouse space.

But Goodwin is big on urban renewal, describing plans to change entire neighborhoods. That is the idea for Manhattan, where Gaw is about to close on the 18-story Standard, High Line. The boutique hotel, opened in 2009, lacks the history of some Gaw properties such as the Strand, among a trio of hotels the family owns in Myanmar. But it sits in the middle of the old Meatpacking District and alongside an elevated railway line that has been turned into the High Line pedestrian park.

Says Amar Lalvani, CEO of Standard International: "We clicked right from the start. Goodwin really gets it. He understands the value hotels bring to communities and to real estate. He's full of ideas." Goodwin concedes: "People say, 'You seem to have a passion for these old buildings, to try and give them new life.' I tell them, 'These buildings speak to me.'"