

S3 Capital Closes \$335M Multifamily Credit Fund

The New York-based firm closed a \$350M fund in fall 2023 and secured \$335M this year for a fund that expects to reach \$1 billion in capital commitments.

By Brian Pascus December 6, 2024

S3 Capital is at it again.

Months after closing a \$350 million CRE investment fund, the New York-based lender announced this week that it closed its initial fundraising round for Fund III, its third large balance loan fund since 2013, with \$335 million in capital commitments.



Robert Schwartz, co-founder and managing principal of S3 Capital, told CO that the fund will continue to stay open into 2025 and will likely end up with “anywhere between \$750 million and \$1 billion” worth of commitments.

“We’re going to be open for a little bit, probably for another 12 months,” he said. “We’re expecting a second close for late January and then probably another couple of closes during the year 2025.”

Even though S3 Capital closed a \$350 million Fund II last year, in fall 2023, the firm believed the market is strong enough to withstand another round of fundraising this year.

“Look, we’re seeing unprecedented opportunity for the space that we’re in,” said Schwartz. “We’ve built a really strong position in the market, our results have been strong, and our deal flow is very strong, so that’s why we came to market that quickly after the last fund to capitalize on the opportunities we’re seeing.”

S3 Capital opened its business 12 years ago and has since executed more than 650 loans worth \$5 billion in CRE investment.

Schwartz described the Fund III as a credit fund focused on middle-market construction loans with a focus in multifamily. He added that the firm prefers writing whole loans, some of which they syndicate out.

“So we’re not doing office or other asset types, it’s tier-one markets, nationally, with a focus on multifamily, for-rent and for-sale housing,” he explained. “We service the whole [capital] stack, we like to speak for the whole stack, and we’ll close a whole loan, and sometimes we’ll syndicate and sometimes we don’t.”

Schwartz added that S3 Capital typically writes loans from \$30 million up to \$250 million, but the firm’s average loan size is between \$75 million and \$150 million.

He added that the industry-wide pullback of the banking sector from making it possible for S3 capital to raise so much money, so quickly.

“We’re really in the sweet spot of where the regional banks were very active, and there’s been a lot of pullback in the regional banking sector,” he said. “We’ve been a big beneficiary of that.”