

Behind the Scenes of Starwood's \$2.2B Purchase of Fundamental Income Properties

The net lease platform's founders liked what they saw, and went with Starwood over other interested bidders

BY [CATHY CUNNINGHAM](#) JULY 29, 2025 10:00 AM



FROM LEFT: BARRY STERNLICHT, CHRIS BURBACH, JEFF DIMODICA, AND ALEXI PANAGIOTAKOPOULOS. PHOTOS: WESTON WELLS; COURTESY FUNDAMENTAL INCOME; COURTESY STARWOOD

“As soon as we looked at the deal, we knew it was a really good fit for us,” Jeff DiModica, president of [Starwood Property Trust](#), said on the same late- July day Starwood Property Trust closed its \$2.2 billion acquisition of triple-net lease owner and operator [Fundamental Income Properties](#). “It’s exactly the kind of cylinder that we’ve been looking to add: It has duration, it has yield, it sits at the intersection of credit and real estate — which Starwood has always been very good at — and, I think a REIT structure is the perfect place for this platform.”

Fundamental’s previous owner, [Brookfield Asset Management](#), had made the decision to sell the company as a late-stage asset in one of its late-stage funds. At the time of the July 23 close, Fundamental had 67 properties totaling 12 million square feet across 44 states in its portfolio.

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When the bidding process was nearing its 11th hour, Starwood Property Trust, a real estate investment trust (REIT), was competing with a handful of private equity firms and wasn’t the highest bidder, initially. But, because Fundamental’s management team wanted Starwood to win, they allowed Starwood to increase its bid to match the others in order to secure the prize.

“I always thought the right buyer would see the value of the team and Fundamental’s brand, the presence that we have in the market, and the quality of our portfolio,” said Chris Burbach, co-founder, managing partner and CEO of Fundamental. “That buyer would also have the right cost of capital to allow us to continue to serve all of our clients, and address the market in a way that was going to make us even more competitive. Starwood was the perfect fit.”

When competition began swirling around the transaction in May and due diligence was in full swing, DiModica wasn’t taking any chances on Starwood missing out. So, he flew directly from Starwood’s investors

meeting in Abu Dhabi — where he was leading a presentation on Starwood’s debt business — to meet with the Fundamental team in Phoenix for dinner.

“Jeff had been up for, like, 49 hours, but he was like a spring chicken at dinner that night, telling us the whole story of Starwood,” Alexi Panagiotakopoulos, co-founder, partner and CIO of Fundamental, said and laughed. “Eventually, he was like, ‘OK, I need to go to sleep now.’”

But that introduction to Fundamental’s team turned out to be a significant event in strengthening Starwood’s resolve.

When DiModica returned to Starwood’s Miami headquarters, CEO and Chairman Barry Sternlicht asked him how the meeting went. “I said, ‘The team is *great*, not good,’ and Barry said to me, ‘Wow, you never like anyone!’” DiModica said. “I knew these guys were Starwood quality — right down through the VP and associate level. I thought the entire team was terrific.”

Firing on all cylinders

While commercial real estate lending will always be Starwood Property Trust’s North Star, the purchase of Fundamental now adds another key business cylinder, further diversifying the REITs activities.

“We went public to build more than a mortgage portfolio —but to build a durable finance platform in the real estate and related industries,” Barry Sternlicht, CEO and Chairman of Starwood Capital Group, said.

“Diversifying beyond CRE lending, now just about half our overall portfolio, has driven best-in-sector returns through tumultuous times. With Fundamental, we’re expanding into a new business line, and sharpening our competitive advantage with scale, talent, and cultural alignment.”

The net lease sector isn't new to the firm, of course, but Starwood didn't have specific in-house, hands-on expertise in it, until now.

In 2017, following Bass Pro's acquisition of hunting and fishing retailer Cabela's, Starwood acquired three industrial and 20 retail Cabela's locations that would be triple-net master-leased for 25 years. When the world was emerging from COVID lockdown and outdoor activities suddenly became more popular than Eras tickets, Starwood sold the portfolio for "a big profit," DiModica said. It also made a tidy \$100 million after foreclosing on two industrial assets tied to grocer Winn-Dixie, holding and repositioning them before eventually selling them.

When it came to truly diving into net lease, however, the value was ultimately going to be found in going big: adding a full platform *and* a full team, one that had built out a successful net lease business from soup to nuts.

"This is 28 people and they're in Phoenix — which is where the entire net lease mafia lives," DiModica said.

"For us, at our size, to hire one person and build this through Starwood would never be that interesting. We wouldn't have the [asset-backed securities] structure, we wouldn't have the team and the history. These guys have done \$12 billion of transactions in their careers, so this is a real team."

Similarly, Starwood also likely never would have entered net lease on a one-off asset basis. "We wouldn't have been able to finance it as well, and we probably would have made mistakes," DiModica said. "So we're benefiting from the success and the mistakes that these guys have made for 20 years. At our scale, adding one or two assets didn't make sense. Given we have a \$30 billion balance sheet, for this to be meaningful to shareholders, we wanted to be in it at scale."

As DiModica mentioned, another selling point in the deal was Fundamental's ABS master trust structure, which allows companies to keep adding more and more assets into a trust each time a new transaction is executed, pulling the assets together in one master structure.

So far, Fundamental Income has completed three ABS transactions to great market reception. In November 2023, the company issued an ABS deal backed by triple-net lease properties, and the investor demand was so great it had to increase the deal from an initial size of \$250 million to \$315 million.

“The bigger [the master trust] gets, the tighter it prices,” DiModica said. “They’ve done three hard deals, and everything from here will now price tighter and tighter and tighter. From a term loan perspective and a high-yield perspective, this ABS master trust finances itself at the tightest levels of our bank warehouse lines, and it’s five- to 10-year fixed-rate financing against long-term equity assets, so we’re not taking much interest rate risk and we can finance it more accretively than almost anything in our corporate debt ladder.”

The acquisition also further diversifies the Starwood platform’s arsenal at a time when the federal administration is changing the playing field — in Starwood’s favor, in the case of the Fundamental acquisition.

“If you look at the success of Starwood Property Trust, it’s because we pivoted at the right time into equity-owned assets, and we have a billion and a half dollars-plus of gains in owned assets,” DiModica said. “We won’t look at this in quite the same way, because we don’t expect these assets to appreciate in the same way, but being able to wake up any day and do something more than just make a commercial real estate loan is really accretive to our shareholders, because a lot of my peers have to wake up every day and make a commercial real estate loan when they have \$1 of cash on their balance sheet. We now have nine different things that we can do, so management can decide what the most valuable thing to do is on any given day.”

Mergers and acquisitions (M&A) is a huge driver of the net lease sector’s activity via, for example, a private equity company buying another company, wanting to free up some cash to help finance that acquisition, and selling some assets but leasing them back.

“M&A has been dead for the last few years, but we feel like there’s an M&A cycle coming,” DiModica said.

“Trump is going to help, rates are going to help, and what better place to be positioned for growth than a net lease business during a pro-M&A administration and lower rate environment?”

Starwood knew it would also be able to use its infrastructure and expertise to facilitate bigger deals for Fundamental, and the phone is already ringing off the hook.

“We’ve owned Fundamental for four hours, and we signed this deal thinking we were going to do a bunch of \$20 million and \$30 million assets, as that’s been the history for this company,” DiModica said. “I just hung up on a discussion about a \$600 million deal, this morning we talked about a \$400 million deal, and last Friday Fundamental sent me a \$160 million deal. So that’s \$1 billion in front of us right now, four hours into the deal. Maybe part of it being owned by Starwood, maybe part of it’s the buzz. The opportunity to grow this is infinite.”

Ready, net, go!

Fundamental’s team prides itself on being very entrepreneurial, and Starwood mirroring that approach was a key factor in the firm’s decision-making process. “It was really clear to us that Starwood had that same ethos and that same culture. So, when it came down to the final decision, we knew we also shared a mutual vision for what we’re going to make this business going forward,” Burbach said.

Giving Fundamental further confidence was Starwood Property Trust’s track record of buying businesses, then allowing them to continue to run autonomously while ultimately reporting up to Starwood, with Starwood stepping in to help facilitate growth where necessary. An example of that is special servicer [LNR Partners](#), which Starwood acquired in 2013.

“The ability to let us continue to move with conviction and certainty is a huge, big piece of this, because our business is very nimble,” Panagiotakopoulos said. “Everybody’s money is green, but to be able to move

quickly with no bureaucracy and have a partner that actually understands that entrepreneurial vision and trusts the team and the platform you put in place was a big draw.”

In a nutshell, Fundamental targets real estate that companies use to run their businesses. That includes everything from manufacturing and production facilities, to distribution centers, to properties that companies use to provide a service — whether that’s a restaurant or an auto repair business or a store. Its portfolio breakdown consists of roughly 50 percent service assets, 40 percent industrial/production facilities, and about 10 percent retail.

“What we’re focused on, regardless of the business, is owning real estate that companies can’t live without,” Burbach said. “We want to be able to build with those companies over the long term and help grow their business and turn them into something better than what they were when we found them. We’ve had a lot of success doing that so far, and we plan to keep on doing it.”

It’s been more than five years since Fundamental received its initial equity commitment from Brookfield. The firms’ initial meeting took place in January 2020, and the Fundamental founders couldn’t have known a pandemic was around the corner — but an email soon gave them a clue.

“On our flight home from meeting Brookfield a second time, we got an email that said, ‘We’re really sorry to tell you this, but the first case of COVID in the U.S. was just reported in Brookfield’s office,’ ”

Panagiotakopoulos said.

Still, the sides struck a deal and got to work, building the company in an at-home bubble, at first. “It started with an idea, no systems, nothing, and today we’re 28 people,” said Panagiotakopoulos. “Everything that we’ve built has been tremendous to see, and really just a testament to the caliber of people across the organization. This business wouldn’t have happened without each one of those members, especially being through five black swans in five years.”

“In just five years, we partnered with the Fundamental Income team to found and grow a scaled, high-quality net lease business — featuring a diversified portfolio, vertically integrated platform, and exceptional leadership,” Lowell Baron, CEO of Brookfield’s real estate group, said. “With this sale, we’ve seized the right moment to realize our investment, bringing our successful realizations to nearly \$13 billion of real estate assets so far in 2025.”

Going through the acquisition process with Starwood brought Fundamental’s team validation “in terms of being able to show off what we built, and attract the right partner,” Burbach said. “It was really rewarding for all of us to look back on us starting from nothing and on Zooms. We’ve done what we set out to do, and we get to keep on doing it with a great new partner.”

“We have a very, very keen eye on how we’re perceived in the market,” Burbach added. “We spent five years building what I believe to be one of the best reputations in the market for understanding credit and real estate, and we spent a lot of time with our relationships — brokers, developers, private equity firms, businesses, operators, bankers. Your biggest fear as a business owner is often to transition to a new partner. But, I can tell you with certainty that we’ve received overwhelming support from every single one of those relationships.”

Prior to co-founding Fundamental, both Burbach and Panagiotakopoulos held positions at Store Capital, among other platforms. Through their time together they’ve seen the net lease sector evolve, and garner heightened investor attention.

“Net lease, in a lot of respects, has gone through a gradual emergence in terms of an asset class,” Burbach said. “When I first got started, some groups would only do retail, or they’d be exclusively industrial, or whatever it might be. Over time, people have realized that this business really has a lot less to do with property type, and a lot more with the capital provider. It’s very similar to direct lending, with private capital stepping in to help support the capitalization of private businesses and public businesses. Our addressable

market is basically all of the real estate that's owned by corporate operating companies, and that's trillions and trillions of dollars."

Yet, the amount of capital that's been formed to address the market is very small and public net lease REITs own perhaps \$200 billion of real estate, Burbach said. "More and more asset managers are trying to get into the space and figure out how to start platforms or invest in," he said. "When we stepped into this [acquisition] process, it was really encouraging for me personally, as a net lease geek, to see how much interest there was in the asset class, and the amount of demand that we saw, in terms of interest in buying this company. It's flattering in a lot of ways, but it's also a sign of just how much net lease has grown and and how much value there is in the skill sets that we have."

It's difficult to stay in the market when an acquisition process is underway, but now the Starwood deal is done, Fundamental is "really excited to get going," Panagiotakopoulos said. "It's liberating in a lot of ways, to now have an open field to run — and we're running."

Cathy Cunningham can be reached at ccunningham@commercialobserver.com.