Q+A: Sixth Street on how to stay in on a deal while others walk away

Sep 17, 2026 | 11:55 | London | by Mira Kaizl

Partner Giulio Passanisi discusses flexibility, the firm's first German acquisition and its £1bn commitment to affordable housing

Giulio Passanisi

Looking at Sixth Street's real estate track record over the last two-and-a-half years, you would not think the market was still suffering from illiquidity. The US investment firm has spent around $5bn in global real estate since 2024, including $2bn last year.

In April *Green Street News* revealed that Sixth Street was expanding its foothold in the UK residential market with an investment in the for-profit Park Properties Housing Association (PPHA). In July the firm laid out over €350m in its first deal in Germany, a market it had long stayed away from because of its low cap rates. In August Sixth Street hired Donatella Fanti from Blackstone as managing director for asset management, a newly created position. So what comes next?

London-based partner and head of European real estate Giulio Passanisi does not wish to limit himself to certain asset classes. "We invest in sectors we have real conviction in, for as long as it makes sense, and then we move on to other themes," he told *Green Street News*.

If the conviction is there, Sixth Street is offering flexible capital solutions, including preferred equity – which recently meant it prevailed even in some previously deadlocked sales processes.

Passanisi, a native Sicilian, has been with Sixth Street since 2013, when he joined from Goldman Sachs to manage the firm's real estate arm. He and partner Marcos Alvarado, who heads up Sixth Street's real estate business in the US, have built a dedicated team of 36, with 12 members based in London.

Passanisi sat down with *Green Street News* to discuss the firm's thematic approach to real estate, the beauty of investing in affordable housing and the advantages of working in one office.

What was behind Sixth Street's recapitalising of Patrizia's Mediclin portfolio earlier this year?

The Mediclin deal was Sixth Street's first real estate investment in the country. That said, I personally did quite a few real estate deals in Germany when I was based in Munich from 2010 to 2013 – back when I was still at Goldman Sachs. So I know the German market quite well.

You moved from Goldman to Sixth Street in 2013, just as the previous real estate cycle started to gain momentum. Had Germany become too competitive for you by that point?

When we started investing in real estate at Sixth Street, Germany was not a great market for our capital at the time. As you said, competition was intense and pricing was expensive. Germany was the core country across all asset types, and if you translate that into cap rates, they were simply too low for us. However, we were very active in Southern Europe and the UK.

Now that the zero-interest-rate phase has ended, what made you decide on Mediclin as your first German investment?

We take a thematic approach to real estate and are especially focused on sectors with durable demand characteristics.

The rationale behind our Mediclin investment is the long-term demand we see for post-acute care. The portfolio comprises approximately 20 assets totalling about 30,000 sq m (323,000 sq ft), all let to Mediclin.

Mediclin rehab clinic in Bad Düben, Saxony

We recapitalised the portfolio, with Patrizia remaining as investment manager and K2MB coming on board as our partner for the day-to-day operational and asset management of the business.

The transaction is a good example of the partnership approach we seek – providing long-term capital while aligning with experienced operators and asset management expertise.

The sales process dragged on for almost two years. Can you share more about it?

What really matters is the ability to be flexible and agile enough to tackle any situation. If you commit to only one asset class, region or part of the capital structure, you are going to miss out on very good deals. Most people would simply walk away if they find the asking price too high. We prefer to say: look, we can't do this deal at that price, but we can structure it differently – which might also work much better for the seller.

Looking at your current deal rate, it seems this market phase is working in your favour?

We find it a challenging market to transact – to find the right asset and the right counterpart to make a deal work – making the need for flexible capital even more important. Many people still won't accept a loss, even though sooner or later they will have to. But I understand that if you bought German residential at a 3% cap rate five years ago, you won't easily sell it at a 6% cap rate today.

> *"If you commit to only one asset class, region or part of the capital structure, you are going to miss out on very good deals"*

But things are improving. People are getting back into real estate. Financing markets have also become more functional, and lenders' appetite to lend against very good assets is enormous.

You mentioned your thematic approach to real estate investments. Apart from German healthcare, what other themes do you find exciting?

We have remained active across Europe and across a range of property types. We continue to explore new opportunities in Germany. We are also expanding our footprint in UK affordable housing and growing our multi-let industrial platform in the UK. We don't limit ourselves to one narrow asset class and we do not approach Europe as a single market.

We invest in sectors we have real conviction in, with durable demand characteristics, and where we feel we can drive value through asset management.

Sixth Street was rumoured to have looked at a €400m Frankfurt office sale that was launched a year ago and has since gone very quiet.

I'm afraid I can't comment on individual assets or market speculation.

What is your approach to office real estate?

We are highly selective in office. We consider office investments where we see an attractive risk-adjusted return and a credible value-creation plan – whether through income, repositioning, recapitalisation or a partnership structure. We are seeing a divergence between prime, modern, well-located stock and the secondary stock, which faces obsolescence, leasing risk and heavy capex requirements, and attracts little demand from tenants.

What was the thinking behind your backing of PPHA?

This investment is based on a structural need for additional high-quality affordable housing in the UK. The affordable housing market is big, it's mainly non-profit, and it is only just beginning to shift towards for-profit ownership. As you know, there is a shortage of affordable housing, and every government talks about how to fix the UK's housing problem.

“The affordable housing market is big, it’s mainly non-profit, and it is only just beginning to shift towards for-profit ownership”

We believe our long-term institutional capital can play a very constructive role in supporting the delivery of all these homes. Sixth Street is providing most of the equity capital, while our partner HSPG continues to lead the strategy, the asset management and the growth of this platform.

The partnership intends to invest more than £1bn and has a pipeline of more than 4,000 homes. Since our initial investment in April, we are already adding more assets and PPHA has been selected as a strategic partner in the new 2026-36 Social and Affordable Homes Programme.

You are referring to funding which Homes England, the UK housing and regeneration authority, has granted PPHA earlier this month for the delivery of 1,500 new affordable homes. Will these also be added to your pipeline?

Yes. They are to provide almost £150m in grants for the delivery of affordable housing across the UK. This is an important validation of PPHA’s delivery capability and its plans to scale.

UK housing

More broadly, it demonstrates the importance of combining public-sector support, long-dated institutional capital and the operating expertise of specialist housing providers if the UK is to increase the supply of high-quality affordable homes at the pace required.

PPHA was one of three for-profit providers to receive this grant.

What was behind your recapitalising of Clipstone Industrial REIT for £330m and creation of the C6 joint venture?

Here too, we are combining institutional capital with deep knowledge and expertise of the market.

C6 is a joint venture with Clipstone Investment management to invest in high-quality UK multi-let industrial assets in London and the South East. Both markets suffer from supply constraints –

very little land, but great connectivity and a very diverse tenant base. The investment follows a platform model. We recapitalised a portfolio of 41 industrial estates and about 2m sq ft, which we are now expanding through smaller, high-quality acquisitions.

Are these an exception to your preference for deals bigger than €150m, as you mentioned in a previous interview with *Green Street News*?

We have always had the ability to invest at scale, but we tend to be selective on size. Importantly, we don't pursue size for its own sake. That means we generally don't spend much time on smaller businesses unless there is a clear strategy – for instance, repeatedly aggregating assets.

The key question is whether scale improves the investment proposition – diversification, operational leverage. Larger portfolios and platform deals can be particularly well suited to our model, because they often require a partner who brings more than just capital. We can structure deals in a way that provides long-term support for an operational strategy.

How long is a typical holding period for your European investments?

We don't manage to a fixed holding period. We can hold an investment for a long time if we like it and think there is upside. Usually it's about five to six years. But here, too, flexibility is particularly valuable. The right timing depends on the asset, the operating plan and the financing conditions. So we aim to be patient, constructive owners rather than forced sellers.

You've grown Sixth Street's European real estate team to 12, all based in London. Are you planning to establish operations in other countries?

Not for now. For a team of our size in Europe, I think it's important to build the right culture, and that includes working together in one office.

Besides, from London it's very easy to travel anywhere – and that's what the team does. Most of us are out one or two nights a week in Frankfurt, Berlin, Madrid, Barcelona, Paris.