

An Ecosystem of Opportunity

An Interview with Tawan Davis, Founding Partner and Chief Executive Officer, The Steinbridge Group

EDITORS' NOTE *Tawan Davis' leadership combines deep training and experience in finance and economics with a prolific social activism. He began his career as an investment banker with Goldman Sachs and was later a real estate private equity investor with Prudential Financial, leading and managing investments both in Europe and the United States. Davis later served as Vice President and Head of Public-Private Partnerships in the administration of New York City Mayor Michael Bloomberg and as CIO of a \$5 billion national real estate development firm. In addition to leading Steinbridge, Davis is also an Adjunct Professor of Real Estate at New York University (NYU), and serves on the boards of Harlem Hospital, the New York Urban League, and the New Horizons Children's Advocacy Group. Davis earned his bachelor's degree with honors from Georgetown University, an MS degree from England's Oxford University, and an MBA degree from Harvard University.*



Tawan Davis

COMPANY BRIEF *The Steinbridge Group (steinbridge.com) is a real estate investment and asset management company. Over recent years, the company has initiated an investment strategy to acquire and renovate homes to lease to working families in major cities throughout the United States. The company's goal is to invest over \$2 billion through assembling a portfolio of several thousand homes. Steinbridge's team includes leading real estate professionals with billions of dollars of investing, acquisitions, asset management, construction, development, and leasing experience.*

What was your vision for creating The Steinbridge Group and how do you define its mission?

When I started The Steinbridge Group, we initially structured and executed the acquisition of hundreds of millions of dollars of office buildings. Well before the COVID-19 crisis, it became clear to me that office investment may not be the ideal path for a real estate growth company over the next 30 years. The most acute real estate need in the United States was not more offices, but high-quality housing for working people.

I added to that my family and personal experiences. In the Great Migration, my

great-grandmother and her sisters moved to Oregon from Arkansas and housed family and friends. Their pioneering then witnessed a steep decline. Like many African American communities, riots after Dr. King's assassination, disinvestment in the '70s, drugs in the '80s, and gangs in the '90s ravaged Northeast Portland. That changed while I was in high school and college as our neighborhood experienced rapid gentrification that displaced many. Our widowed neighbor, Mrs. Georgia Smith, let my mother use a

Section 8 voucher to rent her house when she remarried and moved after her husband's death. That home provided my sister and me stability through the rocky 1990s and regentrifying 2000s.

Over the last 15-25 years, America has rediscovered its urban center. Areas previously ignored and underdeveloped are now in high demand – creating domestic emerging markets, but pushing many to the wayside. By investing in these areas, we can produce outsized returns for private capital while making a profound impact on families and communities. It is an opportunity to do for others what Mrs. Smith did for us.

What have been the keys to Steinbridge's growth and how do you define the Steinbridge difference?

Over the past couple of years, I've spent a lot of time studying expert analysis of fast-growing billion-dollar companies. Given that guidance, there are a few essentials to catalyzing a growth company that Steinbridge seems to have gotten right early based on expert observations:

1. Pick the right business: This is the most important decision when starting a company. Simple ideas that address a massive problem are best. Although difficult to implement, building homes for working families in transitioning neighborhoods is a straightforward idea addressing a colossal market need. This is Steinbridge's clear strategy.

2. Provide a solution to a problem: Define the problems that exist for those who produce value and those who will consume that value. Our tenants are our end users and our investors are our customers. For tenants, we solve the problem of home attainability. For investors, Steinbridge provides an outsized risk-adjusted return with exposure to impact and ESG investing.

3. Swim in a blue ocean: Red oceans are filled with competitors that are vying for the consumer's attention, while blue oceans are wide open. At over \$4.5 trillion of value, SFR investing is the largest asset class in real estate, but it is still emergent for institutional investment. The resurgence of impact and ESG investing has faced a lack of investment prospects despite proving to render strong returns in strong and weak economic cycles. Steinbridge is an SFR developer and redeveloper focused on impacting working families and transitioning neighborhoods. The possibilities for us are wide open.

4. Develop a prototype and test: A company grows by building upon small efforts and assessing the desirability of the prototype from the point of view of consumers and producers. Steinbridge redeveloped single family throughout Philadelphia's transitioning neighborhoods as a test case before expanding to other markets. Our immense learnings are now being applied to other markets and opportunities.

Will you discuss Steinbridge's investment strategy?

The Steinbridge Group is an impact investment firm with real estate as the first mover of that impact. To make this impact we acquire, develop, and reposition high-quality real estate assets in momentum submarkets of gateway U.S. cities on behalf of global investors. Presently, we have three active impact investment strategies:

1. Single-family rental rehab: Steinbridge has developed an efficient engine for acquiring and rehabbing properties in transitioning neighborhoods of America's economic powerhouse metros.

2. Single-family build-to-rent: Steinbridge partners with leading institutions to develop hundreds of new build-to-rent single-family homes on underutilized land in high-demand U.S. markets.

3. Opportunistic urban infill: Steinbridge acquires and develops hundreds of multi-family residences to optimize and activate sites controlled by strategic partners.

Will you discuss how Steinbridge is bringing social responsibility to urban real estate?

First, you cannot succeed at anything that you do not measure, so for Steinbridge, investment and impact are measured together. We

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put as much intention around impact as we do around investment and accordingly mark our impact by the numbers, just as we do returns for our investors. We know that:

- In our historical portfolio, 70 percent of our tenants or buyers would be classified as essential workers.
- Incomes in our mixed-income developments range from 65 percent to 120 percent of the area median income and beyond for market-rate units.
- In our Pennsylvania portfolio, 42 percent work in the healthcare fields as nurses, nursing assistants, or similar work.
- Our rents and sales are structured so that residents spend no more than 30 percent of their income on housing.

Second, we insist on quality. Everyone wants to live in a nice home, so we fit out our homes with stainless steel appliances, granite countertops, new wood floors, new roofs, new heating, new plumbing systems, and more. We present a house that we can point to proudly and in which we would invite a relative to live. Attainable does not mean unattractive.

How critical is it for Steinbridge to build a diverse and inclusive workforce?

At Steinbridge, we see ourselves as creating what we call “an ecosystem of opportunity.” This means that we create opportunities inside and outside of our organization for diverse groups and individuals, some of whom may not otherwise get such opportunities. As owner-operators, we are the ultimate deciders and can build diversity not only in our internal organization, but among contractors, subcontractors, service providers, consultants, professionals, and development partners.

It is critically important for every business to connect with the value brought by different kinds of people. Diverse viewpoints and backgrounds help see through blind spots, access untapped markets, and make organizations more adaptable to change and to tough financial times.

For us, internal and external diversity has proven to be a tangible competitive advantage.

What do you see as Steinbridge’s responsibility to be a good corporate citizen?

Our very work is an exercise of corporate citizenship. Our investments strengthen communities, unlock potential, and create homes that deliver lasting opportunities in neighborhoods.

This year, The Steinbridge Group has clarified its mission as an impact investor. Our leading impact investment platform has demonstrated success in leveraging private capital to financially empower communities, and that success reinforces our conviction that investing in impactful strategies is an untapped win-win-win for investors, communities, and the broader society. And to lead by example in not just what we say, but in what we do. Authenticity is at the heart of our leadership team, and thus our corporate identity.

Being a good corporate citizen presents an opportunity for companies to find the balance between “doing good” while “doing well.” A good corporate citizen seeks to generate significant profits, while simultaneously seeking to use those profits to create an ecosystem of mutual benefit for investors, the community, and the corporation.

For Steinbridge, investment and impact move together as one, not as separate entities. Our goal is to demonstrate that you can take private capital and do good with it and still make a good return.

What do you feel are the keys to effective leadership and how do you describe your management style?

I try to be a consensus builder. My rule is that we make 95 percent of decisions together, and I reserve 5 percent for instances where I have a company-wide insight across functions that others may not have. Consensus-building leadership forges unity and fosters investment in – and ownership of – outcomes.

Admittedly, this is a more tedious management style and requires patience from me as well as between team members. There’s a good deal of quiet listening, head nodding, and tongue-holding. However, if I lean into the conviction that I brought the right people together in the first place, inevitably each specific perspective leads to a better outcome.

Did you always know that you had an entrepreneurial spirit and desire to build your own business?

When I was in my early teens, we didn’t have much money. My mother was single and we used Section 8 vouchers to support our rent. We were religious, and there’s a Bible verse that says the cattle on a thousand hills belong to God. I remember asking my grandmother, “How do I get a hill? Heck, I’d take one cow! I only need one!”

My sense was that after the civil rights progress my grandparents and great-grandparents made migrating from Arkansas to Oregon, the next frontier for my family and the broader community was economic. If I could get one opportunity, then I could help myself, my family, and my community. I started that journey studying economics in college, sociology in grad school, and finance and real estate in business school. From there, each of my career moves pointed in that direction.

From there several professional paths opened up. As a youngster, my earliest vocation was the ministry. Church leaders whom I admired were my first mentors. Also, I’ve been approached to consider a run for the United States Congress more than once.

However, I came to the conclusion that although ministry and politics are hugely important, we ultimately live in a capital-driven society. Many of the persistent challenges in America are rooted in an ever-widening wealth gap and I believe that building a strong, profitable, independent business is one of the most direct ways to address that.

Steinbridge has accomplished much since its founding. Are you able to enjoy the process and take moments to reflect on what you have built?

Everyone in my company can quote an excerpt from one of King David’s poems. Psalm 90 Verse 12: “Lord, teach us to number our days, that I may incline my heart to wisdom.” Colloquially put, “God remind me that life is short, so that I don’t act like a fool!”

So that really is one of the clarifying ideas in my life – it became clear to me that life was more than about accumulation and self-gratification. When my time has come, I want to have made the maximum impact that I feel called to make. So for me, this work is more of a calling than a job and I approach it almost evangelistically.

I enjoy and am compelled by the pursuit, and measure what we’ve built against what remains to be accomplished.

What advice do you offer young people beginning their careers?

For some time, I taught at the NYU’s Shack Institute for Real Estate. Above business or real estate texts, I recommended that my students and other young people read, *The 7 Habits of Highly Effective People*, with one of the key lessons from the book being to “Begin With the End in Mind.”

Secondly, meaningful success requires an internal fortitude that life’s experiences often wring out of us by the time we’re 30-35. So, I invite young people to remember that “you are all the wonderful things your grandmother said you are.” Grandmothers tend to see us through loving rose-colored glasses that don’t even fit our parents’ prescription. Grandmothers, or someone in our lives like them, see us as the best version of our potential selves even before we can talk. From time to time, remind yourself that you are, or are becoming, that potential-maximizing human that the ones who loved you most said you would be. ●