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He just closed his fifth fund. Here's what Ethan Assal will not invest in.

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Investor Ethan Assal has closed his fifth Current Yield with Participation Fund.

Entrepreneur and investor Ethan Assal's fifth fund has raised more than $40 million.

The raise is comprised of $32.6 million for Current Yield with Participation Fund V, as well as an additional $8 million “sidecar” fund focused on multifamily residential real estate, Assal told the Washington Business Journal in an interview. The final close comes about a year after Securities and Exchange Commission filings showed fund five had raised $27.45 million.

While Assal, of Potomac, has done a variety of deals in commercial real estate and among operating companies, there is one area he will not be investing in — office space. And that is because he believes the Covid-19 pandemic and the rapid transition to widespread remote work will dampen that market.

"I think what's happened is that Covid has taken what was a 15- or 20-year trend and compressed it into a year and that people now realize that for a lot of types of businesses they don't need to work from the office," Assal said, adding that this will become more evident as leases come up for renewal. "Business owners are going to see that I am paying for all this office space and during Covid I didn’t need it so why do I need it after?"

His fund's existing portfolio includes the Delaware Corporate Center and Christiana Corporate Center, five Class A office buildings in New Castle County, Delaware, totaling 485,000 square feet, but the fund notes it has partially exited that investment. It also exited its prior investment in MakeOffices.

Assal is bullish on hotels, strip malls and multifamily properties, as he believes there is huge pent-up demand that means those industries will bounce back almost immediately. The fifth fund has already made investments in an assisted living and senior housing facility in Georgia, the Renaissance Baltimore Harborplace Hotel and student housing near Radford University in southwest Virginia.

“We think within three to four years hotels will be where they were or better they were were four years before,” Assal said. "This fund we are seeing some really phenomenal opportunities from the development standpoint.'

One sector his funds have never invested in? Restaurants, something Assal said he does not see changing.

And while the funds have generally gotten larger over the years, Assal said he intends to hold at roughly the size of the fifth fund as he develops a new fund every 18 months — at least.

“We would love to be able to get one out every year but that would be based on the quality of the deals,” Assal said. Most participants invest in every fund, balancing out potential, unforeseeable risks by investing money over years.

These successive funds do not invest in startups or distressed companies but in firms with established revenue and profits, Assal said. Investors are paid in regular intervals from participating companies and then get another windfall when the real estate assets are sold. The way the funds are structured helps limit potential downsides that come from recessions and limits the overall taxes investors have to pay on their returns.

Assal, who got his start decades ago selling rock-and-roll merchandise, also owns public relations firm Verasolve. In the late '90s he helped found advertising agency Multimedia Holdings before stepping down in 2002 after restructuring the business (it was later bought by Pittsburgh-based Blattner Brunner). He is also the founder of the Moxie Award, which celebrates "boldness in business" and recognizes D.C.-area companies and nonprofits.

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