



Preqin Industry News

Olivia Harmsworth examines the latest news on private real estate debt, including investors targeting debt funds, and debt-focused funds that have recently launched or held an interim or final close.

Investors interested in debt strategy funds in the coming 12 months:

[Korean Teachers' Credit Union \(KTCU\)](#) plans to raise its allocation to overseas alternatives – which includes real estate – from the current 7.6% to 20%. In terms of fund strategy, the pension plan is predominantly interested in mezzanine debt vehicles due to an increase in its short-term liquidity needs and the potential for such investments to provide stable cash yields. KTCU will also consider other fund types such as value added and opportunistic vehicles.

[Laborers' & Retirement Board Employees' Annuity & Benefit Fund of Chicago](#) has issued an RFP for a real estate debt fund manager. The pension fund is seeking a fund with a target size of at least \$100mn, and the fund must be open or able to accept commitments in the next nine months. The deadline for proposals is 9 July 2013.

[Weld County Retirement Board](#) will commit to new private real estate funds in the next 12 months. It will seek opportunities in North America, and is particularly interested in vehicles employing a debt strategy. The pension fund is looking to commit \$7mn, which equates to 5% of its entire investment portfolio. The pension fund has a 10% target and actual allocation to real estate.

Debt funds recently launched, or reached interim or final closes:

[Special Opportunity Fund 7](#) is Merricks Capital's maiden real estate fund. It focuses on mezzanine debt opportunities mainly in the Australian market, and to a lesser extent the wider Asia region. The fund provides loans to developers for residential and commercial assets, particularly those built in Sydney, Melbourne and Brisbane. It targets institutional investors and aims to provide an IRR of 13%.

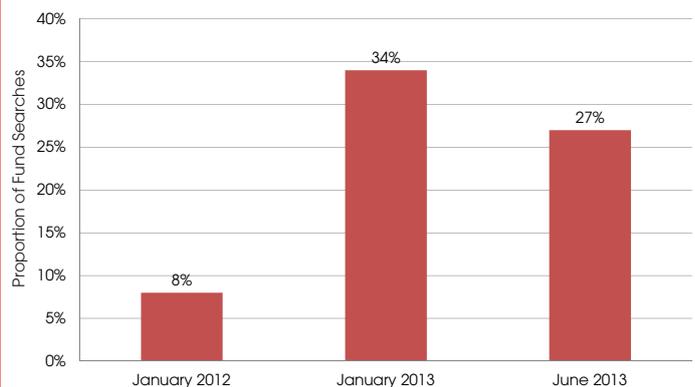
[Lone Star Real Estate Fund III](#) is expected to utilize a similar strategy to its predecessor fund and seek opportunities in the distressed commercial real estate debt sector and make equity investments in Western Europe, the US and Japan.

[Thorofare Asset Based Lending Fund II](#) reached a final close in June 2013. The fund will originate loans of up to \$20mn on a variety of property types across the commercial sector. It will provide monthly distributions to investors.

[Rockbridge Hospitality Fund VI](#) will follow a similar strategy to previous funds in the series and make debt and equity investments in US hotels. The fund will capitalize on the multiple distress points in the hospitality market caused

A look at recent changes in investor appetite for private real estate debt funds:

Chart of The Month: Proportion of Active Investors Targeting Private Real Estate Debt Funds in Next 12 Months, January 2012 - June 2013



Source: Preqin Real Estate Online

The Chart of the Month shows that investor appetite for real estate debt funds increased significantly over 2012, from 8% of investors including this strategy in their fund searches and mandates in January 2012, to 34% in January 2013. However, Preqin has seen a decrease in the proportion of searches so far this year, with 27% of investors targeting real estate debt funds over the next 12 months in their June 2013 searches, indicating that appetite for these vehicles may be declining.

by the recent economic downturn and the lack of credit and massive deleveraging in the industry.

[FF&P Russia Real Estate Limited](#) was launched in 2003 to target Class A income-generating assets in the commercial centres of Russia. The fund made its final distribution to shareholders in May 2013, returning over \$213mn to shareholders, including international private equity companies and clients of FF&P Asset Management. UK investors achieved a 2.1x return on their initial investment.

Do you have any news you would like to share with the readers of Spotlight?

Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.

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