

DivcoWest Creates \$2.8 Billion Investment Fund

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San Francisco-based DivcoWest Properties has created a more than \$2B investment fund with the creation of DivcoWest Fund IV. The real estate manager declined to comment for this story.



The total equity raise for Fund IV was \$976 million. This was more than \$200 million over what had been originally targeted at \$750 million.

According to fund documents, the commingled fund has a leverage limit of 65 percent. This financing structure would mean that the total capitalization of Fund IV would be roughly \$2.8 billion.

DivcoWest attracted some of the largest public pension funds in the country to invest in Fund IV. These included a \$148 million commitment from the New York City Employees Retirement System, \$100 million each from California State Teachers Retirement System, Oregon Public Employees Retirement Fund and Massachusetts

Pension Reserves Investment Management Board as well as \$50 million from the San Francisco City & County Employees' Retirement System.

There was one investor who decided to pull out of the commingled fund. This was the New Mexico State Investment Council. The sovereign wealth fund wrote in an e-mail that it was not able to reach final terms and conditions with the manager of Fund IV. New Mexico had approved a \$35 million commitment into the fund in January of this year.

The projected returns for investors in the commingled fund are a 14 percent to 18 percent gross IRR with a 2X gross multiple. DivcoWest has invested \$15 million of its own capital into Fund IV as a co-investment.

The San Francisco Bay Area will be one of the targeted markets for the commingled fund. This market could make up at least 50 percent of the portfolio for the comingled fund.

There is at least one investor that thinks DivcoWest won't be spending all of its efforts in downtown San Francisco for its deals in the Bay Area. San Francisco City & County stated in a board meeting document that the pricing dynamics for San Francisco may force DivcoWest to be more active in the lower priced areas of the Peninsula and East Bay.

Fund IV has multiple targeted markets around the country. These include Southern California, Portland, Seattle, Greater Boston, New York City, Washington, D.C., Austin, Denver and Raleigh-Durham.

Fund IV has a value added investment strategy. It looks to buy, reposition, redevelop and in some transactions fund new development projects. The focus will be on the two property types of office buildings and R&D assets.