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New Mexico commits $175m to three funds

The $15.9 billion state endowment has made contributions to funds sponsored by USAA Real Estate, Harrison Street and Cypress Real Estate.

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The New Mexico State Investment Council (SIC) has committed a total of $175 million to three real estate investment funds. All three commitments were based on recommendations from its consultant, **The Townsend Group**.

At its latest board meeting, New Mexico SIC approved a $75 million commitment to USAA Eagle Real Estate Fund, an open-ended fund investing in all major property types across the US, and directing separate accounts. The $15.9 billion state endowment also approved an investment of $50 million to **Harrison Street Real Estate Capital**'s latest opportunistic fund, Harrison Street Real Estate Partners IV. In addition, it approved a contribution of $50 million to **Cypress Equities Real Estate Investment Management**'s debut retail investment vehicle, Cypress Acquisition Partners Retail Fund.

According to documents from New Mexico, USAA Eagle Real Estate is an open-ended core-plus fund primarily designed to target all major property types across the US. Specifically, the fund will focus on growth investments, particularly those that cater to the healthcare, technology and energy industries. Townsend recommended the commitment as part of the endowment's core strategic real estate portfolio.

Beyond the Eagle fund's core-plus focus, USAA seeks to take advantage of short-term or tactical opportunities by investing in higher-risk opportunities that may include: build-to-suit developments to be held for income and appreciation; ground-up, speculative build-to-core developments; the purchase of vacant or partially vacant properties; the acquisition of near-term rollover facilities; and the acquisition of debt as a means to ownership or for attractive returns. The fund will have the ability to invest up to 20 percent of committed equity in such non-core investments.

Meanwhile, as *PERE* **previously reported**, Harrison Street's fourth fund is targeting $600 million in commitments and has a hard cap of $700 million. Through the vehicle, the Chicago-based investment firm will invest in off-campus student housing, senior housing, medical office buildings and storage properties across the US.

Sources familiar with the matter told *PERE* that Harrison Street has garnered $465 million in equity commitments for Fund IV as of March. A final close for the fund is anticipated sometime near the end of the year.

Lastly, Cypress Equities is seeking $300 million in equity to reposition retail assets in the US. Through the value-added fund, the firm plans to acquire power centers, grocery- or pharmacy-anchored strip malls and lifestyle centers where there is a re-tenanting or reconfiguring play to create value over a relatively short-term hold. Townsend recommended the commitment for New Mexico's non-core tactical portfolio, the pacing model for which calls for approximately $180 million in new commitments in 2013 in order to maintain exposure in line with the investment targets established by the real estate investment policy.

For non-core tactical strategies, SIC approved four commitments totaling $225 million in 2012, consisting of $75 million to Blackstone Real Estate Partners VII and $50 million each to **Almanac Realty Securities VI**, **Rockpoint Real Estate Fund IV** and Berkshire Multifamily Value Fund III. Including all existing unfunded commitments expected to be drawn, new commitments made to date and a $50 million commitment to Harrison

Street, SIC's real estate exposure would be approximately 8.8 percent.

For the core strategic portfolio, the council approved five commitments totaling $410 million since December 2011. Of this amount, approximately $220 million has been called and the remaining $190 million is anticipated to be called over the next two to four quarters.

As of December 31, the estimated value of the endowment's real estate portfolio was $850.3 million, invested across 21 commingled funds and 5 joint venture relationships. Its real estate allocation as of January 31 was 8.5 percent of total assets.