



San Francisco commits to two opportunistic real estate funds

The \$16 billion pension plan has contributed \$40 million to AEW Partners VII and \$50 million to Harrison Street Real Estate Partners IV.

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The **San Francisco Employees' Retirement System (SFERS)** continues to invest in opportunistic real estate, having recently contributed a total of \$90 million to two opportunistic real estate funds.

Documents from the \$16 billion pension plan revealed that it has approved a commitment of \$40 million to **AEW Partners VII**, the current opportunistic vehicle from global real estate investment management firm AEW Capital Management. In addition, SFERS has approved a contribution of \$50 million to **Harrison Street Real Estate Capital's** latest fund, Harrison Street Real Estate Partners IV.

AEW Partners VII is looking to raise \$500 million in capital. Through the opportunistic vehicle, AEW is looking to buy nonperforming and defaulted loans where title to the underlying property could be obtained, as well as acquiring high-quality, well-located assets at significant discounts to replacement cost from lenders selling as a result of balance sheet or regulatory pressure. Although the bulk of investments made on behalf of AEW Partners VII will be in North America, the firm can invest up to 15 percent of the capital outside the region.

Meanwhile, Harrison Street is **seeking \$600 million** in equity commitments, with a hard cap of \$700 million, for its fourth fund. Through the opportunistic vehicle, the Chicago-based real estate investment firm is looking to invest in off-campus student housing, senior housing, medical office buildings and storage properties across the US.

These commitments mark the fourth and fifth opportunistic investments that the San Francisco pension plan has made during the fiscal year, which began on July 1. In October, the pension plan contributed \$40 million to TriGate Property Partners II, an opportunistic fund seeking \$300 million in total equity commitments. In August, SFERS contributed \$50 million to Brookfield Strategic Real Estate Partners and, in July, it committed \$44 million to Rockpoint Real Estate Fund IV.

It was announced last June that SFERS planned to **increase its allocation** to real estate and put an added focus on opportunistic and value-added strategies. San Francisco approved a plan to allocate as much as \$400 million to non-core managers for its current fiscal year.

Separately, San Francisco's commitment to Harrison Street follows the Kansas Public Employees Retirement System's recent contribution to the fund. Last month, the Kansas pension approved a \$40 million commitment to the vehicle.

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