



New Mexico PERA backs Harrison Street and eyes private core

30 August 2016 **By Jon Peterson**

Public Employees Retirement Association of New Mexico is investing \$75m (€67m) in Harrison Street Real Estate Partners VI fund.

Chicago-based Harrison Street will invest all of the latest capital in the US.

Kristin Varela, portfolio manager for real returns for New Mexico, said Harrison Street's investment strategy is different from its other real estate managers.

"It's focused on specialized real estate that has strong demand and properties that a lot of other managers avoid," Varela said. "This would include health care real estate, student housing and self-storage."

New Mexico expects to make commitments into private core real estate for the first time. All of the capital invested by the pension fund in real estate has been through value-add or opportunistic strategies.

Some funding for private core real estate will come out of capital currently invested in global REITs, to which the pension fund is over-allocated.

The investor has 9% of its real assets portfolio in this sector and has a targeted allocation of 5%. Three managers are involved in the global REIT space.

The pension fund previously made a \$45m commitment to Harrison Street's Fund V, a 2015 vintage fund. The pension fund has yet to see any net IRR returns on the fund.

The firm raised \$1bn for the Fund V in January last year, including capital going directly into the fund and co-investments.

Targeted IRRs for the fund were a 16% net and 21% gross.

New Mexico PERA has placed real estate with its real assets allocation.

The targeted allocation for real assets is 20% of the pension fund's total investment portfolio, or \$2.8bn.

It had invested \$1.2bn or 8.6% in real assets, as of June this year.

New Mexico PERA also invests in agricultural, infrastructure, master limited partnerships and hedge funds.