

Posted - 26 Jul 2013 11:46 CET

PWP raises biggest fund in Europe since Blackstone

Perella Weinberg has closed its second pan-European fund with total equity commitments of more than €1.3 billion, making it the largest equity haul for a pan-European opportunistic real estate fund since Blackstone closed its Europe-focused fund in June 2009. By Robin Marriott

New York's Perella Weinberg Partners (PWP) has become the world's most successful firm in terms of most equity raised for a pure pan-European opportunistic real estate fund since the onset of the global financial crisis, with the exception of The Blackstone Group.

PERE has learned that PWP closed Perella Weinberg Real Estate Fund II earlier this week on total aggregate commitments of more than €1.3 billion (\$1.72 billion), which is about €100 million above its original stated target.

The final closing figure is greater than the €1.2 billion the firm raised in July 2008, when it announced the final close of Perella Weinberg Real Estate Fund I. Moreover, it is thought to be the largest haul since Blackstone closed on €3.1 billion for Blackstone Real Estate Partners Europe III in June 2009. It surpasses Orion Capital Managers' Real Estate Fund III in December 2009 which closed on €1.28 billion.

The fundraising feat comes as investors around the world are coming to think of Europe as the next big destination for opportunistic real estate investing now that the US distressed market largely has played out following a quicker-than-expected bounce back.

PWP is unlikely to reveal the identity of its limited partners, but they are said to come from Europe, the US, Asia and the Middle East. As PERE previously reported, APG Asset Management of the Netherlands and New Mexico State Investment Council are among the fund's investors. For New Mexico, it is the first time that the state endowment has committed to a pure Europe-focused real estate vehicle. A spokesman told PERE in May: "We feel that Perella Weinberg is a strong partner to invest with in this space. We've made private equity commitments with European distressed exposure over the last six months and several of our debt managers are investing in the space currently, but this is the first in the real estate portfolio."

The New Jersey Division of Investment also is thought to be among the fund's LPs, as the director of its division of investment, Timothy Walsh, wrote a memorandum to the State Investment Council proposing a €75 million commitment. The memorandum suggested PWP is a "top-quartile European real estate manager" which was offering an 11 percent preferred return in its new fund and noted that the firm was managed by Léon Bressler, the former boss of European public REIT manager, Unibail-Rodamco. "This allocation will provide geographic diversification within the real estate portfolio and provide exposure to better risk-adjusted opportunities than available in the US," the memo stated.

PWP has fully invested Fund I, which was projecting a gross return of 1.8x and a 21 percent IIR as of December 31, according to New Jersey documents and PWP's report to its LPs. Some 49 percent of that fund has been invested in distressed debt investments, 33 percent into corporate acquisitions and 18 percent into direct properties from distressed vendors or assets in need of active management and capital improvements.

New Jersey added that PWP had been "very conservative" regarding the use of leverage while simultaneously outperforming many of its peers. Of the 10 completed transactions in Fund I, eight of the deals were funded entirely with equity, although several of these assets were inherently levered given their structure - that is, they were investments in companies that had outstanding debt or investments in subordinated debt positions. The aggregate debt level for those deals was 50 percent.

As well as Bressler, the PWP team consists of 16 professionals including Paul Golding, Vincent Rouget, Nathan Shike and Manfred Wiesner, all managing directors, and Andres Jimenez Zorilla, a principal. Bressler himself is said to have committed €10 million personally, while the investment team is contributing €1 million. In total, PWP is co-investing no less than €75 million, according to New Mexico documents.

One of the earliest investments for Fund II is participation in the largest development project in the French city of Lyon.

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