
IPE Real Estate News

New Mexico PERA commits \$40m to Euro Debt Fund

25 June 2013

GLOBAL – The Public Employees Retirement Association of New Mexico has approved a \$40m (€30.5m) commitment into the DRC Capital European Real Estate Debt Fund II.

This investment will be placed into a commingled fund managed by DRC Capital.

The strategy for the fund is to provide and originate collateralised commercial real estate loans in Western Europe, focusing on existing properties primarily in France, Germany and the UK.

The fund will also consider investments in the EU, Norway and Switzerland.

According to a document from New Mexico PERA, Fund II plans to take advantage of the lack of capital for commercial real estate debt in an increasingly "disintermediated" European banking system.

Current market conditions and the historical structure of the European commercial real estate debt market are combining to create a lasting need for new capital in the sector, it said.

Fund II will have a 3-5 year investment period.

The pension fund wrote that, during this period, the euro-zone economy was expected to grow sluggishly while it worked through the debt overhang.

The pension fund believes this is an opportune time for providers of capital to enter a market characterised by "disintermediation at attractive prices and collateralised with prime core assets".

New Mexico PERA is funding the commitment for Fund II by taking capital from its public REITs portfolio.

This sector makes up 51.4% of its real estate portfolio.

On a long-term basis, the pension fund wants to reduce this to 25%.

The private real estate portion of the portfolio is now 48.6%, which the pension fund plans to raise to 75%.

Author: [Jon Peterson](#)