

## Wheelock holds \$525m final close on RE fund

**The lead investors in the Boston- and Greenwich, Connecticut-based private equity real estate firm's first commingled fund helped to steer additional capital to the vehicle, which became oversubscribed less than a year after its official launch.**

Posted - 02 Jul 2012 17:18 GMT CET  
updated - 02 Jul 2012 17:37 GMT CET

Wheelock Street Capital has wrapped fundraising on its first commingled real estate vehicle, Wheelock Street Real Estate Fund (REF).

The Boston- and Greenwich, Connecticut-based private equity real estate firm collected \$525 million in equity commitments from a wide range of investors that included endowments, alternative asset managers, pension plans, foundations and family offices. Limited partners included the New Jersey Division of Investment (NJDOI) and the University of Texas Investment Management Company (UTIMCO) – which both committed \$100 million to the fund – as well as the City of Phoenix Employees' Retirement System and Makena Capital Management.

The vehicle, which officially was launched in fall 2011, held a previous close at \$405.5 million last November, according to a filing with the US Securities and Exchange Commission.

Although Wheelock Street REF was Wheelock's first commingled fund, the firm previously has raised two investment funds of \$100 million and \$150 million in a joint venture with an investor that sources have identified as Baupost, although the Boston-based hedge fund manager does not invest in commingled funds and so was not a limited partner in Wheelock Street REF.

Wheelock's second joint venture fund also included a minority investment from UTIMCO, which contributed about 10 percent of the capital and went on to become a lead investor in Wheelock Street REF, sources said.

Wheelock has completed 13 transactions on behalf of the two vehicles. "Having that history and track record was an important contributor to the success of the [WSREF] fund," managing partner Merrick Kleeman told *PERE*. Kleeman, who served as head of acquisitions at Starwood Capital Group from 1997 to 2007, started Wheelock with Rockpoint Group co-founder Jonathan Paul in 2008.

Kleeman accredited the fund's lead investors for introducing the firm to further investors. He said: "Those introductions proved much more efficacious than those done through a placement agent." He furthered his point by stating that while a placement agent has a financial incentive to reach out to an investor, a limited partner "offers a much higher-value introduction" in seeking out like-minded investors to participate with them in a fund.

Wheelock Street REF's lead investors had requested a hard cap of \$500 million, but after the firm closed on the bulk of the fund capital in November, "we still had quite a bit of significant interest in the fund that it became difficult to manage to exactly that cap," said Paul. **So to accommodate investors that had done significant due diligence on the fund, the firm requested, and received approval, from its LPs to slightly raise the cap to \$525 million.** Even then, the fund was oversubscribed, he noted. Wheelock did not use a placement agent, although it worked with Denver-based advisory firm KAP Group on developing marketing materials and other fund-related matters.

Wheelock's investment strategy essentially is a hybrid of the traditional allocator and operator fund models. The firm functions as an operator when it invests through its in-house hospitality and residential land platforms, and as an allocator through joint ventures with third-party managers for investments in other property types. The fund, which is focused primarily on the US, will target opportunistic returns through distressed, high-yield debt, preferred equity and equity investments.

The vehicle to date has invested \$38 million in two transactions, including the acquisition of land assets for approximately 1,500 residences in Broomfield, Colorado from homebuilder PulteGroup in late 2011, and the purchase of the DoubleTree Suites by Hilton Hotel, a 380-room hotel in Houston, from a joint venture between Westmont and Kimco Realty Group in February. The firm has a further five deals under contract – including three portfolio sales in multifamily, hospitality and residential land. These would need some \$150 million of equity from the fund.

Wheelock is headquartered in Boston and Greenwich, Connecticut. The firm recently opened a New York office and also has satellite offices in Washington, DC; Tampa, Florida; and other locations throughout the US.

© PEI Media Ltd. All rights reserved. Content on this site may not be reproduced, distributed, transmitted, displayed, published or broadcast without the prior written permission of PEI Media or in the case of third party content, the owner of that content. You may not alter or remove any trademark, copyright or other notice from copies of the content. You may download material from this site (one machine readable copy and one print copy per page) for your personal, non-commercial use only.