

## Mesa West Clears Fund-Raising Hurdle

Despite the loss of a key investor, **Mesa West Capital** has lined up \$425 million of equity for its second high-yield-debt fund so far, exceeding its original fund-raising goal.

The Los Angeles fund operator expects to hold a third equity close next month for Mesa West Real Estate Income Fund 2. The vehicle seeks an 11-13% return, primarily by writing floating-rate first mortgages with terms of 2-4 years. It will target transitional properties in the Western U.S. valued at up to \$100 million.

At the time of the fund's first equity close during the second quarter of 2008, Mesa West's total fund-raising goal was \$400 million. Now, the firm is aiming for a final close in May with \$500 million of equity. With leverage, the fund would have \$2 billion of lending power.

Mesa West hit a roadblock in its fund-raising efforts last fall, when **Pennsylvania Public School Employees** canceled a \$125 million commitment to the fund. The pension system also withdrew \$800 million of "soft" commitments from four unrelated real estate investment funds.

Mesa West declined comment, but market players said the firm quickly rebounded and lined up new sponsors, including **Indiana State Employees**, which pledged \$75 million of equity; **San Joaquin (Calif.) County Employees** (\$50 million); and **Kentucky State Employees** (\$40 million). The commitments have not yet closed.

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Real Estate Income Fund 2 is headed by **Jeff Friedman** and **Mark Zytko**. Up to 20% of the capital could be invested in properties, preferred equity and mezzanine loans, but investors said Friedman and Zytko intend to focus almost all of their efforts on writing first mortgages. To date, the vehicle has originated a single loan: a \$25.6 million senior mortgage to **Magellan Group** that is backed by Grace Place Industrial, a 501,000-square-foot complex in Commerce, Calif. ❖

## JCR Preps Distressed-Asset Vehicle

**JCR Capital**, which last year outlined a plan to launch a series of funds targeting multiple debt strategies, has revised its strategy after investors expressed a preference for distressed plays.

The Denver firm is now marketing a sole vehicle, **JCR Capital Distressed & Opportunistic Real Estate Fund**, with a \$250 million equity goal. At least 80% of the total will be used to provide equity and preferred equity to firms that buy distressed loans and properties or invest in project recapitalizations. In some cases, JCR could form partnerships with the other firms. Up to 20% of the fund's investments are expected to be high-yield bridge loans. JCR's strategy is to target income-producing properties and residential lots.

The unleveraged vehicle seeks a 15-20% return. The firm's fund-raising efforts are focused on wealthy individuals and family offices.

Last fall, JCR told investors it was preparing to launch

three commingled funds within a few years. One would write loans on stabilized properties. Another would originate high-yield debt on non-stabilized properties. And the third would provide equity and preferred equity to buy distressed assets and land. But as the financial markets crumbled, investors told the firm they were less interested in originating loans than in distressed assets. In response, JCR scrapped its plans for the first fund and merged the other two strategies to form the **Distressed & Opportunistic Real Estate Fund**.

Several operators have recently begun raising equity for similar funds, notably a **Lone Star Fund** vehicle that has a \$10 billion equity goal.

JCR is run by principals **Jay Rollins**, **Guy Johnson** and **Maren Steinberg**. Rollins and Steinberg previously worked together at **GMAC Commercial Mortgage** and, before that, at **Eastern Realty**, which bought more than \$400 million of assets from **Resolution Trust Corp.** in the early 1990s. In addition to his post at JCR, Johnson is a principal of **Johnson Capital**, a mortgage lender based in Irvine, Calif. Johnson teamed up with Rollins to launch JCR in 2006. ❖

## Inlet ... From Page 1

liquidity crunch. The vehicle, called **Inlet Real Estate Finance**, would invest in both debt and equity, including mezzanine debt, B-notes, first mortgages and REIT convertible bonds. While Inlet has previously invested in those products, it will now broaden into the distressed arena, targeting uncompleted construction projects and other troubled investments.

The vehicle could boost its investment power by accepting seller financing when available. The return goal is roughly 20%. Inlet plans to solicit capital primarily from wealthy individuals.

Inlet was founded in late 2003 by Locker, following lengthy stints at **Deutsche Bank** and **Bear Stearns**. The company initially was funded by New York-based **RFR Realty**, headed by **Aby Rosen** and **Michael Fuchs**. Inlet teamed up with **Blackstone Group** and **Tanger Factory Outlet Centers** in late 2003 to buy a portfolio of outlet malls from **Ohio Public Employees** for \$491 million. It also set up a \$120 million mezzanine-loan fund with **RFR** and **New York Life**.

Inlet's management team consists of Locker, who is chief executive, and managing directors **Majid Geramian**, **Craig Richards** and **Bryce MacDonald**. Some of their duties will shift in the wake of the alliance with Swig. Locker is focusing on raising capital and lining up new business. Geramian will spearhead the advisory business. Richards and MacDonald will have both investment and advisory roles.

Swig's portfolio encompasses office, residential and hotel properties, including the Manhattan office buildings at 1114 Avenue of the Americas, 1411 Broadway and 44 Wall Street, as well as the Fairmont Hotel in San Francisco.

Under the new alliance, Inlet will relocate to the Lexington Avenue offices of Swig's firm, **Swig Equities**. ❖