



Distressed/opportunistic CRE fund closed

Denver-based commercial real estate finance company JCR Capital has announced the first closing of its JCR Capital Distressed & Opportunistic Real Estate Fund I. The fund's strategy is to be a provider of capital to the commercial real estate industry, as opposed to simply being a buyer of assets. The fund will provide debt, participating debt, preferred equity and equity to distressed and opportunistic real estate transactions.

Jay Rollins, JCR president, notes that the supply/demand imbalance that exists in the commercial real estate finance market has created the most attractive investment environment since the previous dislocation during the RTC era. "The waves of maturing debt on commercial real estate are just beginning and the capital markets have not yet recognised their losses," he says. "The opportunities to provide capital at a reset basis are now starting to appear and will last for some time. We believe that seasoned providers of capital, and those who do not have any legacy assets, will be well positioned to take advantage of the current environment."

Rollins continues: "We believe our strategy is unique, as we are focusing on working with sponsors and entities which control the assets, thus avoiding the bid/ask gap that currently exists."

The fund will target existing borrowers, contract purchasers and legacy lenders, specifically community banks, and JCR has developed specific strategies focused on providing community banks a 'bad bank joint venture' option. The fund has three anchor investors - PartnerRe Capital Markets, JAM Equity Partners and Branzan Investment Advisors.

The initial closing included a US\$5m entity level commitment to JCR Capital and US\$17m in investment capital to the fund. The fund will remain open for 90 days to accommodate a number of investors who have indicated a strong interest, as well as new investors, to allow JCR to reach its targeted fund size of US\$25m-US\$30m. The fund will focus on smaller transactions ranging from US\$1m-US\$10m.

Rollins comments: "We believe there is more opportunity in smaller transactions at this time. There is less competition and exit strategies are easier to achieve because there is more liquidity in the small balance market."

For larger transactions, JCR will use LP co-investment capital and will team up with a long time managed account relationship.

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