



## MayfieldGentry Plans Investment Fund with up to \$1Bln of Firepower

*By John Covaleski, Commercial Real Estate Direct Staff Writer*

MayfieldGentry Realty Advisors is expected to soon begin marketing a value-add investment fund that would look to raise up to \$400 million of equity to invest exclusively in office properties.

The Detroit investment manager's proposed MGRA Genesis Fund II would look to use up to 60 percent leverage, which could give it roughly \$1 billion of investment firepower.

The fund would be interested mainly in Washington, D.C., greater Boston, Raleigh and Charlotte, N.C. It's looking to invest in deals of \$30 million to \$35 million each, but could go up to \$50 million.

It will mainly seek assets that are not fully leased and may be considered class B or A-minus in quality, and then improve the properties and their management in ways that help increase occupancy levels.

Enhancing energy efficiency will be part of its value-add efforts, particularly in Washington, D.C., where the federal government is a major tenant. In response to a mandate from President Barack Obama, the government's General Services Administration this year initiated a policy that calls for agencies to relocate to properties that have "greener, more efficient technologies."

That policy sets the stage for MayfieldGentry's fund to acquire properties that the government vacates because they lack energy efficiencies, and then add those efficiencies before putting the properties back on the leasing market.

MayfieldGentry typically provides on-site management of its properties, so the fund will be disinclined toward venturing with local operators. But it will consider proposals those operators make, including requests to recapitalize their properties.

It would be a follow-up to MayfieldGentry's Genesis Fund I, which completed its marketing last summer after raising about \$102 million. That fund has \$15 million that has yet to be invested or committed.

While the predecessor fund raised its equity commitments exclusively from United States institutional investors that include the Los Angeles City Employees' Retirement System, the new fund is expected to be marketed to family offices and sovereign wealth funds, in addition to U.S. institutions.

The new fund is expected to strictly acquire equity stakes and not debt.

"We are looking to add value to our assets, but we are not looking for properties that are under financial distress per se," said Mayfield Gentry's chief executive, Chauncey C. Mayfield, who founded the firm in 2003. He declined to comment specifically about the fund. Its portfolio has since grown to 2.45 million square feet of office, industrial, retail and multifamily space with an estimated combined value of more than \$1 billion.

In addition to investment funds, MayfieldGentry also makes single-property investments for pension fund clients in deals that are structured as separate accounts. It has four such separate account clients.

The firm prefers class-B and A-minus assets because they are less attractive to institutional investors that mainly target core assets, which are being bid up. It expects its value-add efforts to ultimately make their properties re-sellable to core investors.

But MayfieldGentry has not been in the sales market with properties recently and is not expected to enter the market until pricing levels improve substantially.

Properties it could someday tee up for sale because value-add efforts have been completed include Glenwood Plaza in Raleigh, N.C., a 131,572-sf office building that is now fully leased. It was 70 percent leased when [MayfieldGentry acquired it in 2007](#).

A lease signed earlier this month at Crossroads Corporate Park in Cary, N.C., has brought that 175,000-sf office property to full occupancy from 83.5 percent when [MayfieldGentry's Genesis Fund I bought it in 2008](#).

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