

## Goldman Wraps Up Fund of Funds

**Goldman Sachs** has completed raising about \$1 billion of equity for a giant multi-manager fund.

The vehicle, Goldman Sachs Real Estate Partners, is the second-largest real estate fund of funds ever – just \$25 million smaller than a vehicle raised about a year ago by **LaSalle Investment Management**. But LaSalle raised only about \$525 million from outside investors, kicking in the rest itself. Goldman, by contrast, put up \$100 million and solicited the remaining \$900 million from private and institutional investors in the U.S. and elsewhere. Fund raising took nearly two years.

The vehicle is designed to provide seed money to real estate specialists that haven't previously managed significant amounts of third-party capital. More than half of the fund's equity has already been invested. The capital has been plowed into both debut funds and joint ventures. The fund, headed by managing director **Justin Metz**, seeks a 20% return.

Similar vehicles have been launched over the past year. **Hawkeye Partners** of Dallas raised \$700 million for Scout Fund 1. **AVP Advisors** of Newport Beach, Calif., has almost completed raising \$400 million for its first fund. And New York-based **Clerestory Capital Partners** recently began raising \$600 million for its Oculus Small Cap Opportunistic Fund of Funds.

Goldman, Hawkeye and AVP are looking to seed domestic players, while Clerestory is targeting U.S., European and Asian vehicles.

The Goldman fund's investments thus far include \$100 million for Monarch Partners 1, a debut fund operated by **Monarch Group** of La Jolla, Calif., and \$80 million for Congress Fund 2, a \$115 million fund sponsored by **Congress Group** of Boston. It also supplied \$100 million for a \$105 million joint venture managed by **Festival Cos.** of Los Angeles, and \$50 million for a \$56 million joint venture managed by Atlanta-based **Pollack Partners**. Each vehicle is seeking opportunistic



returns.

Goldman charges a 1.5% management fee (1.25% for investors that pledge \$10 million or more). The fee drops by 25% after five years. After investors receive an 8% preferred return, Goldman receives all of the profits until it has amassed 15% of cumulative distributions. After that it gets 15% of any additional profits. ❖