

## Chicago Firms Mapping Debt Fund

Two Chicago real estate firms are teaming up on a debt fund.

**Rushmore Properties** and **Waterton Associates** are seeking to raise \$50 million to \$100 million of equity from institutional investors and high-net-worth individuals. The vehicle, Rushmore Real Estate Debt Opportunity Fund 1, would have up to \$150 million of investment power when leveraged.

The fund will seek a 15% return after fees by acquiring mezzanine loans and nonperforming first mortgages on a vari-

ety of property types.

While Rushmore and Waterton normally focus on property investments, they view debt plays as relatively attractive now. "The next 12-24 months are going to be a unique period," said one person familiar with the fund. "The real estate fundamentals are still pretty solid, and the risk-return tradeoffs are more appealing for debt products than for equity products."

Indeed, a number of property firms, including Houston-based **Hines** and **Tishman Speyer** of New York, are looking at high-yield debt to profit from soaring spreads triggered by dislocations in the credit markets.

The Rushmore fund has already made its first acquisition: a \$4.5 million mezzanine loan on a luxury apartment property in Houston. The loan was part of a \$42.5 million floating-rate debt package originated two years ago. **Regions Bank** of Birmingham, Ala., wrote the senior loan. The Rushmore fund bought the junior portion from an unidentified mortgage REIT. The debt package, which has three years left on its term, helped **Guefen Cos.** of Houston finance the construction of the 352-unit Lofts at Briarforest complex in the energy corridor.

Rushmore, which was formed in 2002, invests in value-added properties and debt. Waterton was set up in 1995 to buy multi-family and commercial properties that can be repositioned or renovated to produce value-added returns.

Some of the principals of the two companies are longtime friends, which paved the way for the fund's formation. Rushmore's principals are **Marc Reinisch**, **Jenny Hall** and **Jay Weitzman**. Waterton was founded by **Peter Vilim** and **David Schwartz**. ❖