

REAL ESTATE FUND MANAGER

Palisades Mexico Partners launches West Coast fund

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Palisades Mexico Partners has launched *Palisades Income & Growth Fund II*, which will make investments in US core-plus and value-add suburban office properties on behalf of US and Mexican high-net-worth investors.

“We want to create a diversified portfolio approach to achieve income and growth perspective,” said **Joaquin de Monet**, founder and managing principal of **Palisades Capital Realty Advisors**. “We are buying middle-market suburban offices that are fairly stabilized and financing them with longer, fixed-rate loans ranging of seven to 10 years. The play is long-term income on a long-term capital basis, and we want to keep the pool small, with a hard cap at \$150m,” he added.

The joint venture, formed by Joaquin de Monet, founder and managing principal of Palisades Capital, and **Sergio Argüelles**, president and ceo of Monterrey, Mexico-based real estate development company **FINSA**, builds on a previous partnership: the \$30m *Palisades Private Capital Fund I* that closed in 2014. Fund I was fully deployed over a six-month period across five deals. The Palisades funds have yielded current returns in the 9% to 12%.

“We believe that on December 1st we’ll have our first \$50m equity identified, which will be closed or in the pipeline as well as another equity commitment of \$75m. We don’t believe we’ll be fundraising after January,” commented de Monet. Fund II will be 20% invested at closing. Once fully invested, the fund will include approximately 20 properties totaling \$450m across the West Coast suburban markets.

The fund looks primarily for suburban office opportunities in Phoenix, Dallas, Denver and Seattle and has properties under contract or near close in Seattle and Dallas. “It’s a more prudent strategy when you already have fairly clear visibility in your income, not a lease-up or long-term repositioning strategy that may or may not bear out at the end of the cycle,” commented De Monet.

The main difference between domestic and foreign investors is that foreign investors value capital preservation and safety. “The Mexican currency has been caught up in much of the emerging market currency volatility and investors want to seize the opportunity to make in US dollar investments. Among the advantages for investors in the fund is the fixed-rate financing, which creates cash flow stability to impending rate hikes that have been recently forecast,” he said.