



SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM

MEMORANDUM

**DATE:** January 7, 2021

**TO:** Investment Committee

**FROM:** Jamie Hamrick, Senior Investment Officer

**SUBJECT:** Staff and Consultant's Recommendation for a \$30 Million Commitment to the Waterton Residential Property Venture XIV

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**Recommendation**

Staff recommends the approval of a \$30 million commitment to the Waterton Residential Property Venture XIV for SDCERS' Real Estate Portfolio.

**Discussion**

Consistent with SDCERS' Real Estate Strategic Plan and the FY2021 Real Estate Investment Plan, staff and Aon/Townsend (Townsend) have explored non-core real estate investment opportunities currently in the market. After engaging in discussions, staff and Townsend have identified the Waterton Residential Property Venture XIV (Waterton) as an opportunity that meets SDCERS' real estate investment criteria and portfolio objectives.

Waterton Residential Property Venture XIV is a non-core, closed-end fund focusing on executing a value-add multifamily strategy across the U.S. The fund will target the acquisition of multifamily investments that are below replacement value, mismanaged, have deferred maintenance, or require improvement. Waterton is expected to focus on the top 30 markets in the U.S that have strong demographic, economic and employment growth. The fund will target a net IRR of 12-13%.

Staff conducted an initial meeting with Waterton in June 2019 to learn more about the firm, fund, and the team. Staff met again with Waterton on December 1<sup>st</sup> to hear an update on the fund's progress in the current market environment. Based on the results of those meetings and discussions with Townsend, staff is in agreement with Townsend that the Waterton Residential Property Venture XIV is a good complement to SDCERS' real estate portfolio.

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Attached is a recommendation memo and additional fund information from Townsend. Representatives from Waterton will be in attendance at the Investment Committee meeting to make a brief presentation and answer questions.

Attachments: 1. Aon/Townsend Recommendation Memo  
2. Aon/Townsend Attachments  
3. Presentation – Waterton Residential Property Venture XIV