

Encore holds first close on third offering

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By: **Katherine Bucaccio**

The residential real estate investment and development firm has held a first close on approximately \$100 million for its latest vehicle.

Less than one year after closing its second fund, Encore Housing Opportunity Fund is in the market with another vehicle. The Boca Raton-based investment manager has held a first close on approximately \$100 million for the offering, called Rescore.

Encore is targeting \$500 million in equity commitments for Rescore in order to invest in multifamily development in urban infill locations. The firm is aiming for a second close by the end of June and a final close by the end of the third quarter.

Rescore is structured as a hybrid of a traditional limited partnership and a private REIT. After five years, depending on market conditions, Encore may decide to take the REIT public, sell the portfolio to a larger REIT, or maintain a traditional closed-ended fund model and sell the assets off individually.

Encore chose to pursue the structure shift after assessing the multifamily REIT market and determining that an opportunity existed for a new entrant focused exclusively on ground-up development in urban infill locations. Rescore will target select markets in Florida, Texas and California, making average investments of approximately \$25 million to purchase land and then borrowing about \$50 million per property for vertical construction. Similar to its previous funds, Encore is targeting a 20 percent net internal rate of return for Rescore.

Additionally, the recent trend of consolidation among REITs has led to a concentration of product in cities like Boston, New York, San Francisco and Chicago. With a focus on markets like Miami, Dallas and Austin, Rescore will provide much needed diversification.

Encore's previous offering, Encore Housing Opportunity Fund II, followed a traditional fund model, raising \$462 million including sidecar vehicles from European, Latin American and American foundations, insurance companies and family offices. Through Fund II, which closed last July, Encore is investing in distressed residential real estate, including entitled land, finished lots, master-planned communities, multifamily and mixed-use properties.

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