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Frogmore hits new high with £377m fund

26 June 2015 | By [Guy Montague-Jones](#)

Frogmore has completed its largest ever fundraise of £377m for its latest UK-only value-add fund.



The private equity firm's third fund, Frogmore Real Estate Partners III (FREP III) has closed for new investment after beating its fundraising target of £350m. Based on a targeted gearing level of 60%, the new fund will have nearly £1bn to invest in UK real estate.

FREP III will be the firm's biggest fund to date. Frogmore raised just over £330m for its first fund in 2006 and £195m for its second in the wake of the financial crisis in 2009.

Frogmore has typically raised the bulk of its capital from North America and this time around US and Canadian pension funds are again among its investors. However, it has broadened the investor base, attracting Asian capital for the first time, with two Singaporean investors committing equity to the new fund.

The investment strategy and targeted returns will be in line with previous funds. FREP III will invest in properties in need of asset management across a range of sectors and will target an internal rate of return (IRR) in the mid to high teens and an equity multiple of 1.8x.

"We will look to invest in broken and misplaced assets that we can work on and sell to core," said Jo Allen, Frogmore's chief operating officer. "We have a stable team – most of us have been working together for 15 years or more – which gives us an edge investing in today's market."

The new fund has deployed £50m of equity across its first three acquisitions including a 2.65-acre development site in Canary Wharf, an office-led scheme in High Holborn that it plans to refurbish and a retail park near Manchester with a number of vacant lots.

On Thursday this week, Frogmore announced its biggest acquisition for the fund so far, Notting Hill Gate Estate, which it has bought for £215m from The Pears Group and LaSalle Investment Management. The yeild is only 3.22% but Frogmore said the estate was currently let off low rents and that it would be "repositioned and refocused" under its ownership.

Frogmore returned all the equity investors put into FREP II after selling just six of the 10 assets in the fund, delivering an IRR of 31.6% and equity multiple of 2x on the properties sold.

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