

Real Estate

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Davis Cos. raises \$414M for private equity real estate investment fund

Boston-based Davis Cos. has raised \$414 million in private equity from institutional and high net worth investors.

"The money will be used to buy distressed properties or the mortgages on properties that were acquired or financed in the boom times from 2005 and 2007, which in many cases, were over-financed and are now underwater," said Jonathan Davis, the company's founder and CEO.

Davis said he raised the cash from university endowments, corporate retirement plans and wealthy families with individual investments ranging from \$500,000 and to \$35 million. Davis Investment Ventures Fund II allows joint ventures with outside capital sources, as well as with other operators seeking capital or additional operating expertise and to provide recapitalization and bridge financing. The fund has the potential to invest in \$1.2 billion of real estate, Davis said.

As an example of the strategy, Davis pointed to his September sale of One and Three Burlington Woods to an institutional investment fund for \$54 million. Davis paid \$32.3 million for the pair of office properties in 2010 at foreclosure auction from GE Capital. At the time, the buildings had a vacancy rate of 36 percent and needed improvements. Davis said he spent \$3 million to restore the buildings to their former class A quality and completed lease deals totaling 113,000 square feet.

Founded in 1976, Davis Cos. has invested in 120 properties representing over \$2 billion in asset value, and has acquired \$550 million of commercial loans and real estate securities. Today, the firm with its affiliates, owns and manages a 6-million-square-foot portfolio.