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Hines launches $1B investment fund aimed at renovating, developing properties

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The U.S. Property Recovery Fund is the first in a series of investment vehicles that will target U.S. developments, Hines said in a Jan. 10 announcement.

The closed-end, diversified fund will focus on tactical investment opportunities across 30 of the largest U.S. metropolitan statistical areas. Hines said the fund will pursue investments in residential, industrial, office and mixed-use assets, as well as certain niche product types, including student housing, senior housing, data centers, self-storage and life sciences.

Already, the fund has raised $590 million in equity, giving it $1.5 billion in immediate investment capacity. Hines has set a goal of raising $1 billion, which would give it $2.5 billion in purchasing power after leverage. In addition, investors have also allocated an incremental $150 million for co-investments alongside the fund.

Hines expects to close the fund to investment in May. Kirkland & Ellis served as legal adviser to Hines in connection with the fund.

The new fund has already acquired two logistics properties in California representing a total investment of $186 million. The first is 550 Piercy Road, a 25.6-acre site to develop two Class A industrial buildings totaling 414,000 square feet in San Jose, and the second is 3130 Fairview, a 3.9-acre site to develop an 82,000-square-foot Class A industrial building, in Santa Ana, California.

Hines said that when complete, both 550 Piercy Road and 3130 Fairview will be top-shelf offerings in supply-constrained markets. Construction on 550 Piercy Road is anticipated to begin in the third quarter of 2023, while 3130 Fairview is expected to start later this year.

“The ways in which we use real estate have changed drastically over the last 10 years, but the built environment hasn’t always kept pace. There’s a lot of product that needs to be reimagined and reenergized,” said Dan Box, the fund’s manager at Hines. “In an environment where returns are getting thinner, we believe the right approach is to focus on asset-level value creation and actually boosting net operating incomes rather than just relying on a buy-low, sell-high thesis.”

The new fund marks the first time Hines will offer its investor partners direct access to this segment of the firm’s pipeline through a fund it manages internally.

“We believe our vertically integrated structure allows us to execute more efficiently on behalf of our clients. Our team’s ability to manage most of the aspects of our investment thesis in-house means more of the economics stay with our investors,” added Alfonso Munk, chief investment officer for Hines. “We’re also seeing how our expertise across product types can unlock opportunities at this pivotal moment in the real estate cycle.”

Here in Houston, Hines recently opened the 47-story Texas Tower at 854 Texas Ave. downtown.

The office building is in the heart of the city's business district and within walking distance of the Theater District. Texas Tower offers tenants more than 1 million square feet of Class AA office space, as well as tens of thousands of square feet of space for restaurants.

Also, Hines recently opened its first foray into the world of senior living, a six-story, highly amenitized rental community in the Upper Kirby area.

Hines, which partnered with Denver-based MorningStar Senior Living on the project, unveiled the 112-unit MorningStar at River Oaks senior multifamily development in December. The development at 2315 Richmond Ave. is MorningStar's first development in Texas.

Eighty-five units spread across five floors of the building are geared toward assisted living, while 27 units dedicated to memory care are located on a separate floor.

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