

FUNDTRACKER TRENDWATCH

Fundraising times inch downward

The real estate fundraising climate is disciplined but doable

For several years after the recession, capital raising for real estate investment funds was best left to those who could wait a long time to reach their targets — or those who simply enjoyed attending no-decision-producing meetings. But it appears

those dark days are behind us, as the time funds are in the market is reverting to pre-crisis levels. Investors are remaining disciplined — most would rather be underallocated than commit to a fund they are not totally happy with — but managers are recognizing that discipline and are providing funds to meet industry needs. In addition, GFC-vintage funds that struggled for years have finally closed, meaning those extraordinary long

marketing times are falling out of the average.

The mean time for funds to be in the market has fallen steadily since 2013, when the average fund was marketing for 21.3 months. Funds holding a final close in 2014 had been marketing 18.1 months, on average. Those closing in 2015 had been open for 17.4 months. And so far in 2016, funds are taking just 13.4 months to reach

final closing. While these averages give us a good look at the trend line, the clearer look at actual average closing times is better served using a trimmed average, which drops the upper 2.5 percent and lower 2.5 percent of funds — in other words, the outliers.

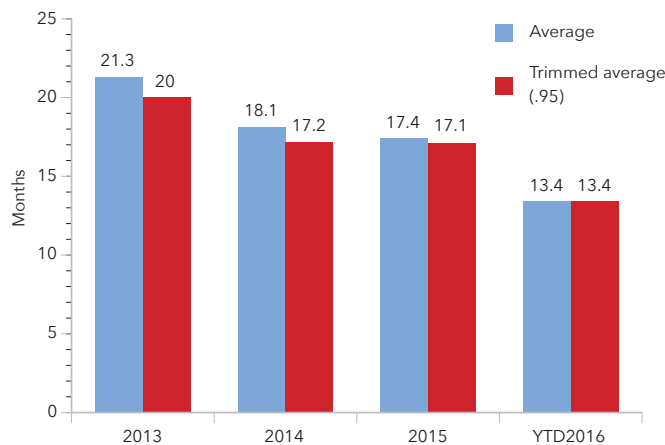
Using a trimmed average, we get the same trend, but the decline is not as steep, particularly between 2014 and 2015. Trimmed average closing times come in at 20.0 months, 17.2 months, 17.1 months and 13.4 months for 2013, 2014, 2015 and YTD 2016, respectively. Thus, while the trend continues downward, the average closing times in 2014 and 2015 were actually relatively unchanged, making a case that the market has stabilized.

In 2015, global funds boasted the shortest closing time, coming in at 16.2 months followed by Europe-focused funds at 16.9 months. Average closing times for both global and Europe funds were helped by several funds that closed in less than three months. Lower-return strategies (core/core-plus) took more than 24 months to close, while higher-return and mid-return strategies took 17.5 months and 17.8 months, respectively.

Using a trimmed mean of .95, funds closing in 2015 and raising \$1 billion or more reached a final close in 14.9 months, while those raising less than \$1 billion took 17.9 months to close.

- Fundraising closing times have fallen to 17 months
- Global funds closed faster than all others
- Mega-funds still rule, closing in 14.9 months, on average

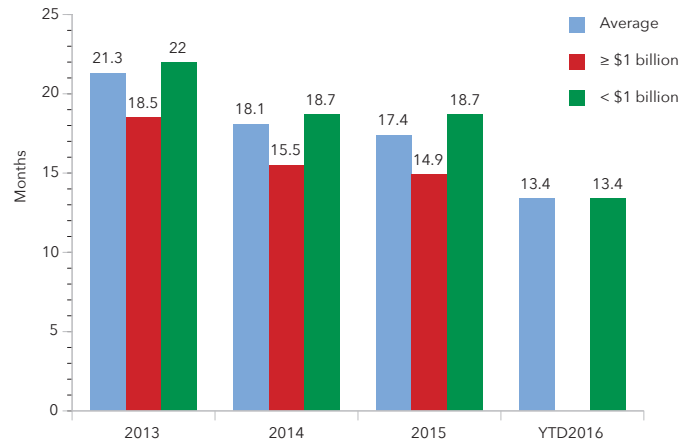
Average time in the market for funds closed by year



Source: IREI FundTracker

Funds closed as of Feb. 8, 2016

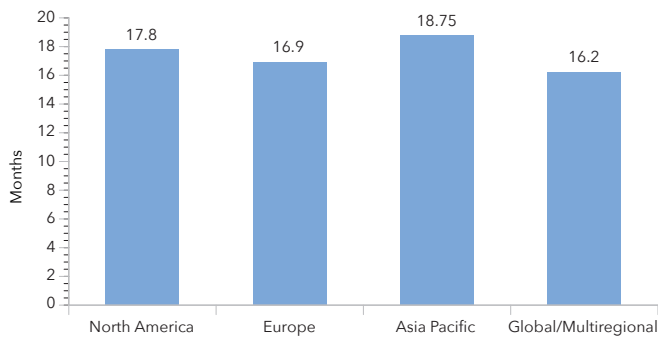
Average time in the market for funds closed by size



Source: IREI FundTracker

Funds closed as of Feb. 8, 2016

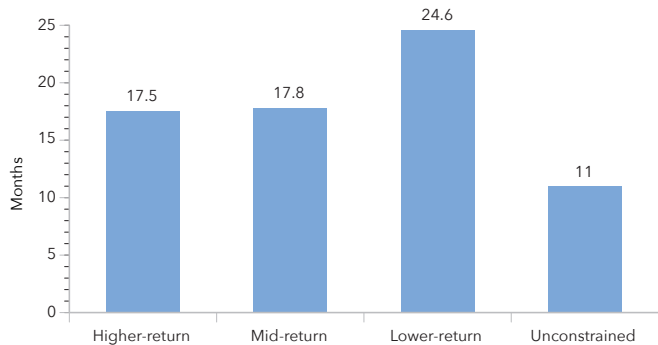
Average time in market by region



Source: IREI FundTracker

Funds closed Jan. 1, 2015 – Dec. 31, 2015

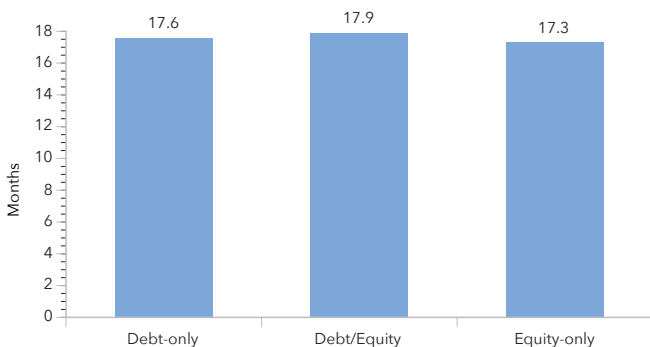
Average time in market by strategy



Source: IREI FundTracker

Funds closed Jan. 1, 2015 – Dec. 31, 2015

Average time in market: debt vs. equity



Source: IREI FundTracker

Funds closed Jan. 1, 2015 – Dec. 31, 2015

from the IREI NEWS CLOUD

- ▶ [Heitman](#) held the first close of Heitman European Residential Investment Partners, a closed-end, commingled fund targeting approximately €250 million (\$279 million) in equity commitments to aggregate and manage a portfolio of for-rent residential properties in Western Europe.
- ▶ Nordic private equity firm [Niam](#) has completed fundraising for its sixth opportunistic real estate fund, Niam Nordic VI, with total equity commitments of €800 million (\$872 million).
- ▶ The \$134 billion [Teacher Retirement System of Texas](#) has committed \$412.5 million to three funds.
- ▶ The \$108.2 billion [New York State Teachers' Retirement System](#) has committed up to \$500 million to The Blackstone Group for a real estate debt separate account.
- ▶ The \$173.5 billion [New York State Common Retirement Fund](#) approved more than \$755 million in real estate commitments in December, and recently made a \$250 million commitment to real estate debt.
- ▶ [JCR Capital](#) held a final close of \$329.5 million for its third real estate fund, JCR Capital Commercial Real Estate Finance Fund III, which focuses on financing distressed, opportunistic and value-added investments.

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