

FUNDTRACKER TRENDWATCH

Taking a breather

Fewer funds launched and closed YTD 2016 vs. 2015

Real estate has enjoyed quite a run during the past three years. Large numbers of funds were launched and closed, and even larger amounts of capital were raised.

But 2016 has a different feel. Although it is still early, and it is very possible that activity will pick up as the year goes along, right now it appears the market is reaching a tipping point. Significantly fewer funds have been launched YTD 2016 compared to the number launched during the same period in 2015 — 62 versus 101, respectively. In addition, fewer funds have closed. YTD 2016 saw 34 funds close, while Jan. 1 to May 8, 2015, saw 41 funds reach a final closing.

It is generally accepted that the United States is in the later stages of its current real estate cycle, making it harder to find good risk-adjusted opportunities. This view of the market might be the reason that YTD 2016, less capital has been raised for North America (\$7.3 billion) than was raised last year at this time (\$9.3 billion). Europe, which has lagged the United States in its recovery, seems

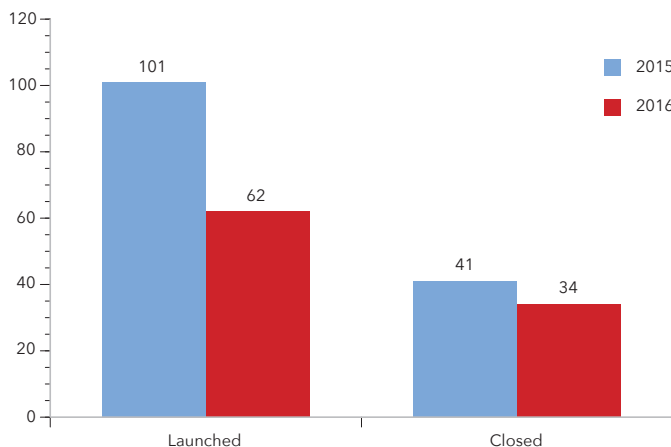
to be one of the primary recipients of capital looking for better investment prospects. Both Europe-focused and global funds have seen a significant jump in capital. Last year at this time, global funds had closed on \$14.4 billion (50 percent of the total closed). YTD 2016 sees global funds pulling in \$21.1 billion, or 58 percent of the total. YTD Europe-focused funds account for \$6.7 billion (18 percent) of the total raised by closed funds. Those closed in 2015 raised \$3.6 billion (13 percent of the total).

The fall off in North American interest is even more evident when comparing the number of funds launched so far this year with those launched a year ago. North America was the overwhelming favorite in 2015, with 54 funds (53 percent of total) of those launched by mid-May focused on that market. In comparison, only 28 North American funds have been launched in 2016 (45 percent of total). Europe is the target of 25 funds YTD, while only one new fund has a global focus.

The average time for funds closing YTD 2016 is relatively the same as for those that closed during this period in 2015, although all but North American funds saw some decrease in the number of months the funds found themselves in the market.

- 62 funds launched YTD 2016 compared to 101 in 2015
- 34 funds closed YTD vs. 41 for same period 2015
- Interest in North America seems to be falling

Number of real estate funds launched and closed



Source: IREI FundTracker

Funds closed or launched Jan. 1–May 8, 2015/2016

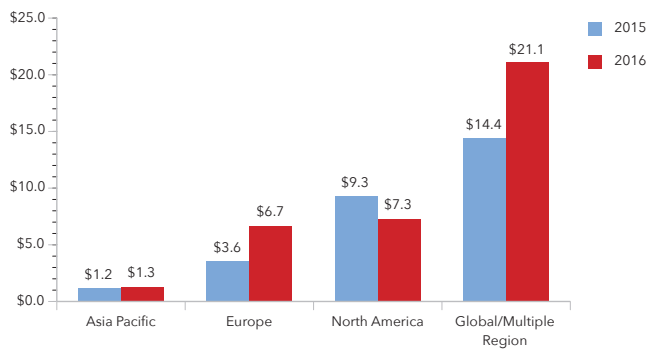
Average fund size — maximum fund target and capital raised (\$m)



Source: IREI FundTracker

Funds closed or launched Jan. 1–May 8, 2015/2016

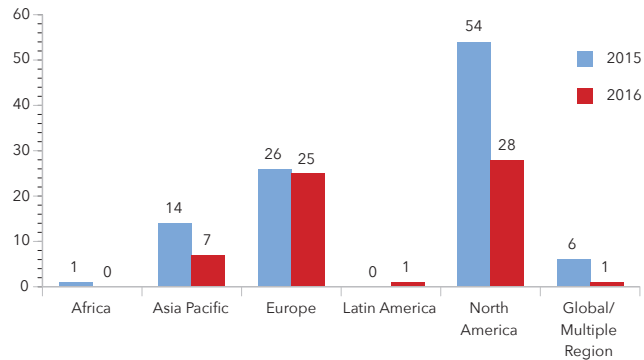
Capital raised by region (\$b)



Source: IREI FundTracker

Funds closed Jan. 1–May 8, 2015/2016

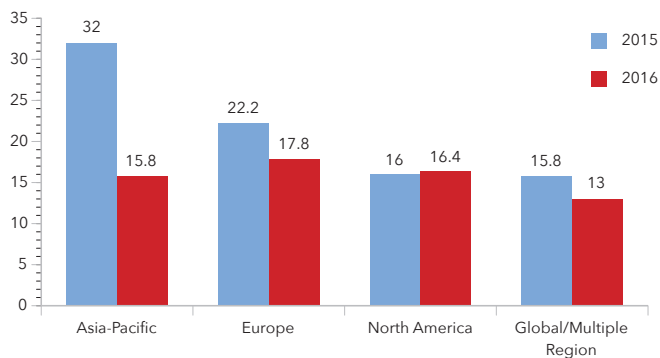
Number of funds launched by region



Source: IREI FundTracker

Funds launched Jan. 1–May 8, 2015/2016

Average number of months to close by region



Source: IREI FundTracker

Funds closed or launched Jan. 1–May 8, 2015/2016

from the IREI NEWS CLOUD

- [Madison Realty Capital](#) held the final close of Madison Realty Capital Debt Fund III, which has raised \$695 million in equity commitments, exceeding its \$600 million fundraising target.
- [Warburg-HIH Invest Real Estate GmbH](#) has announced the launch of two new retail real estate funds – Warburg-HIH Perspektive Einzelhandel Deutschland Invest and Warburg-HIH Perspektive Einzelhandel Deutschland Invest II – which will each target investment volumes of between €400 million and €450 million (\$460 million and \$517 million).
- [Charles River Realty Investors](#) held a final close of \$290 million for its third fund, Charles River Realty Fund III.
- U.S. investment firm [Quadrant Real Estate Advisors](#) is planning to raise as much as €500 million (570 million) for a Dublin-based fund aimed at financing Irish and U.K. commercial property deals.
- [Lone Star Funds](#) held the first and final closing of Lone Star Real Estate Fund V, which raised \$5.9 billion in combined capital commitments, surpassing the \$5 billion fundraising target and \$5.5 billion maximum.
- [AllianceBernstein](#) held a final close for its second commercial real estate debt fund, AllianceBernstein Commercial Real Estate Debt II, with total commitments of \$1.55 billion, surpassing its \$1 billion target.

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Information in this report has been drawn from IREI's proprietary FundTracker database. Online subscriptions are available. Click [here](#) for more information.

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