

FUNDTRACKER TRENDWATCH

Debt funds continue to succeed

Debt-only funds account for about 18% of capital raised in past 30 months

According to IREI's FundTracker database, the number of debt funds, as well as the amount of capital they are raising, is decreasing. But that really is no surprise — the entire fundraising market

is slowing down, so it makes sense that debt fund raising would also slow.

What is more interesting is that YTD 2016, the percentage of debt-only and debt-plus-equity funds have increased their share of the market over 2015. The percentage of debt funds to equity had been falling since 2013, but we might be seeing the beginning of a reversal in that trend line.

According to *FundTracker*, 296 real estate funds have closed since Jan. 1, 2014. Of those, 54 funds (18 percent) were focused exclusively on debt. An additional 41 funds combined debt and equity in their mandates. All together, these debt strategies total 32 percent of the funds closed in the past two-and-a-half years.

YTD 2016 finds 22 percent of the funds closed to be debt-only, while an additional

11 percent have a debt-plus-equity mandate. Of the total funds that closed in 2015, only 14 percent were debt-only, with another 14 percent including equity with the debt.

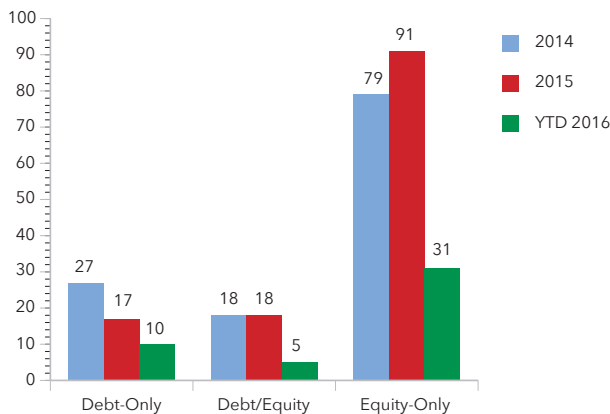
Since 2014, debt-only strategies raised \$41.3 billion, while those that included debt alongside equity raised an additional \$59.3 billion. In total, funds with a debt component accounted for 43 percent of all capital raised by closed funds in the past 30 months. The average size of these closed debt funds (\$1.06 billion) speaks volumes on the size of the opportunity.

Of the 535 total new real estate offerings to hit the market since early 2014, 78 funds were exclusively focused on debt. Another 55 featured a debt-plus-equity strategy. Taken together, funds with a debt component make up 25 percent of all new funds issued in the past two-and-a-half years.

Debt has long been part of North American institutional portfolios, and its acceptance shows in the number of North American funds being launched and closed. More than 52 percent of all closed funds with a debt component focus on North America. But interest in Europe is growing. Twenty-two percent of closed debt funds focused on Europe, while 23 percent of new debt funds have a European focus.

- Funds with debt component account for 43% of capital raised
- Funds with debt component account for 32% of funds closed
- Majority of debt funds target North America

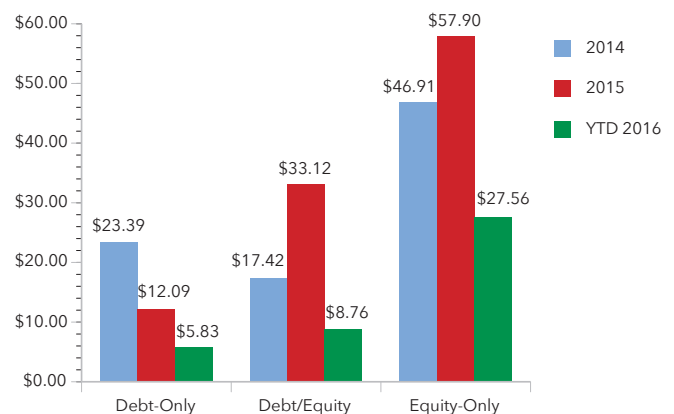
Number of closed debt funds vs. equity funds



Source: IREI FundTracker

Funds closed 01/01/14–06/03/16

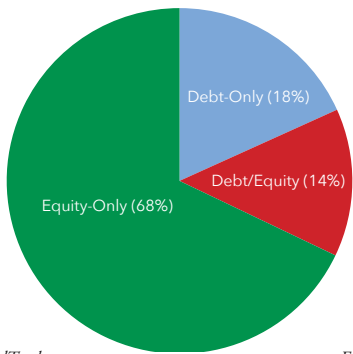
Capital raised by closed debt funds vs. equity funds (\$B)



Source: IREI FundTracker

Funds closed 01/01/14–06/03/16

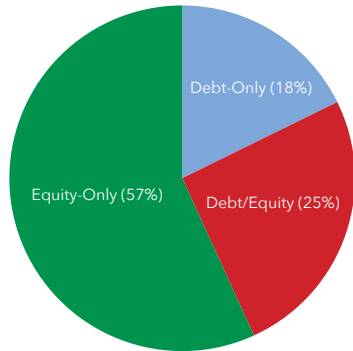
Number of closed funds — percentage debt vs. equity



Source: IREI FundTracker

Funds closed 01/01/14–06/03/16

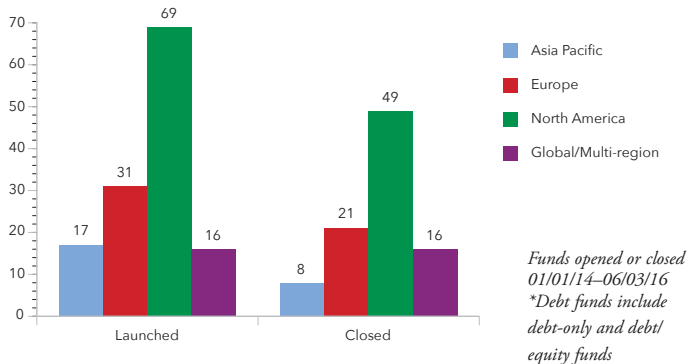
Capital raised — percentage debt vs. equity



Source: IREI FundTracker

Funds closed 01/01/14–06/03/16

Number of debt* funds closed by region



Source: IREI FundTracker

from the IREI NEWS CLOUD

- German asset manager [Real I.S.](#) has launched a core-plus European real estate fund, BGV VII Europa, which is seeking €1 billion (\$1.12 billion) to invest primarily in office and retail properties – as well as mixed-use, logistics and hotel assets – in Germany and France, with the possibility of branching out to the Benelux countries, Ireland and Spain.
- [AEW Capital Management](#) held a final close of \$640.2 million for its AEW Value Investors Asia II fund.
- [AXA Investment Managers - Real Assets](#) held a final close of €445 million (\$505 million) for its Pan-European Value-Added Fund.
- [Walton Street Capital](#) held a final close of \$654 million in commitments for its Walton Street Real Estate Debt Fund, exceeding its \$500 million equity fundraising target.
- [Paramount Group](#) has announced the \$775 million final close for Paramount Group Real Estate Fund VIII, which received commitments primarily from German institutional investors.
- [PGIM Real Estate](#) has held a final close of €580 million (\$647.9 million) for its Asia Property Fund III.

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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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