

FUNDTRACKER TRENDWATCH

Q2/16 first look

Real estate fund market slowly slowing

Early numbers are in for real estate investment funds closing in first quarter 2016 — and they indicate the market is slowing. While Q1 2015 and 2016 were very similar in amount of capital raised and number

of funds closed, Q2 2015 and 2016 present some very real differences.

The number of funds closed in Q2 2016 is only about half the number closed in 2015 — 24 and 46, respectively. But the amount of capital raised is relatively close — \$28.2 billion in Q2 2016 versus \$30.5 billion in Q2 2015.

Funds took a little longer to close this year than last year — 16.6 months on average in Q2 2015 versus 18.7 months for those closing Q2 2016. Mega-funds,

however, closed faster this year than last, with these \$1 billion-and-larger funds closing in about 13 months this year versus 14 months last year.

The trimmed average size of the funds (average of funds after dropping those falling within 5 percent of the top and bottom of the distribution) shows the size of funds continues to increase. Those closing in Q2 2015 averaged

\$505.4 million in size (\$664.0 million untrimmed), while those closing in the past three months in 2016 had a trimmed average of \$867.5 (average \$1.8 billion untrimmed).

Only three funds closing Q2 2016 have a global strategy, but they accounted for \$15.5 billion (55 percent) of the total raised. Funds with a specific geographic focus were most likely to target North America. Ten of the 24 funds focused on the United States, raising an aggregate of \$5.7 billion (20 percent). Of the three global funds, two were one-two in terms of closing size.

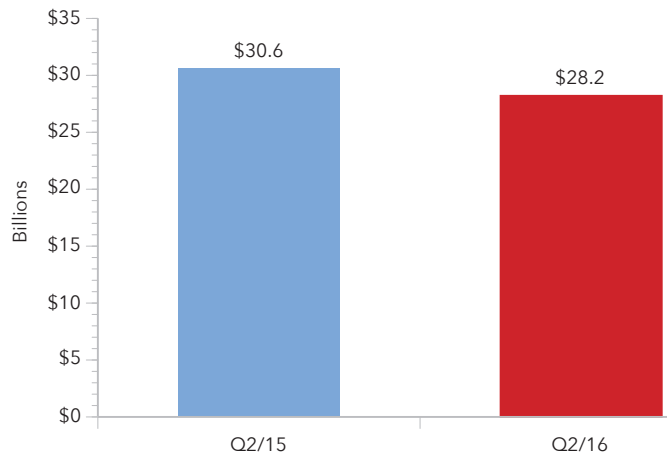
Higher-risk strategies are still finding favor among investors. Of the 24 funds closing Q2 2016, 16 (67 percent) were value-added or opportunistic.

Six funds holding final closes in Q2 2016 had a dedicated debt focus. All six have a United States focus. One global fund has a combined debt/equity strategy, and managed to raise \$5.9 billion.

The Q2 2016 data used in this report will likely change as additional fund closings are announced, but it is safe to say that fewer funds are closing compared to last year, and less capital is being raised, though not significantly less, especially when looking at the reduced number of funds responsible for raising it.

- Fewer funds are raising larger amounts of capital
- Three funds accounted for 55 percent of total raised
- Higher-return strategies dominate

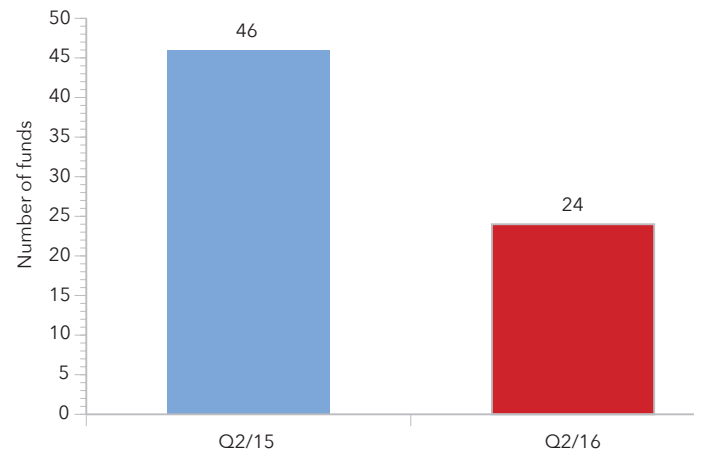
Capital raised by funds closing in Q2 2016 (\$B)



Source: IREI FundTracker

Funds closed Q2/15 or Q2/16

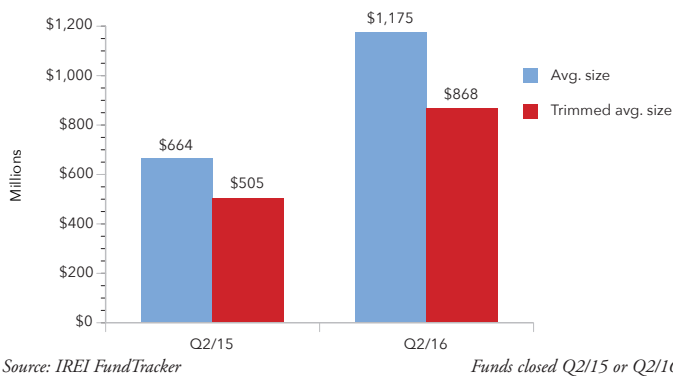
Number of funds closed in Q2 2016



Source: IREI FundTracker

Funds closed Q2/15 or Q2/16

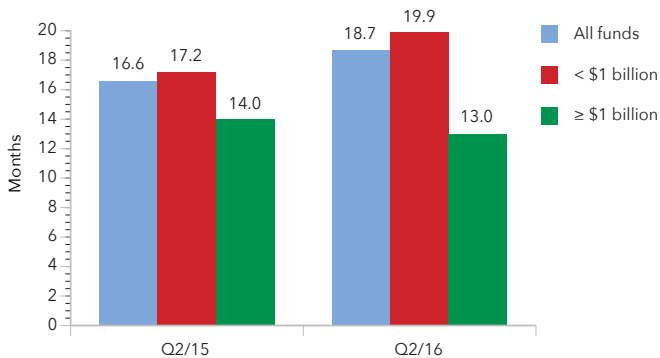
Average size of funds closed Q2/16 (\$M)



Source: IREI FundTracker

Funds closed Q2/15 or Q2/16

Average closing times by size of funds closed Q2/16



Source: IREI FundTracker

Funds closed Q2/15 or Q2/16

Largest funds closed Q2/16

Fund Name	Total Raised	Region
Brookfield Strategic R.E. Partners II	\$9.0 billion	Global
Lone Star Real Estate Fund V	\$5.9 billion	Global
AllianceBernstein Commercial Real Estate Debt III	\$1.6 billion	N. America
PAG Real Estate Partners	\$1.3 billion	Asia Pacific
BNP Paribas Next Estate Income Fund II	\$889 million	Europe

Source: IREI FundTracker

Funds closed April 1–June 30, 2016

from the IREI NEWS CLOUD

- [Meadow Partners](#) has launched Meadow Real Estate IV, a \$300 million fund focusing on income-producing properties in New York City and London.
- [BNP Paribas Real Estate Investment Management Luxembourg](#) has announced the final closing of Next Estate Income Fund II, exceeding its €500 million (\$555 million) target.
- [Pramerica Real Estate Capital](#), a division of PGIM Real Estate, has raised £300 million (\$425.91 million) for Pramerica Real Estate Capital VI.
- [The Blackstone Group](#) has raised \$3.7 billion for Blackstone Real Estate Debt Strategies III.
- [SilkRoad Property Partners](#) has held a final close of \$455.5 million for its SilkRoad Asia Value Partners, exceeding its \$350 million target.
- The \$30 billion [Indiana Public Retirement System](#) has awarded a \$100 million mandate to BlackRock to invest in industrial-only real estate securities.
- [Houston Municipal Employees Pension System](#) committed \$20 million to Starwood Global Opportunity Fund XI.
- The \$80 billion [Minnesota State Board of Investment](#) committed to invest \$100 million in Rockwood Capital's 10th value-added real estate fund.

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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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