

FUNDTRACKER TRENDWATCH

Closing times inch downward

Average fundraising periods differ by region and strategy

Fundraising has never been easy, but it has been particularly hard over the past few years. The market appears to be bifurcating, with the haves becoming more havey, and the nots becoming more notty.

- Average fundraising period is now a little less than 17 months
- Global funds close in shortest amount of time
- Debt funds reach final closing sooner than equity funds

The average time it is taking funds to close from start to finish has remained relatively the same over the past couple of years. The overall average has inched down from 17.4 months in 2014 to 16.7 months in 2015 (one Europe fund that closed after 98 months was dropped from the calculations because it was such an outlier), but if you round the numbers, you end up with a 17 percent average closing time for 2013, 2014 and YTD 2015. The devil, however, is in the details.

In both 2014 and YTD 2015, global funds have boasted the shortest closing time, coming in at 14 months and 12 months respectively. This category was helped by several funds that closed in less than three months (Blackstone, Lone Star, Stabilis). In contrast, Asia-Pacific focused funds took almost two years to close. The Asia-Pacific average was particularly hurt by a Japanese core

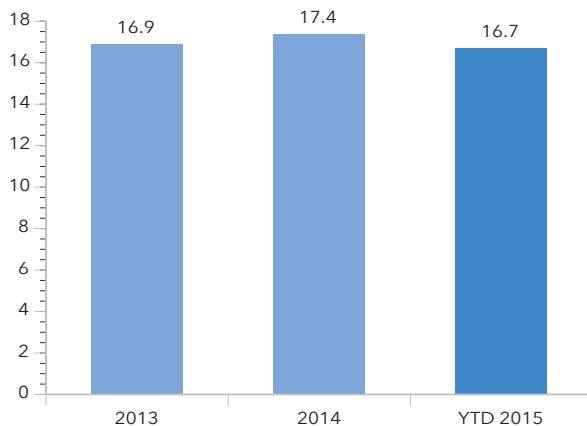
office fund that took 54 months to close, but helped by an opportunistic logistics fund that closed in just five months.

When it comes to length of time to close, size matters. While the average for all funds closing so far in 2015 is 16.7 months from launch to finish, the average for those raising more than \$1 billion is 12.7 months. The two largest funds to close in 2015 managed to overshoot their maximum targets in just three months. This success raises two questions, however: Are these funds better because they are bigger? Or are they bigger because they are better?

Debt funds have been one of the true success stories of 2014 and YTD 2015. Before the GFC, it was rare for a real estate investor to have a debt allocation in its real estate portfolio. Many investors still view debt as fixed-income, but many more now view it as another way to access real estate. Debt funds make up about 20 percent of the real estate funds closed YTD 2015, and they are reaching final close about five months faster than equity funds.

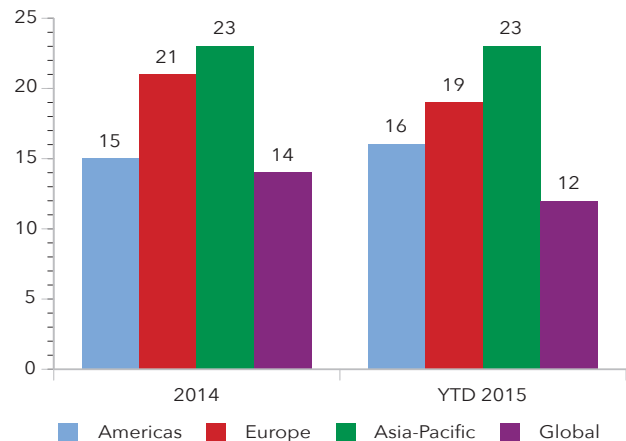
Based on YTD numbers, a manager looking for a quick closing should focus on a global opportunistic fund with a maximum size greater than \$1 billion that invests in both debt and equity — but primarily debt. If it were only that easy.

Average time to close — real estate funds (months)



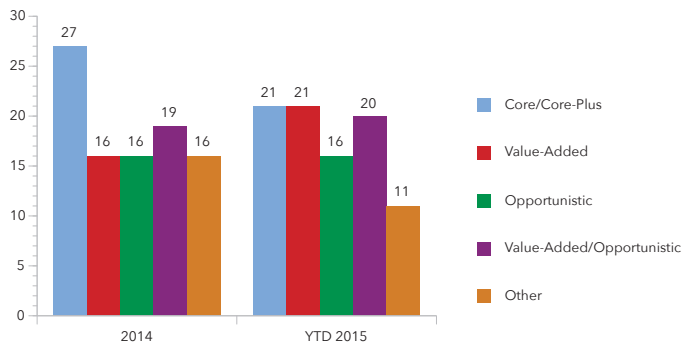
Source: IREI FundTracker

Average time to close per region (months)



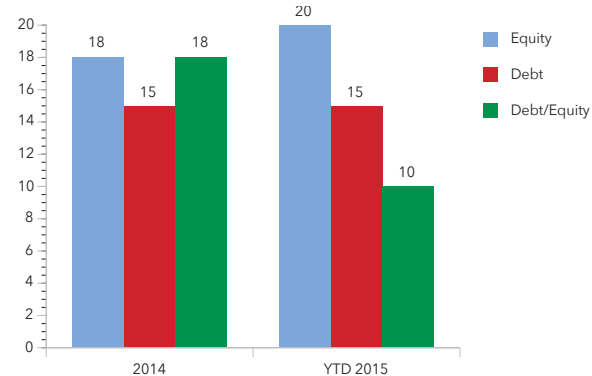
Source: IREI FundTracker

Average time to close by risk strategy (months)



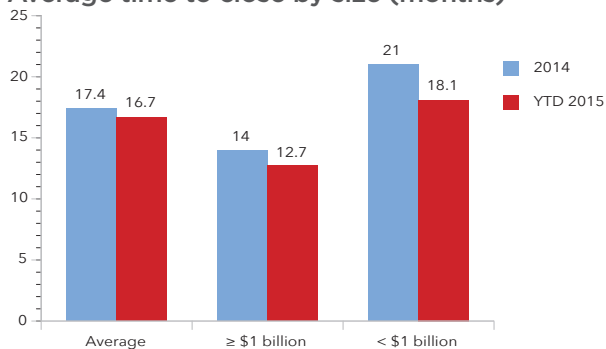
Source: IREI FundTracker

Average time to close — debt vs. equity (months)



Source: IREI FundTracker

Average time to close by size (months)



Source: IREI FundTracker

from the IREI NEWS CLOUD

- **Catalyst Capital** has a first close for its €1.25 billion (\$1.4 billion) Catalyst European Property Fund II.
- **Terra Capital Partners** is seeking \$1 billion for a commercial property debt investment fund.
- **Stockbridge Value Fund II**, which launched in 2014, held its final close after raising \$320 million in capital commitments.
- **The School Employees' Retirement System of Ohio** is planning to invest \$300 million in real estate during the next 12 months.
- **Catella Real Estate** has launched a new Special Fund focused on commercial real estate in southern Germany, targeting equity of €150 million and a yield of 4 percent to 5 percent.
- **Fortress Investment Group** raised \$1 billion for its latest opportunistic credit real estate fund, Fortress Real Estate Opportunities Fund II.
- **Bell Partners** has raised \$425 million for its fifth fund, surpassing its \$300 million equity fundraising target.
- **Pearlmark Real Estate** has announced the initial close of its fourth high-yield investment fund, Pearlmark Mezzanine Realty Partners IV.

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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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