

# FUNDTRACKER TRENDWATCH

## 2015 off to a meandering start

Fewer funds launched but more closed than 1H2014

According to most indicators — rent rates, vacancies, supply coming on line, cap rates — U.S. real estate has reached equilibrium. There are still opportunities to be had, but the market is neither oversupplied nor undersupplied, overvalued nor undervalued. This is quite a change from the past five years when unlevered returns averaged more than 13 percent annually according to the NCREIF ODCE index.

Another indication that the market is getting back to relative normalcy is the drop in the number of funds launched in 1H2015 compared to the number launched in 1H2014. According to the IREI FundTracker database, 125 funds were launched in 1H2014 with a total target of more than \$66.5 billion (not all funds provide their maximum fund size). The first half of 2015 saw the number of funds launched fall to 93 with a total target of \$43.0 billion.

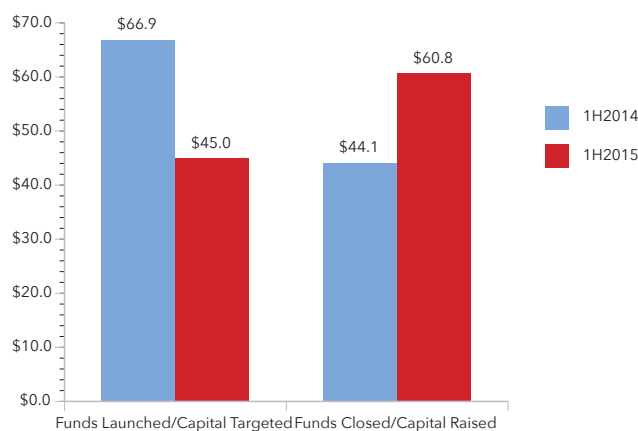
Conversely, more funds closed in 1H2015 than closed in the comparable 2014 period. This makes sense given the large number of funds launched a year previously.

Although there is a lot of chatter in the industry over opportunities in Europe and Asia, the Americas is still the focus of half the funds closed and 58 percent of those launched in 1H2015. Those investors that are interested in Europe and Asia might very well be accessing those regions through global funds. The absolute numbers of these funds launched and closed is small in comparison to region-specific funds, but they blew away the competition in amount of capital targeted and raised. These are the 300-pound gorillas of the industry.

Every interview with managers and investors includes at least a few lines of how the industry had its “aha” moment during the financial crisis and has taken to heart the evils of overleverage and risk taking. Investors and managers, however, are drawn to higher-return/higher-risk strategies like dogs to squirrels. Seventy-four percent of the funds launched in 1H2014 and 67 percent of those launched in the first half of 2015 focused on value-added or opportunistic strategies. Funds closed in the first half of 2014 and 2015 followed a similar pattern, with higher-return funds accounting for more than 93 percent of the capital raised in 1H2015.

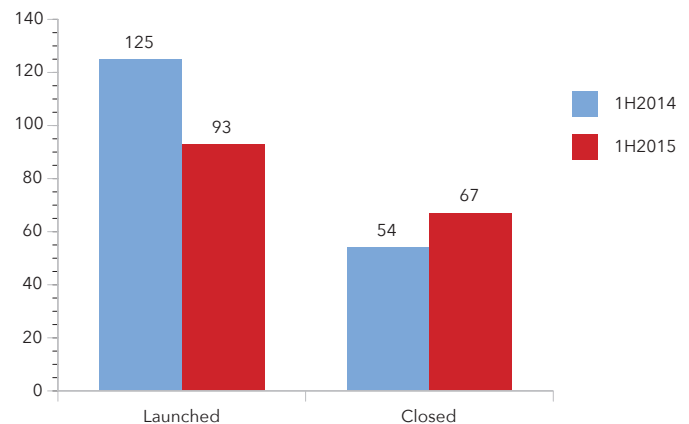
- Number of funds launched falls by 25 percent in 1H2015
- Amount of capital raised by closed funds increases by 37 percent
- Americas remains main regional focus

Funds launched and closed by capital (\$B)



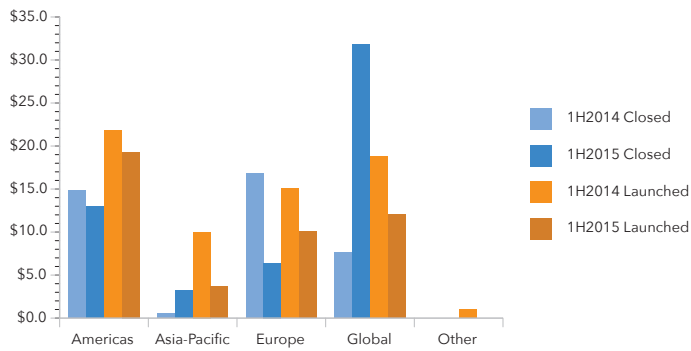
Source: IREI FundTracker

Number of funds launched and closed



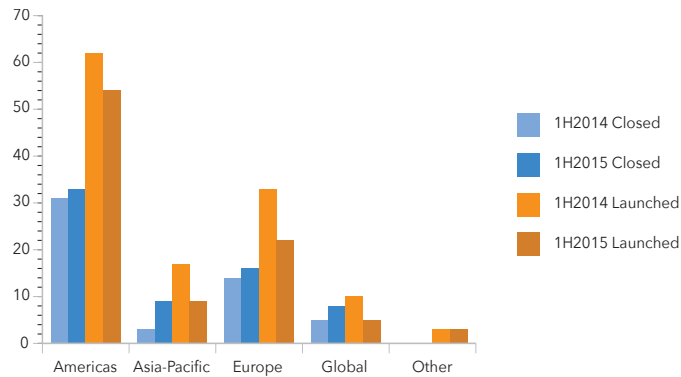
Source: IREI FundTracker

## Capital raised or targeted by region (\$B)



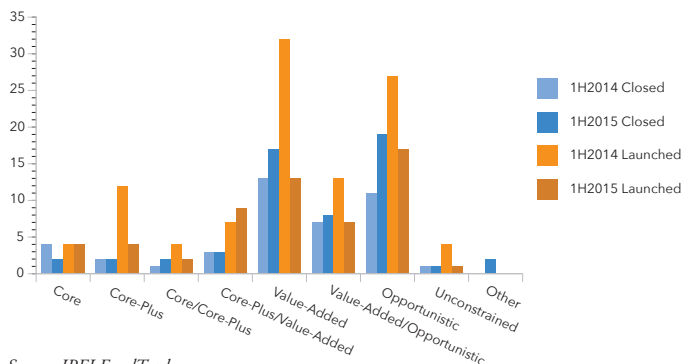
Source: IREI FundTracker

## Number of funds launched or closed by region



Source: IREI FundTracker

## Number of funds launched or closed by strategy



Source: IREI FundTracker

## from the IREI NEWS CLOUD

- Core, open-end real estate funds saw returns increase in the second quarter, according to NCREIF's Open-end Diversified Core Equity Fund Index.
- The Florida State Board of Administration has made commitments this year of \$150 million to two real estate funds: \$100 million to Blackstone Real Estate Partners VIII and \$50 million to Heitman Value Partners III.
- Momentum Africa Real Estate Fund held a second close of \$103 million on July 31.
- Encore Capital Management has held a final close of \$450 million for Rescore Property Corp, according to Oscar Vasquez, COO for Encore.
- AXA Real Estate Investment Managers has announced the final close of Commercial Real Estate Senior 9, its most recent pan-European real estate debt fund.
- Morgan Stanley Real Estate Investing is launching Prime Plus Property Fund, a core-plus U.S. real estate fund.
- The Illinois Municipal Retirement Fund is searching for a real estate manager of managers to handle a mandate of at least \$75 million.
- The Contra Costa County (Calif.) Employees' Retirement Association is committing \$100 million to a separate account managed by Commonfund Capital's natural resources team.

To view the latest real estate, infrastructure and real assets headlines, go to the [IREI NewsCloud](http://IREI NewsCloud).

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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