

FUNDTRACKER TRENDWATCH

Debt funds a solid part of the market

Debt-only funds account for about 18% of capital raised

It was not that long ago that panelists at conferences and bloggers online were debating whether debt funds were here to stay or were simply here to help clean up the mess left by the recession. In fact, that topic might still

be batted around whenever fund managers and investors gather. But based on data from *FundTracker*, I would place my bet on the side of "here to stay."

According to *FundTracker*, 350 real estate investment funds have closed since Jan. 1, 2013. Of those, 58 funds (17 percent) were focused exclusively on debt. An additional 61 funds included debt, as well as equity, in their mandates. All together, these debt strategies total 34 percent of the funds closed in

the past almost-three years.

The amount of capital raised by debt strategies further bolsters the argument that debt funds have found a home among institutional real estate investors. Debt-only strategies raised \$42.7 billion, while those that included debt alongside equity raised an additional \$70.9 billion. In total, funds with a debt component accounted for 47

percent of all capital raised by closed funds in the past 34 months. The average size of these closed debt funds (\$954 million) speaks volumes on the size of the opportunity.

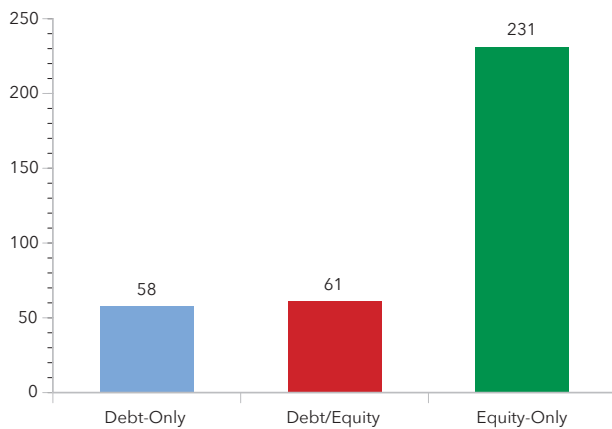
The fundraising success experienced by debt funds has translated into additional funds being launched. Of the 616 total new real estate offerings to hit the market since early 2013, 92 funds were exclusively focused on debt. Another 73 featured a debt-plus-equity strategy. Taken together, funds with a debt component make up 27 percent of all new funds.

Debt funds tend to be larger than equity funds. Although they make up a little over a quarter of the total new funds launched, they account for 38 percent of the capital sought based on maximum target fund size.

When it comes to regions, North America and Europe are the clear winners. Debt has long been part of North American institutional portfolios, and its acceptance shows in the preponderance of North American funds being launched and closed. Nearly 60 percent of all closed funds (including those with a debt component) focus on North America. Eighteen percent of closed debt funds focused on Europe, while 22 percent of new debt funds have a European focus.

- Funds with debt component account for 47% of capital raised
- Funds with debt component account for 34% of funds closed
- Majority of debt funds target North America

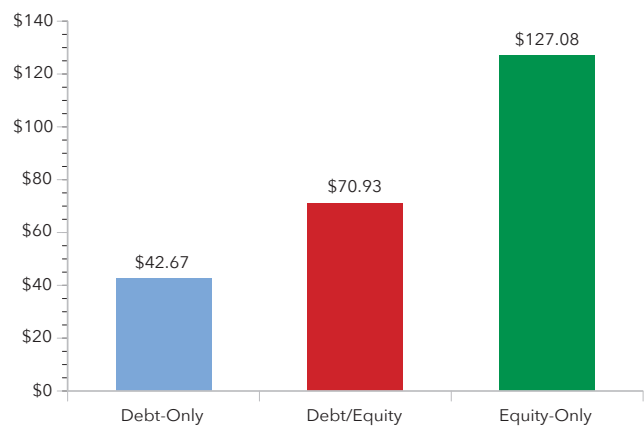
Number of closed debt funds vs. equity funds



Source: IREI FundTracker

Funds closed 1/1/13–10/25/15

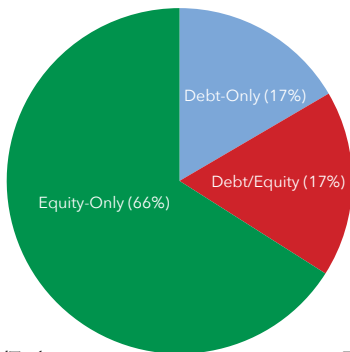
Capital raised by closed debt funds vs. equity funds (\$B)



Source: IREI FundTracker

Funds closed 1/1/13–10/25/15

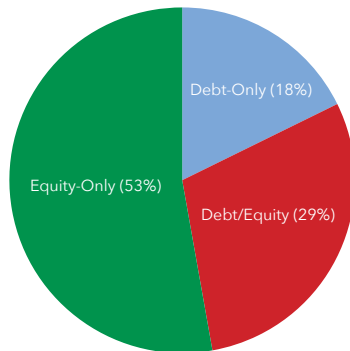
Number of closed funds — percentage debt vs. equity



Source: IREI FundTracker

Funds closed 1/1/13–10/25/15

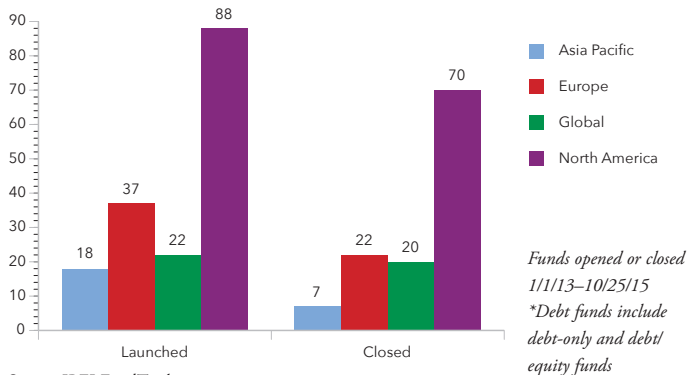
Capital raised — percentage debt vs. equity



Source: IREI FundTracker

Funds closed 1/1/13–10/25/15

Number of debt* funds by region



Source: IREI FundTracker

from the IREI NEWS CLOUD

- ▶ Hamburg-headquartered property company [Momeni Group](#) has launched the €600 million (\$681 million) Momeni Prime Opportunities Fund to invest in German opportunistic real estate.
- ▶ [The Townsend Group](#) has raised \$246.3 million for the Townsend Real Estate Alpha Fund II.
- ▶ The \$8.3 billion [Public Safety Personnel Retirement System of Arizona](#) has committed \$78.6 million to real estate.
- ▶ Germans commit €150 million (\$165 million) to [BMO's](#) first pan-Europe property fund.
- ▶ The \$13.97 billion [Ohio Police & Fire Pension Fund](#) has committed \$50 million to PW Real Estate Fund III.
- ▶ The \$2.2 billion [City of Phoenix Public Employees Retirement System](#) has committed \$25 million to Brazilian real estate via HSI Real Estate V.
- ▶ The \$37 million [Joplin \(Mo.\) Policeman's and Fireman's Pension Plan](#) has invested \$4 million in a core, open-end commingled fund managed by American Realty Advisors.
- ▶ The \$14.2 billion [Los Angeles City Employees' Retirement System](#) has committed €26.8 million (\$30 million) to Standard Life Investments European Real Estate Club II.

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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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