

FUNDTRACKER TRENDWATCH

Investors begin looking more defensive

Funds take a breather after record 2015

As 2016 winds down, data from IREI's FundTracker database indicates that investment totals are down from their 2015 heights. And unless several mega-funds close in the next couple of weeks, the total

will be down significantly. 2015 ended with about \$110 billion raised by funds closing that year. Year-to-date 2016 finds funds holding final closings have raised about \$85 billion.

To get a better feel for the year, we have updated a few of the more interesting charts that appeared in earlier *TrendWatch* editions. These charts indicate investors are beginning to take a more defensive position (more debt funds, slightly lower risk profile) but funds are still

growing in size, and mega-funds are still raking in more than their fair share of capital.

World events appear to be having an impact on investors. Uncertainty surrounding who will be leading the world's largest economies, how the E.U. will fare in the coming months, what will happen to interest rates, how China's slowing economy will

affect world markets, and the belief that real estate has reached its peak are keeping some investors on the sidelines — or at least investing in lower-risk, more defensive vehicles.

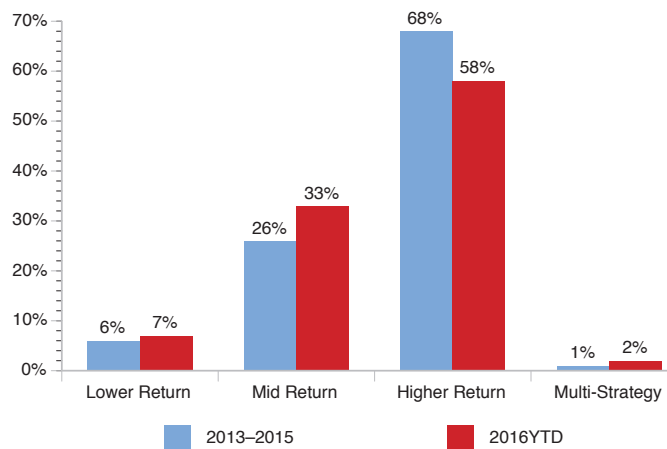
According to FundTracker, debt-only funds captured about 18 percent of the capital of funds closed from 2013 through 2015. So far in 2016, however, 25 percent of the capital raised has been for debt-only funds. Hybrid funds — those with mandates to do both debt and equity — have apparently fallen out of favor, as their market share fell from 29 percent of funds closed 2013 through 2015 to 13 percent in 2016.

According to FundTracker, funds that raised \$1 billion or more accounted for 19 percent of the funds reaching a final close YTD 2016, but 61 percent of the capital raised. The mega-funds are obviously still dominating, and it is the decrease in capital raised by these funds that has had a significant impact on the overall capital raised for 2016. So far this year, mega-funds have raised \$18 billion less than they did in 2015. That's a significant portion of the \$25 billion gap between 2015's total raise and that of 2016.

Investors have also pulled back a bit on the risk spectrum, with higher-return strategies losing capital to mid- and lower-return strategies.

- 2016 saw fund size continue to grow
- 2016 saw investors step back from higher-return funds
- 2016 saw debt funds continue to solidify their position

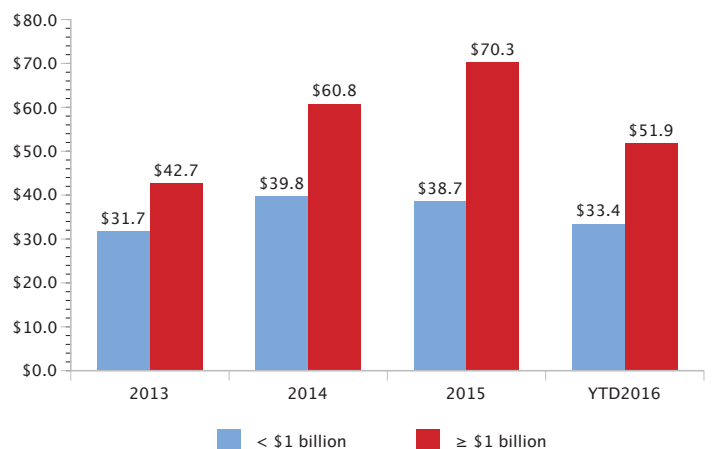
Percentage of closed funds by strategy



Source: IREI FundTracker

YTD2016 is Dec. 2, 2016

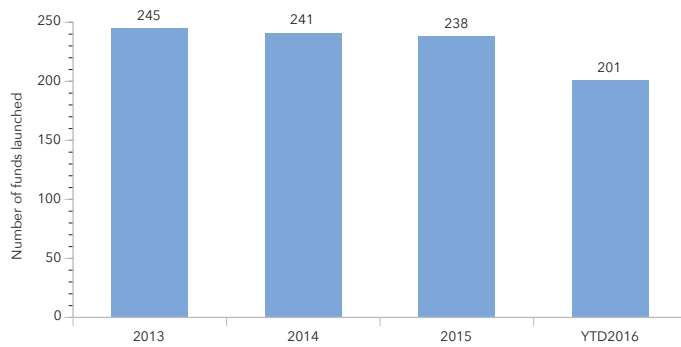
Capital raised by closed funds by size (\$B)



Source: IREI FundTracker

YTD2016 is Dec. 2, 2016

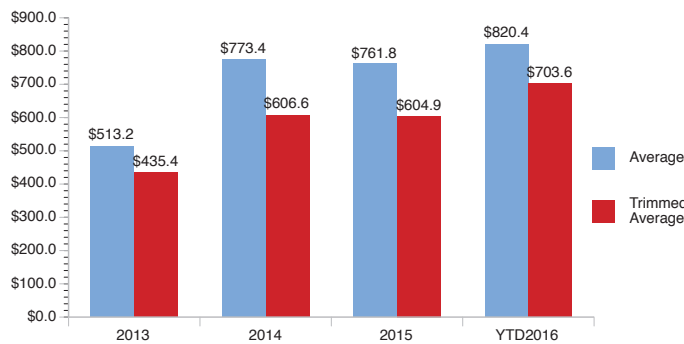
Number of funds launched per year



Source: IREI FundTracker

YTD2016 is Dec. 2, 2016

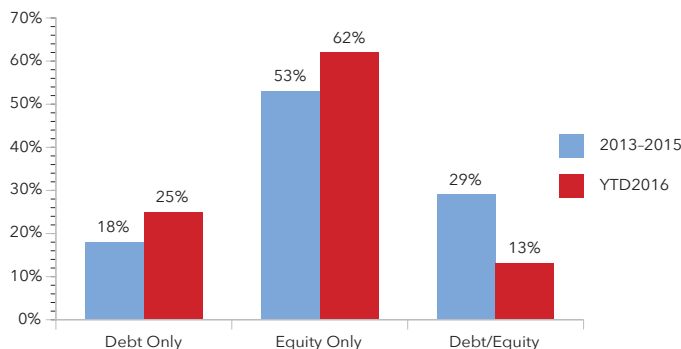
Average size of closed funds by year (\$M)



Source: IREI FundTracker

YTD2016 is Dec. 2, 2016

Capital raised — percent debt funds vs. equity funds



Source: IREI FundTracker

YTD2016 is Dec. 2, 2016

from the IREI NEWS CLOUD

- [CBRE Global Investors](#) has merged its CBRE U.K. Property Fund with the U.K. property portfolio of the Electricity Supply Pension Scheme, a U.K.-based pension fund, to create a £1.47 billion (\$1.85 billion) fund.
- The \$89 billion [North Carolina Retirement Systems](#) has committed \$100 million each to AG Asia Realty Fund III, managed by Angelo Gordon & Co., and Rockwood Income & Credit Partners, managed by Rockwood Capital.
- The \$23 billion [Texas Permanent School Fund](#) has committed \$75 million to DRA Growth & Income Fund IX, managed by DRA Advisors.
- [Angelo, Gordon & Co.](#) has held a \$850 million final close for AG Asia Realty Fund III, according to a statement, exceeding its \$750 million equity fundraising target.
- [Swiss Life Asset Managers](#) is expanding its activities in the German market for real estate funds with its own investment management firm, Swiss Life Kapitalverwaltungsgesellschaft mbH.
- [REIT returns](#) fell in November, as gains in long-term interest rates continued to put downward pressure on the sector.

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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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A report by Institutional Real Estate, Inc.

www.irei.com

Author: Sheila Hopkins

For IREI FundTracker database subscription information, please contact Cynthia Kudren, c.kudren@irei.com, +1 917-620-4666

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