

# FUNDTRACKER TRENDWATCH

## Open-end funds opening at steady pace

Despite movement up the risk curve, open-end funds continue to thrive

As the world came out of the GFC, those investors who had not sworn off real estate completely flocked to the core of core investments. The flow of capital into prime assets was so swift that the central business

districts of world cities, such as New York City and London, soon found themselves not only fairly priced but, arguably, overpriced. In the past couple of years, however, investors who needed low-risk core investments to feel safe are now finding they need something else to meet their return expectations. As a result, open-end funds, which generally focus on lower-risk investment strategies and sectors, saw an increase in new fund offerings about five years ago, only to see

those numbers begin to decline in 2014.

According to *FundTracker*, open-end funds launched in the past five years have formed a perfect Bell Curve. As investors re-entered the market in 2011, 16 new funds were launched. The next year, another 18 new funds hit the market. At the height of core investment interest in 2013, investors were presented with a choice of 19 new

open-end funds. The following year, the number of new funds came in at 18. And year-to-date 2015, as investors are looking a little farther out the risk curve, that number has again fallen to 16.

The vast majority of these funds — 76 percent — focus exclusively on equity investment. A significant percentage — 15 percent — focus on debt. The remaining funds are either a fund of funds or a hybrid focusing on both equity and debt.

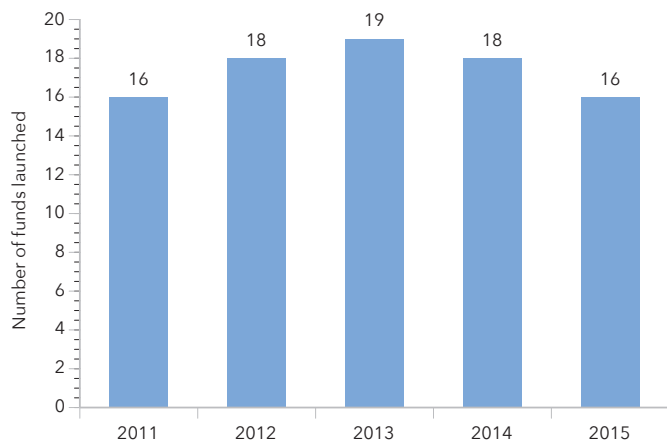
When it comes to property focus, office is still king. Diversified funds account for 47 percent of the market, but nearly all of those funds include a major office component. In addition, 17 percent of the funds have office as their only or primary focus. Although the industrial sector has become a favorite for low-risk investment, none of the open-end funds launched since 2011 are specifically focused on warehouse or logistics.

Core and core-plus funds account for a total of 76 percent of the those launched in the past five years. Value-added funds accounted for 12 percent, and opportunistic funds made up 5 percent.

Not surprisingly, Europe and the United States attracted the most interest, combining for 81 percent of all open-end funds launched.

- 76 percent of open-end funds focus on core or core-plus
- 81 percent of open-end funds focus on Europe or the United States
- 47 percent have a diversified strategy

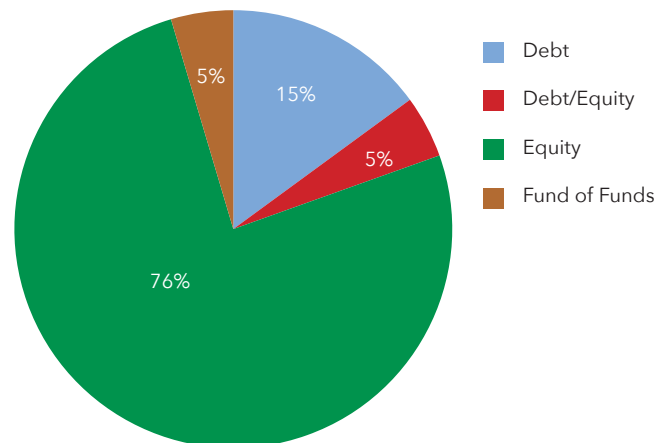
Number of open-end funds launched per year



Source: IREI FundTracker

Funds opened 1/01/11–12/08/15

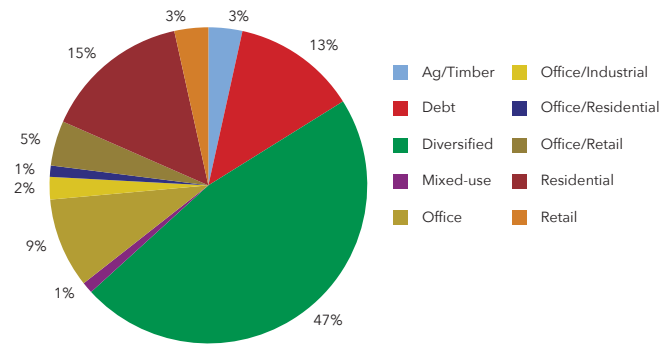
Open-end funds by product type



Source: IREI FundTracker

Funds opened 1/01/11–12/08/15

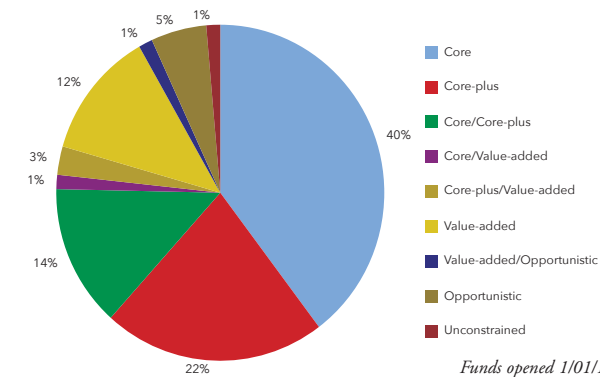
## Open-end funds by property focus



Source: IREI FundTracker

Funds opened 1/01/11–12/08/15

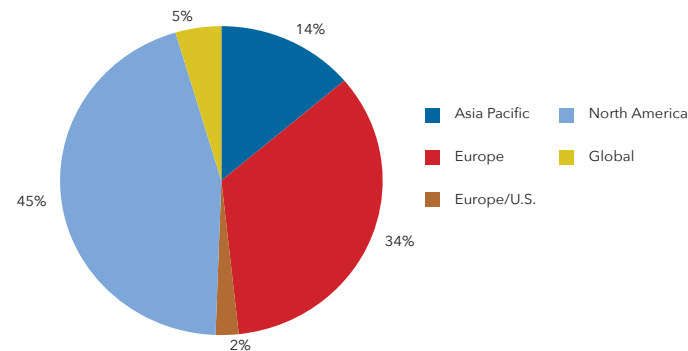
## Open-end funds by investment strategy



Source: IREI FundTracker

Funds opened 1/01/11–12/08/15

## Open-end funds by region



Source: IREI FundTracker

Funds opened 1/01/11–12/08/15

## from the IREI NEWS CLOUD

- [Colony Capital](#) has raised \$688.6 million for its opportunistic debt fund, Colony Distressed Credit and Special Situations Fund IV, which focuses on multifamily, hotel, office, retail, industrial and land properties globally.
- [Partners Group](#) announced the closing of its Partners Group Global Real Estate 2014, its latest global private real estate program, at more than \$1.1 billion.
- [Palmira Capital Partners](#) has launched its first pan-European logistics fund, Palmira Logistik Europa Fonds 1, which has a target of €300 million (\$324 million).
- Private equity fund management firm [Gaw Capital Partners](#) will focus its new Asia real estate fund, targeting \$1.5 billion, on investing in greater China's retail, office and hospitality property in first and major second-tier cities.
- The \$62 billion [State of Michigan Retirement Systems](#) committed \$100 million to three real estate funds between July 1 and Sept. 30, 2015.
- The \$25 billion [Texas County & District Retirement System](#) has committed €50 million (\$54.41 million) to PW Real Estate Fund III.
- The \$2.5 billion [Houston Municipal Employees Pension System](#) has committed €15 million (\$16.3 million) to PW Real Estate Fund III.

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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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