

FUNDTRACKER TRENDWATCH

It's been a mighty fine year

Real estate funds continued to thrive in 2015

As 2015 winds down, investors and managers are looking back with a sigh of relief. 2014 had been a very good year for real estate, and there was some skepticism that the good times would continue. But

they did. World economies continued to strengthen, real estate fundamentals continued to improve, supply continued to be constrained and investors continued to look for real estate opportunities. Looking back on a few of the charts published in *TrendWatch* this year, real estate investors should be very happy indeed with 2015.

Investors have come back into the market with a vengeance, but not all funds are benefiting from this renewed

interest. Managers with a proven record of success spanning several funds are taking in more than their fair share of capital, while new managers are struggling.

According to *FundTracker*, funds that raise \$1 billion or more accounted for 24 percent of the funds reaching a final close in 2015, but 72 percent of the capital raised, as of Dec. 15.

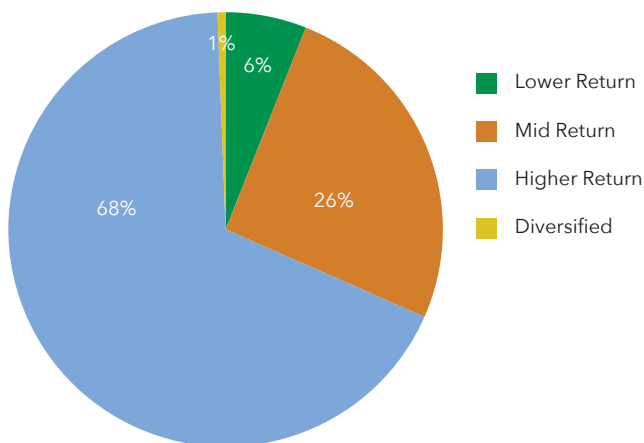
Investors are moving a bit away from core, though it is not the core products that are being most impacted. Although lower-return strategies (core and core-plus) have seen a decrease in interest as higher-return strategies have grown — lower-return funds fell from 5 percent of the market in 2013 to 3 percent in 2015 — mid-range funds (value-added and core-plus/value-added hybrid funds) saw an even greater loss of market share, falling from 31 percent of the capital raised in 2013 to 20 percent, as of Nov. 27, 2015. Much of the core investment is done via open-end funds or direct and, therefore, not included in this report, but it is obvious investors are again looking for real estate to boost returns.

Investors are also moving outside the standard equity funds. Debt-only strategies raised \$42.7 billion, while those that included debt alongside equity raised an additional \$70.9 billion, as of Oct. 25, 2015. In total, funds with a debt component accounted for 47 percent of all capital raised by closed funds in the past three years.

The trends seen in 2015, especially the mega-fund story, are likely to carry over to 2016. And *TrendWatch* will be there to report and analyze them when we return in January.

- 2015 saw big funds become mega-funds
- 2015 saw investors begin to move out the risk spectrum
- 2015 saw debt funds continue to solidify their position

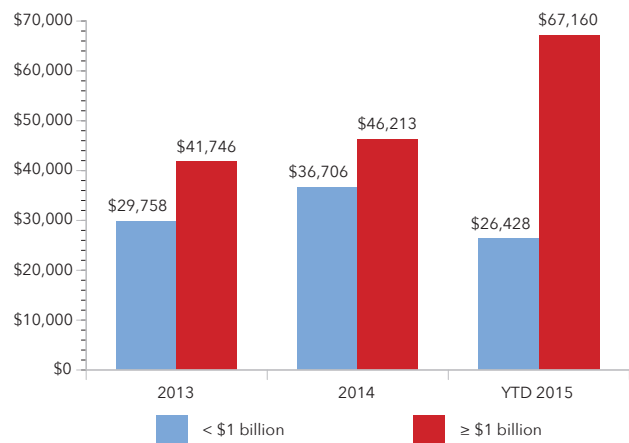
Capital raised by closed funds by strategy



Source: IREI FundTracker

Funds closed 1/01/13–11/27/15

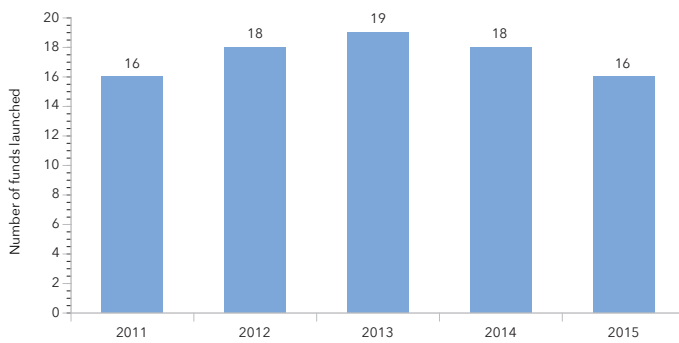
Capital raised by funds closed by size (\$M)



Source: IREI FundTracker

Funds closed 1/01/13–12/15/15

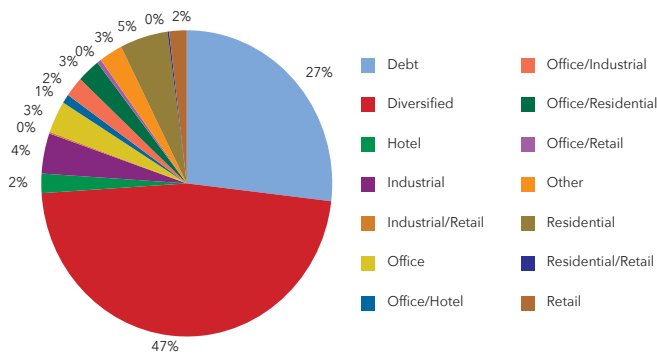
Number of open-end funds launched per year



Source: IREI FundTracker

Funds opened 1/01/11-12/08/15

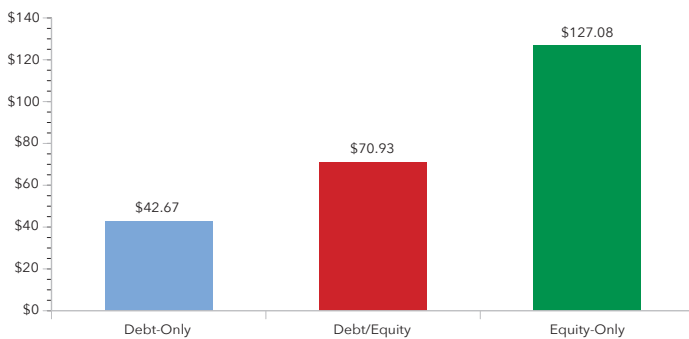
Capital raised by closed funds by property type



Source: IREI FundTracker

Funds closed 1/01/14-11/05/15

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



Source: IREI FundTracker

Funds closed 1/1/13-10/25/15

from the IREI NEWS CLOUD

- Sistema has created an investment company [Sistema Capital Partners \(SCP\)](#) for the purpose of investing in liquid real estate in Russia and abroad.
- The [Rockpoint Group](#) has raised an additional \$1.6 billion for Rockpoint Real Estate Fund V from various U.S.-based investors.
- [DIC Asset AG](#), a Frankfurt-based investor specializing in German commercial real estate, is about to launch its fourth institutional real estate fund, DIC Office Balance III, with a total volume of approximately €270 million (\$296 million).
- [Goodman Group](#) and Canada Pension Plan Investment Board have announced a \$1.25 billion increase in their equity allocation to the Goodman China Logistics Partnership.
- The \$12.2 billion [Orange County \(Calif.\) Employees Retirement System](#) is committing at least \$75 million to Westbrook Partners.
- Walton Street Capital Mexico, an affiliate of Walton Street Capital, and FINSA, a Mexico-based industrial developer, have held a final close for [FINWSCK15](#), raising MXN 5.25 billion (\$314 million) in equity commitments.
- [South Carolina](#) pension system faces \$11 billion shortfall.

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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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