

# FUNDTRACKER TRENDWATCH

## Good to be mega

Even though mega-fund size has been shrinking year-over-year

Data for the first seven months of 2017 shows the real estate fundraising market is continuing to slow, and as it slows, fund size is decreasing with it. Mega-funds — those funds holding a final closing

after raising \$1 billion or more in commitments — have seen their average size fall more than non-mega-funds. But when looking at who still raises the most capital, it's obvious that it is still good to be mega..

As of Aug. 1, 2017, real estate investment funds had closed on \$49.6 billion. At this time last year, \$53.1 billion had been raised. Mega-funds accounted for 55 percent of that total in 2016, and 62 percent in 2017.

Mega-funds holding a final close year-to-date 2017 account for a higher percentage of the market than those closing in the same time period last year because there are more of them, not because they are bigger. In 2016, mega-funds accounted for 18 percent of the number of funds closing. So far in 2017, they account for 23 percent..

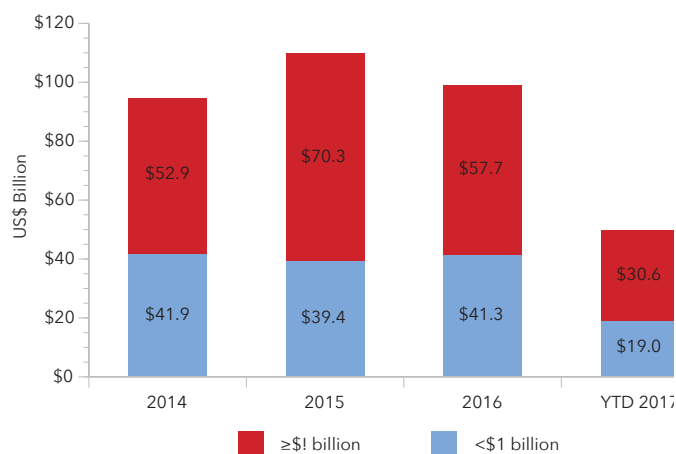
The most striking chart below illustrates the shrinking mega-fund size. They are still definitely mega, and every now and then a mega-mega-fund closes, but on average, they are reverting to sizes seen years earlier. Back in 2015, the average mega-fund raised \$2.5 billion. That average fell slightly to \$2.4 billion last year. As of Aug. 1, 2017, mega-funds are averaging \$1.9 billion — and that includes the \$8.9 billion Blackstone REP Europe V. These average sizes compare to \$330.8 million and \$369.1 million for funds raising less than \$1 billion in 2015 and 2016, respectively. YTD 2017 sees non-mega-funds coming in at an average size of \$358.3 million.

Mega-funds closing YTD 2017 have seen their average time from launch to close tick up, while the average time in the marketplace has decreased for funds under \$1 billion. Mega-funds took an average of 14.4 months in 2015 and 13.6 months in 2016 to close. This number has risen to 16.2 months YTD 2017. Non-mega-funds are currently taking 16.0 months to close, on average.

This could all change, of course, if several mega-funds close in the next five months. Based on the data currently in front of us, however, the growth of mega-funds seems to be slowing along with the overall market.

- Mega-funds accounted for 62 percent of capital raised YTD 2017
- Mega-funds accounted for 23 percent of funds closed YTD 2017
- Mega-fund average size is decreasing

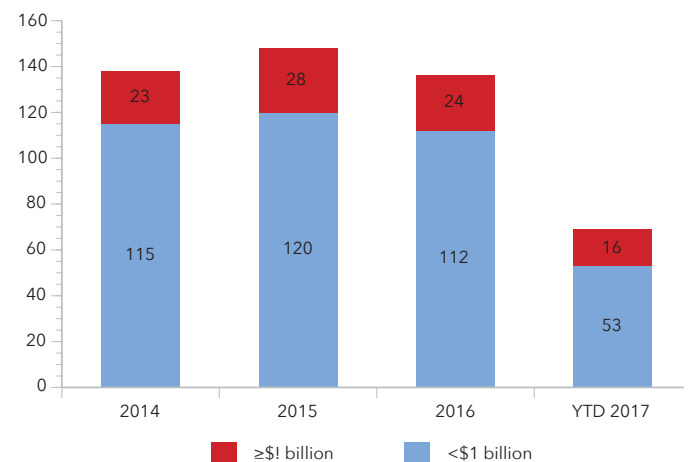
Capital raised by funds holding final close by size (\$B)



Source: IREI FundTracker

YTD 2017 = 8/1/17

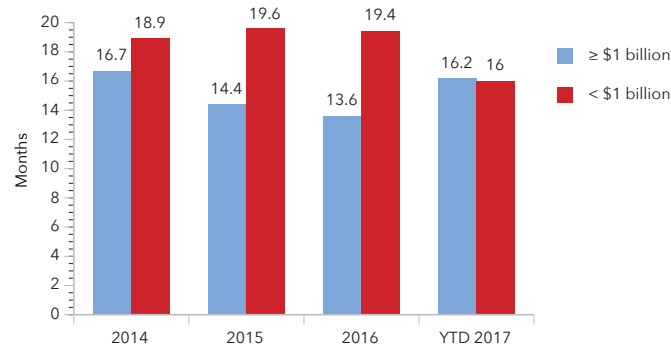
Number of funds holding final close by size



Source: IREI FundTracker

YTD 2017 = 8/1/17

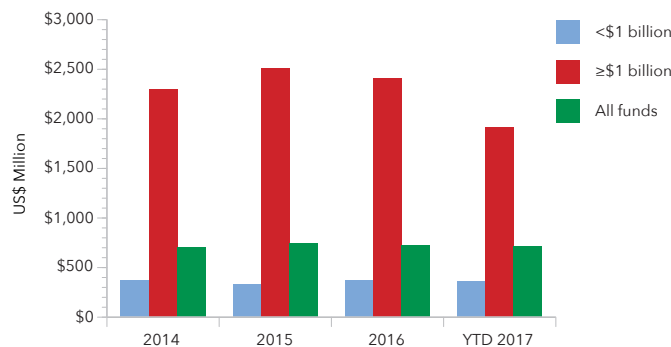
## Average time to close based on fund size



Source: IREI FundTracker

YTD 2017 = 8/1/17

## Average fund size of funds holding final close (\$M)



Source: IREI FundTracker

YTD 2017 = 8/1/17

## Largest real estate funds closed 1/1/17 – 8/1/17

Fund Name	Total Raised	Region
Blackstone Real Estate Partners Europe V	\$8.90 billion	Europe
Kildare European Partners II	\$1.95 billion	Europe
TCI Real Estate Partners Fund II,	\$1.90 billion	Global
Cerberus Institutional Real Estate Partners IV	\$1.80 billion	Global
Orion European Real Estate Fund V	\$1.62 billion	Europe

Source: IREI FundTracker

Funds closed Jan. 1 – Aug. 1, 2017

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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## from the IREI NEWSLINE

- Only one in four real estate investors in Europe believes that the current market cycle will peak soon and that the initial rate of return on real estate will start to rise again, according to the findings of the latest property investment climate study by [Union Investment](#).
- [Peaksid Capital](#) has a third fund, PREF III, in the market, which will pursue the same value-add and opportunistic pan-European fund strategy as its predecessor.
- [Patrizia](#) has launched a new fund with a target investment volume of €480 million through €550 million (\$570 million through \$653 million) on behalf of Kenzo Japan Real Estate GmbH, Munich and with Kenzo Capital Corp., Tokyo as the asset manager.
- [Artemis Real Estate Partners](#) has held a final close for its Artemis Healthcare Fund 1, which raised \$475 million of total equity, exceeding its \$300 million goal and giving it \$1.2 billion of buying power.
- The \$195.4 billion [Florida State Board of Administration](#) has committed \$100 million in Carlyle Realty Partners VIII, an opportunistic real estate fund, and \$100 million to Carlyle Property Investors, a core-plus open-ended vehicle that launched in 2015.
- The \$27 billion [Texas County & District Retirement System](#) has committed \$50 million to Prime Storage Fund II.

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