

FUNDTRACKER TRENDWATCH

Debt fund market share strengthens

Debt-only funds account for about 21% of capital raised in past 42 months

According to IREI's FundTracker database, the number of debt funds, as well as the amount of capital they are raising, took a significant jump in 2017, continuing the upward trend in real estate debt fund market share.

Debt-only funds closing in 2016 accounted for 20 percent of the total capital raised. By 2017, that market share had jumped to 31 percent. In 2015, this number stood at just 14 percent.

According to FundTracker, 509 real estate investment funds have held a final closing since Jan. 1, 2015. Of those, 80 funds (16 percent) were focused exclusively on debt. This three-year rolling average has remained relatively stable, with the previous debt-only

market share average beginning in 2014 and ending in 2017 accounting for 15 percent of the total.

During our most recent three-year period, an additional 54 funds combined debt and equity in their mandates. All together, funds with a debt component total 26 percent of the funds closed in the past three-and-a-half years.

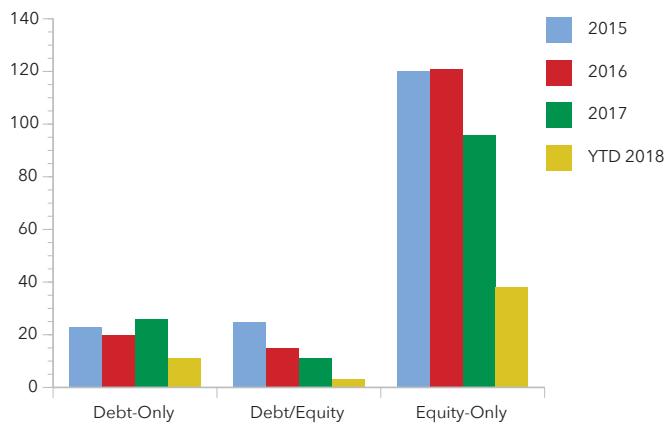
Year-to-date 2018 finds 21 percent of the funds closed to be debt-only, while an additional 6 percent have a debt-plus-equity mandate. This is down from 2016, when 13 percent of funds reaching their fundraising goals were debt-only, with another 9 percent combining equity with debt.

Since 2015, funds with a debt component accounted for 38 percent of all capital raised by closed funds. The debt-only portion of those funds was 21 percent. In general, the debt-only component has been larger than the mixed-strategy group. The exception was in 2015, when 30 percent of all the funds reaching a final closing had an equity-plus-debt strategy compared to 14 percent in the debt-only column.

During the past three years, 55 percent of the capital raised in global funds was raised by funds with a debt component, with most of that being in funds that invested in both debt and equity. 32 percent of the capital raised by North America funds had a debt component, while 31 percent of Europe-focused capital included debt. Global investors preferred funds with a mixed strategy. Asia Pacific investors also preferred funds able to invest in both debt and equity. European and American focused investors, however, preferred debt-only funds.

- In 2017, funds with debt component jump from 22% to 28% of market
- Debt-only funds raise 19% of capital YTD 2018
- Majority of debt funds target North America

Number of closed debt funds vs. equity funds



Funds reaching final closing each year
YTD 2018 = June 1, 2018

Source: IREI FundTracker

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

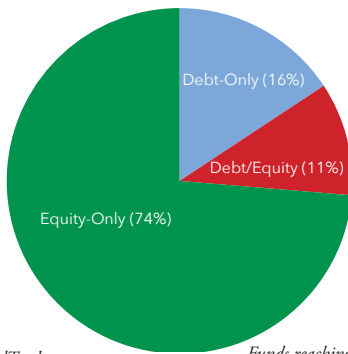


Funds reaching final closing each year
YTD 2018 = June 1, 2018

Source: IREI FundTracker

Funds reaching final closing each year
YTD 2018 = June 1, 2018

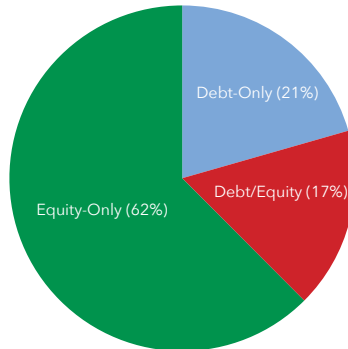
Number of closed funds — percentage debt vs. equity



Source: IREI FundTracker

Funds reaching final Jan. 1, 2015 – YTD 2018
YTD 2018 = June 1, 2018

Capital raised — percentage debt vs. equity



Source: IREI FundTracker

Funds reaching final Jan. 1, 2015 – YTD 2018
YTD 2018 = June 1, 2018

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



Source: IREI FundTracker

Funds reaching final closing
2015 – YTD 2018
YTD 2018 = June 1, 2018

from the IREI NEWSLINE

- [MCR](#), a U.S. hotel owner-operator, has held a \$300 million final close for MCR Hospitality Fund. The fund's capital commitments provide MCR with approximately \$1 billion in purchasing capacity.
- The \$18.8 billion [Kansas Public Employees Retirement System](#) has committed \$60 million to JPMCB Strategic Property Fund, an open-ended core real estate fund that invests in office, industrial, multifamily and retail properties throughout the United States.
- [Kayne Anderson Real Estate](#), the real estate private equity arm of Kayne Anderson Capital Advisors, has held a final close for its fifth opportunistic fund, Kayne Anderson Real Estate Partners V (KAREP V), at its hard cap of \$1.8 billion.
- The \$96 billion [North Carolina Retirement Systems](#) has committed a total of \$450 million from its inflation-sensitive portfolio to three funds managed by Landmark Partners.
- [LaSalle Investment Management](#) has entered into an agreement to acquire the Real Estate Multi-Manager (REMM) business of Aviva Investors, and full ownership of the management of the Encore+ fund.
- The \$28.4 billion [Texas Municipal Retirement System](#) has committed \$75 million to Abacus Multi-Family Partners IV, which will target select markets in the United States.

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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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