



5 CRE Fundraising Trends for H2 2024

Key Insights from InvestNext



Executive Summary

Commercial real estate fundraising plummeted in the first half of 2024, reaching its lowest mid-year total since 2012 and extending a long-term decline that began in 2021.

According to PERE, fundraising in commercial real estate saw a sharp decline in 1H24. Only \$59B was raised, down 43% from the \$104.2B raised in the same period last year.

The average time to close a deal has also nearly doubled, now taking 20.9 months compared to 11.2 months in 2019. This delay reflects ongoing pandemic impacts, rising interest rates, inflation, and increasing investor uncertainty, all contributing to a challenging environment for fund managers.

Due to reduced distributions, LPs are becoming more selective, shifting their focus from traditional real estate to alternative investments like energy transition, infrastructure, and digital assets. Fund managers and syndicators who embrace opportunistic strategies, prioritize developments, and leverage core value-added approaches will not only survive but thrive. These strategies help maintain investment viability despite tight cash flows and high interest rates, offering a way forward in a challenging market.



KEVIN HERAS

Co-Founder & CEO



Key Takeaways

Tech-enabled agility is the new competitive edge



Firms leveraging advanced platforms can adapt swiftly to market shifts, often outpacing larger competitors in niche opportunities.

Compliance isn't just about risk—it's a trust builder



Robust, transparent compliance practices are becoming a key differentiator in attracting and retaining discerning investors.

Hybrid fund structures open new capital avenues



Blending the features of open- and closed-end funds allows managers to tap into a broader investor base while maintaining strategic flexibility.

Data-driven engagement is transforming fundraising



Real-time analytics and personalized investor communication strategies are dramatically shortening fundraising cycles and improving commitment rates.



1



TREND

Mega-Fund Dominance Amid Market Slowdown

While the overall CRE fundraising landscape is experiencing a slowdown, large funds and 'mega-funds' continue to attract considerable capital.



Mega-Fund Success Stories

Ares Management



In 2Q24, Ares Management [raised \\$1.7B](#) for real estate and is on track to close its fourth U.S. opportunistic real estate fund at \$2.7B. This strong performance highlights the continued investor confidence and steady capital flow into large, well-established funds.

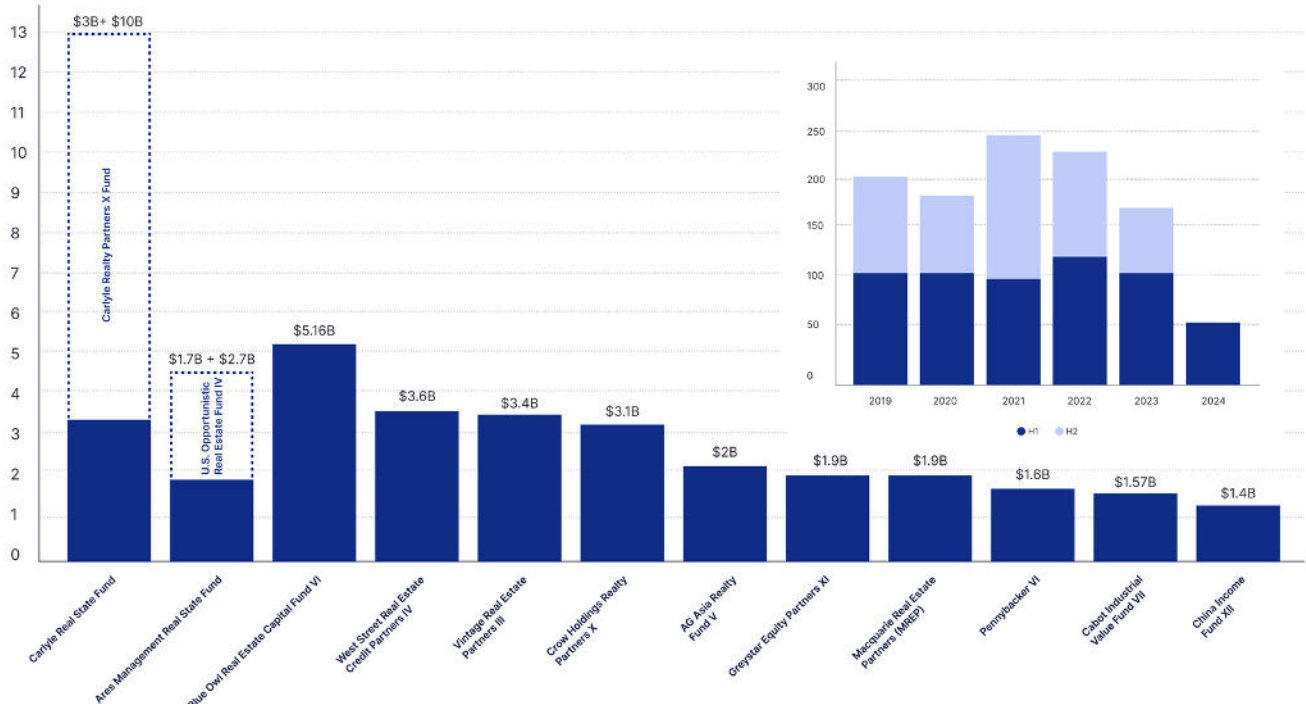
Carlyle Group



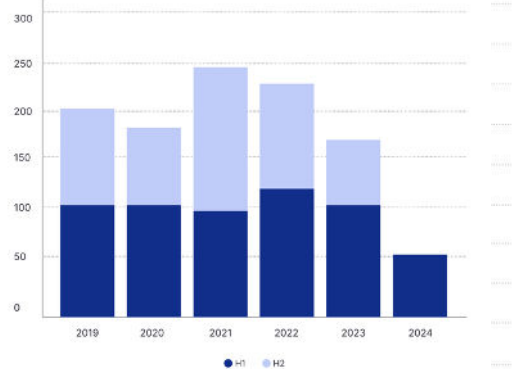
In 2Q24, Carlyle Group raised over \$3B for real estate, targeting \$8B–\$10B for its [Carlyle Realty Partners X fund](#). This substantial fundraising effort underscores the strong appetite among institutional investors for large-scale real estate investments.

Investors are being drawn to mega-funds due to their ability to commit substantial capital and their alignment with long-term investment strategies. These large funds offer diversification and economies of scale, providing stability and significant returns that meet investor demands.

Largest Fundraisers in H1 2024 by Capital Raised



Year-on-Year Capital Fundraising (\$bn)





| How Small Firms Can Compete

Small and midsize investment fund managers can compete with larger firms by leveraging technology across several key areas.

They can streamline operations through automation and cloud-based systems, use advanced analytics and risk management tools for data-driven decision-making, and enhance investor relations with personalized communication and user-friendly portals.

Low-cost trading platforms and outsourcing non-core functions can achieve cost efficiency. Small managers can differentiate themselves by focusing on niche markets, adopting specialized platforms, and offering tailored investment strategies.

Small and midsize firms' agility allows for rapid adaptation to market trends, and innovative products supported by digital marketing and online fundraising platforms can help them reach a global audience and attract investors.

| Implications for Small and Mid-Sized Firms

The CRE market is increasingly divided, with large funds quickly attracting significant investments while smaller and mid-sized managers struggle to raise capital.

As limited partners gravitate towards mega-fund stability, competition for their commitments has intensified, making it more challenging for smaller funds to secure investor attention.

Smaller and mid-sized fund managers can better compete in a mega-fund-dominated market by differentiating their offerings through unique value propositions or niche strategies, emphasizing specialized expertise to attract targeted investors.

Building strong investor relationships through professional, tech-enhanced interactions is critical, as is offering flexible fund structures that cater to diverse investor preferences. Strengthening compliance and ensuring transparent reporting will further build credibility and trust.



2



TREND

Sector-Specific Focus and Debt Fund Rise

In 1H24, sector-specific real estate fundraising flowed into multifamily and industrial properties, underscoring a strong investor appetite for these resilient sectors.

At the same time, nearly half of all real estate capital was funneled into debt funds, which are growing in popularity thanks to higher yields and lower risk profiles amid today's volatile market conditions.

This surge in interest is further fueled by a looming wave of commercial loan maturities through 2025, presenting a ripe opportunity for debt funds to step in, address refinancing needs, and snap up distressed assets.

Overall, both investors and fund managers are recalibrating their strategies, honing in on high-potential sectors, and harnessing the growing appeal of debt funds to stay ahead in an increasingly competitive market.



Capitalizing on The Wave of Distress

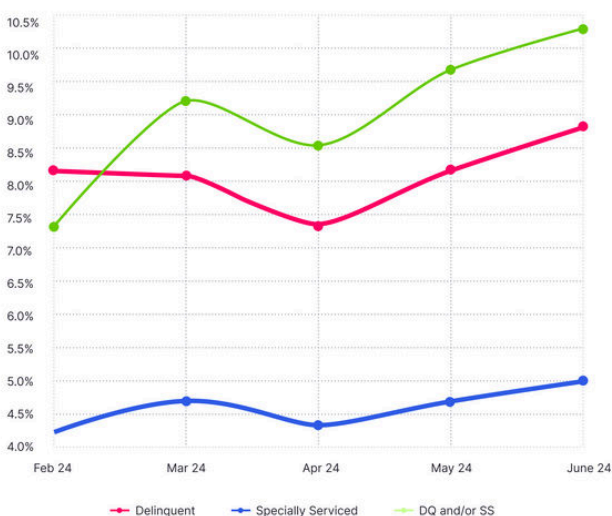
In 2024, the commercial real estate industry faces a significant challenge as [\\$929 billion in loans is set to mature](#), creating a potential wave of distress, especially in sectors like office and multifamily properties.

Banks' "extend and pretend" strategy is becoming less effective as high interest rates and declining property valuations strain the market. Distressed assets have already surged, with major metros like San Francisco, New York City, and Chicago becoming epicenters of this financial strain. With over \$544 billion in private equity "dry powder" ready to deploy, investors see both risks and opportunities as they brace for the fallout.

Technology is becoming a crucial differentiator, enabling firms to act quickly in acquiring and managing distressed assets. Tech-enabled firms are better positioned to capitalize on these opportunities through real-time analytics, automation, and sophisticated fund structures.

As the industry approaches a tipping point, well-capitalized and tech-savvy investors will likely thrive, while those who fail to adapt may struggle to survive. Key investment opportunities are anticipated in multifamily, commercial office, storage, and retail sectors, but thorough due diligence is essential to navigate this complex landscape.

CRE CLO Distressed Rates



CRE CLO Overall Distressed Rates





Shift Towards Multifamily and Industrial Sectors

Current Market Trends



In 1H24, [87% of sector-specific fundraising](#) has been directed towards multifamily and industrial properties. This indicates a strong investor preference for these sectors due to their resilience and potential for stable returns.

Why the Focus?

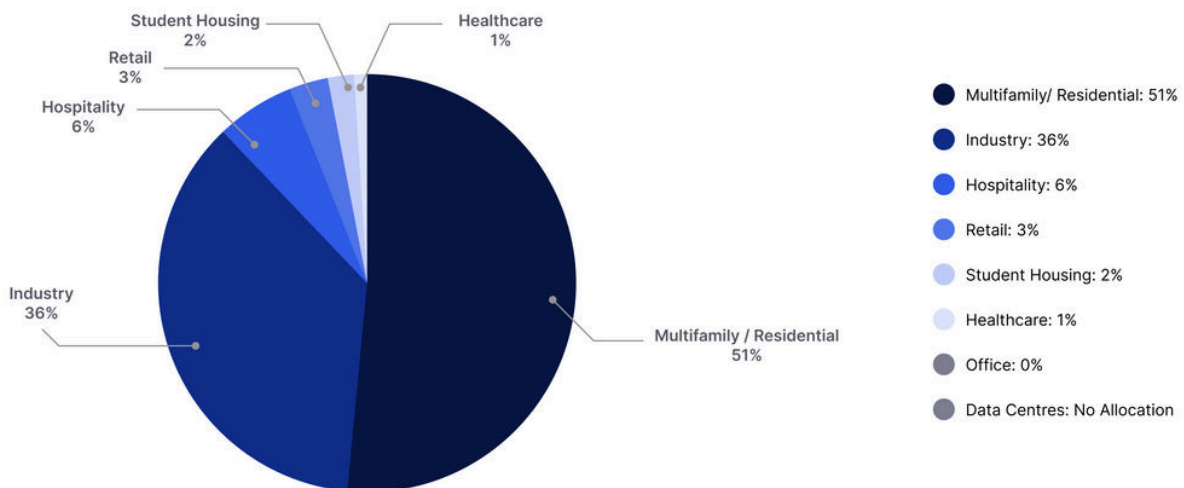


Multifamily properties offer consistent rental income and are seen as safe bets during economic fluctuations. Meanwhile, industrial properties, particularly those related to logistics and warehousing, benefit from the e-commerce boom and supply chain demands.

Emerging Sectors



There is growing interest in niche sectors like life sciences and data centers. These property types are becoming increasingly attractive due to their critical roles in technology and healthcare, which are still enjoying rapid growth.





| The Rise of Debt Funds

Fundraising Trends:



In the second quarter of 2024, a significant portion of real estate fundraising was directed towards debt funds, with \$9.1 billion raised for financing property deals or purchasing loans. This reflects a growing investor preference for debt investments, which offer higher yields and reduced risk compared to equity investments. In contrast, equity fundraising saw a smaller increase, with \$33 billion raised in the same period.

Economic Context



The popularity of debt funds is closely linked to the broader economic environment. With interest rates rising, debt funds provide an attractive opportunity for investors seeking stable returns amidst market volatility.

Debt & Equity Classes

6 Month Term

9 Month Term

12 Month Term

18 Month Term

24 Month Term

36 Month Term

60 Month Term

Interest Rate

Unit Discount

Investment Increment Amount

Edit Promissory Note

Update

Customize

Maturity Date

Interest Rate

Min and Max Investment Amount

Accrual, amortization, and flat rates

Auto-close



| Strategic Implications

For Investors

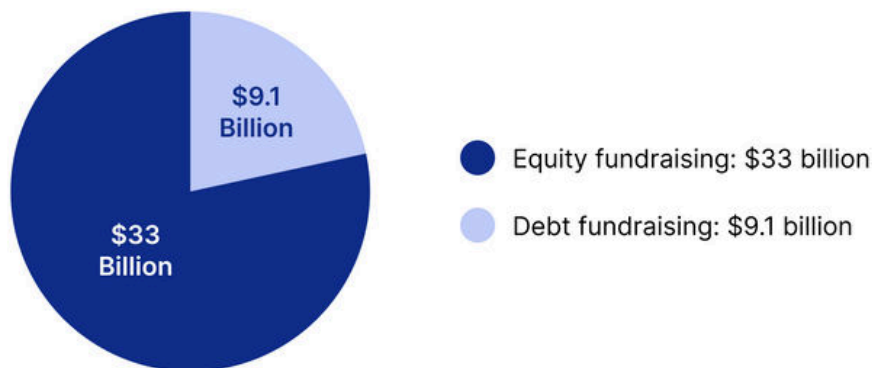


Focusing on sector-specific investments and debt funds allows investors to target high-growth areas while managing risk. Multifamily and industrial properties offer stability, while debt funds provide opportunities in a challenging economic climate.

For Fund Managers



Adapting to current trends means strategically positioning funds to capture interest in growing sectors and capitalizing on the rise in debt fund popularity. Managers should be prepared to navigate a competitive landscape while capitalizing on the opportunities presented by the commercial loan maturity wave.





3



TREND

Technology Integration in Fundraising

Post-pandemic technology is fast becoming a game-changer in the evolving landscape of real estate fundraising, especially for small and mid-sized sponsors.

By leveraging advanced tools like [InvestNext](#), sponsors can level the playing field, streamline processes, and build stronger investor relationships.

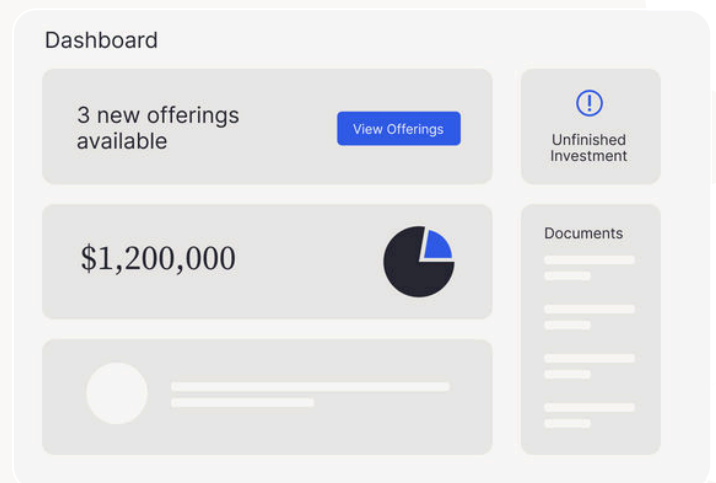
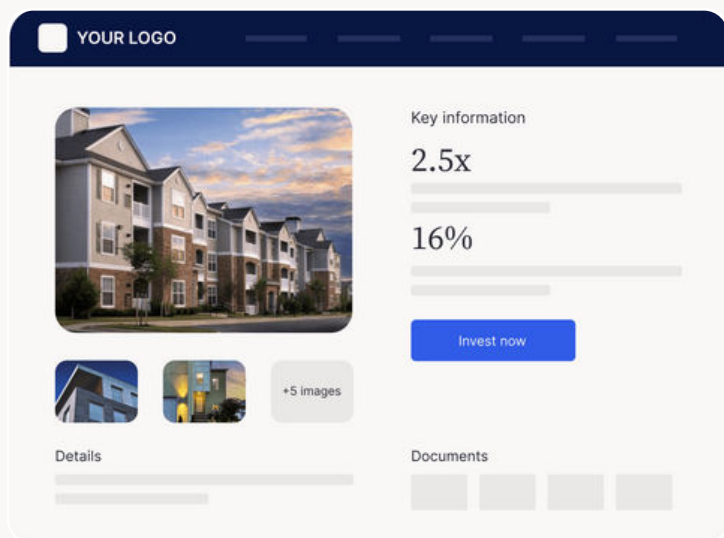


Investor Portals & Deal Rooms

Innovative real estate tech has revolutionized how fund managers and investors interact.

For example, investor portals and deal rooms are quickly becoming essential tools of the trade. They allow real-time capital calls, allowing fund managers to quickly raise and manage capital without the traditional delays associated with manual processes. Thanks to advanced investment management platforms, investor distributions are now calculated and disbursed more efficiently than ever.

Additionally, joint ventures and co-sponsorship functionalities enable collaboration for sponsors of all sizes, making it easier to spread deals across multiple investor groups and broaden the capital base.





Innovative Tools for Enhanced Fundraising

Computer Vision for Site Selection and Analysis



Cutting-edge computer vision technology is now used to assess and select potential investment sites. These solutions analyze vast reams of data, providing key insights into site suitability and possible risks, which helps sponsors make more informed decisions.

Generative Video for Virtual Property Tours

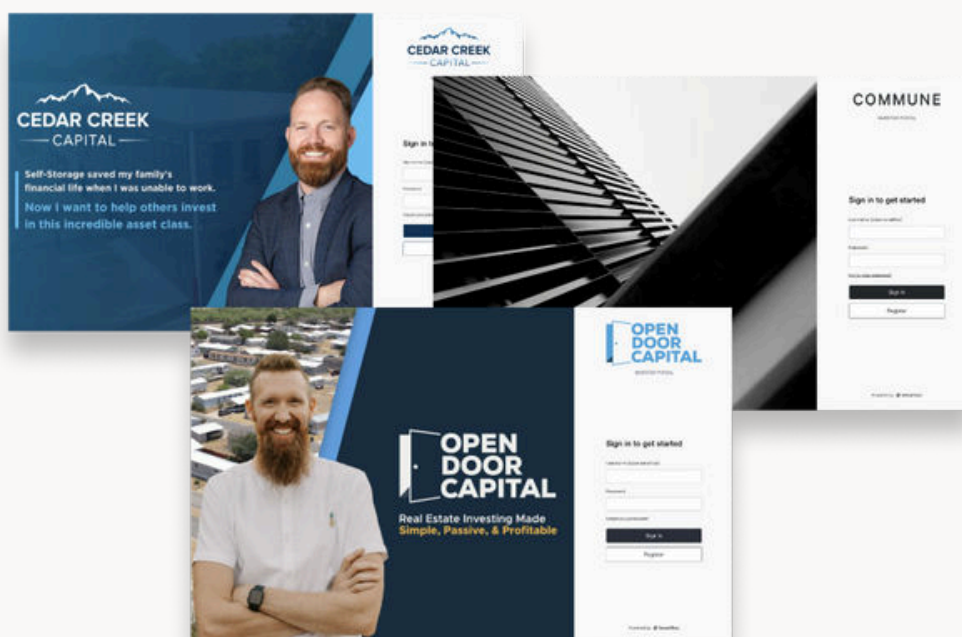


Generative video tech is rapidly transforming property tours as we know them. Sponsors can now offer virtual property tours that provide an immersive experience, allowing potential investors to explore properties remotely and in greater detail.

Branded Experience



A professional, branded portal enhances sponsor credibility. By directing prospective investors to a polished, user-friendly platform, sponsors can present their offerings competitively, strengthening their fundraising efforts.





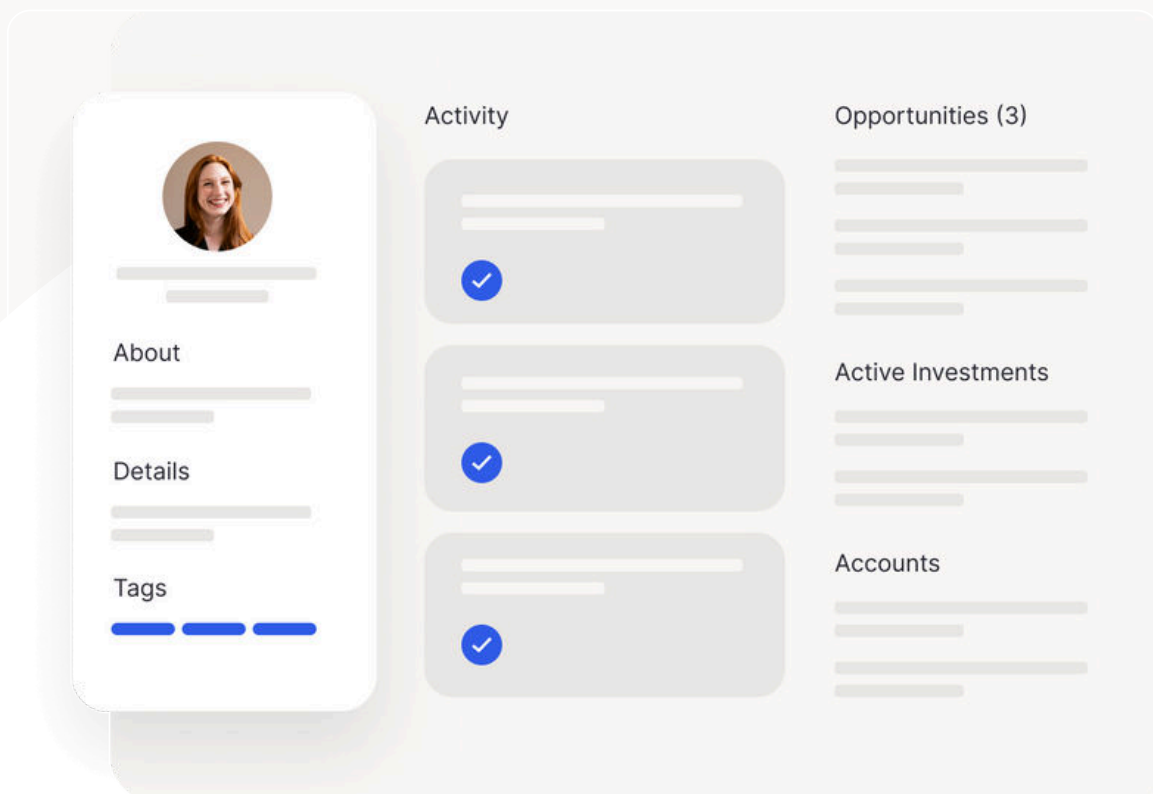
| Sponsor CRMs

Sponsor Customer Relationship Management (CRM) systems →

These platforms offer robust communication tools that foster transparency, help identify investment opportunities, and enhance the investor experience.

Sponsor CRMs make the fundraising process more efficient by centralizing document management and reporting capabilities, reducing administrative burdens, and accelerating decision-making.

Technology integration in fundraising streamlines operations and enhances the overall investor experience, enabling sponsors to compete more effectively and raise capital more efficiently.





4



TREND

Flexible Fund Structures and Investment Options

Faced with evolving market challenges, fund structures are undergoing significant transformations to meet investor needs and adapt to current conditions.

The rise in funds compared to one-off syndications reflects a growing preference for more flexible and diversified investment options.



| Diverse Fund Offerings

Sponsors can utilize diverse fund structures to appeal to different investor profiles. Platforms like InvestNext can streamline the management and implementation of these structures, making fundraising more accessible and flexible.

Open-End Funds



These funds are designed to offer ongoing liquidity, making them more appealing to investors concerned about exit opportunities. By accommodating continuous inflows and outflows, open-end funds offer a dynamic solution for investors seeking stability and liquidity.

Closed-End Funds



With investment periods typically extending over 10+ years, closed-end funds allow managers to execute strategies without the pressure of redeeming capital. This longer horizon helps investors weather short-term volatility as managers focus on long-term value creation. These funds are particularly beneficial in markets where patience and stability are essential.

Hybrid Structures



Combining features of open-end and closed-end funds, hybrid structures offer periodic liquidity windows, balancing the need for flexibility with long-term investment strategies. This approach allows investors to access their capital at specified intervals while benefiting from a longer-term investment strategy.



| The Appeal of Hybrid Structures

Fund managers and investors increasingly favor hybrid investment fund structures for their flexibility and potential for enhanced returns. These structures balance liquidity and long-term investment, offering periodic liquidity while protecting the fund from the risks associated with large-scale redemptions.

This flexibility enables fund managers to invest in less liquid, higher-return assets while still allowing investors to exit the fund at certain intervals:

- Hybrid funds allow managers to pursue diverse opportunities across various sectors, including private equity and real estate.
- Their controlled redemption mechanisms help mitigate risks during market downturns, leading to more stable performance.
- Hybrid structures enhance capital-raising potential by catering to a broader investor base, including both institutional and retail investors.
- These funds are also adaptable to various regulatory environments, making them a versatile option in an evolving market landscape.
- Hybrid structures are becoming a compelling choice for those looking to optimize returns while navigating complex market conditions.



Tailored Investment Strategies

Sector-Specific Funds



These funds focus on specific sectors that demonstrate resilience in current market conditions, such as technology, healthcare, or essential services. By targeting sectors with stable or growth-oriented characteristics, these funds aim to provide attractive returns despite broader market fluctuations.

Special Situations Funds



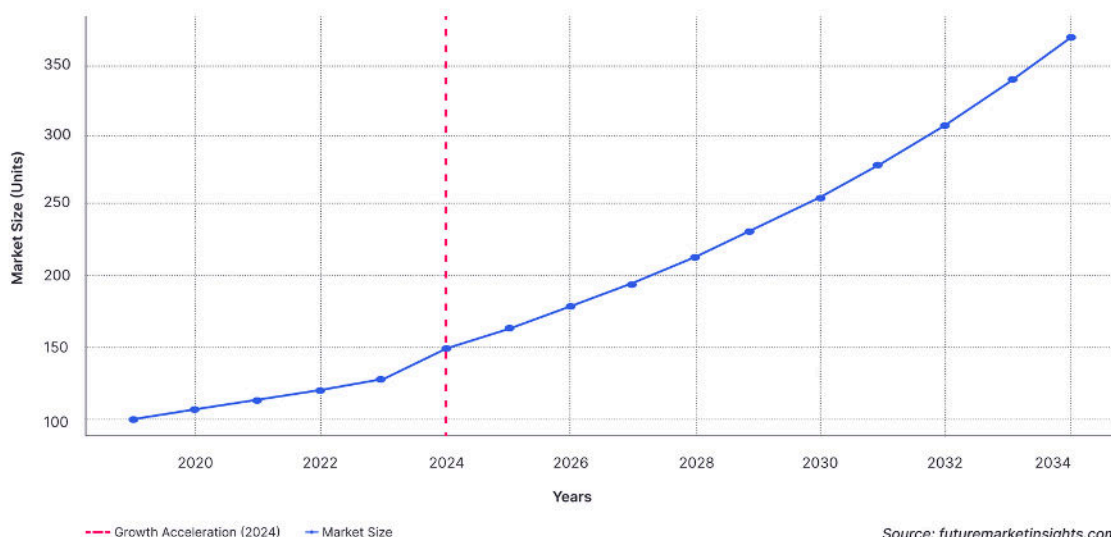
Earmarked as 'war chests' for distressed opportunities, these funds focus on acquiring and managing assets in challenging situations. Identifying and addressing dislocations and asymmetries within distressed assets can give investors the potential for high returns.

Compliance-Focused Funds



With increasing regulatory scrutiny, funds prioritizing compliance and meeting regulatory requirements are becoming more attractive than ever. These funds ensure adherence to legal standards and address investor concerns about governance and transparency.

Market Size Growth for Compliance-Enabled Firms (2019-2034)





Syndication Strategies in Challenging Markets

Increased Communication



Open and frequent communication with investors is crucial in managing expectations and addressing market challenges. Syndicators are enhancing their comms to better inform investors about market conditions and their potential impacts on investments.

Restructuring Existing Deals

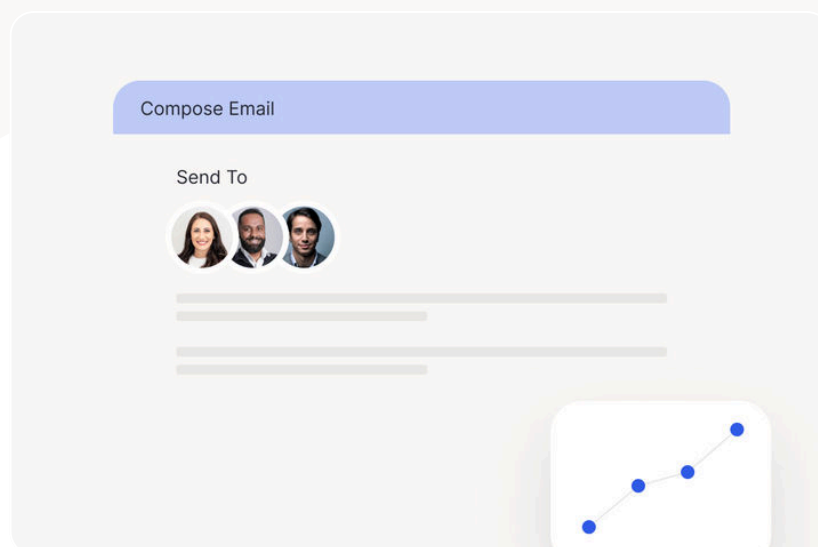


Syndicators actively restructure deals to manage debt obligations and adapt to changing conditions. This may involve negotiating new terms or modifying deal structures to address financial pressures and maintain viability.

Exploring Alternative Financing



Syndicators turn to preferred equity and mezzanine debt to bridge funding gaps. These financing options provide additional capital and flexibility, supporting ongoing projects and new opportunities.





Adapting to Market Pressure

Capital Calls



Syndicators facing potential capital calls due to a higher rate environment focus on managing liquidity and operational efficiency. They aim to maintain investor confidence and financial stability by addressing capital needs and optimizing performance.

Value-Add Strategies



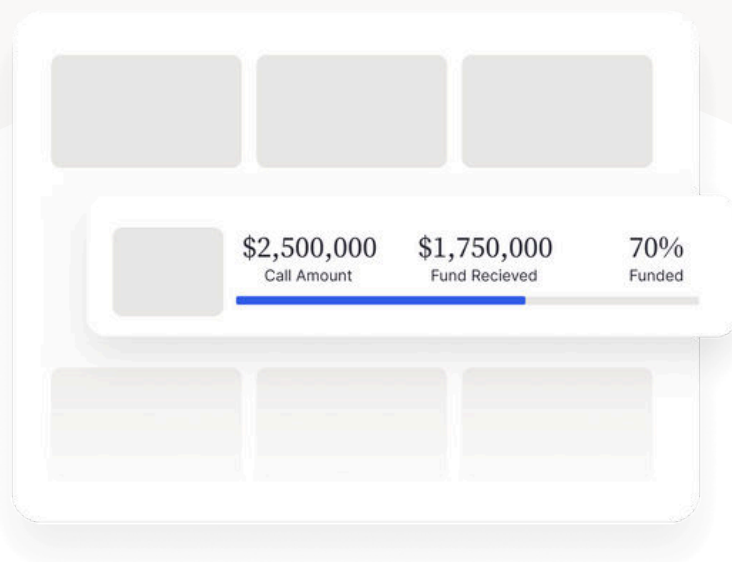
Emphasizing value-add strategies allows syndicators to improve property performance and enhance returns. This approach focuses on strategic and operational improvements to increase property value and income potential.

Operational Efficiency



To navigate market pressures and maintain cash flow, syndicators emphasize operational efficiency. Streamlining processes and reducing costs are vital to sustaining performance and investor satisfaction.

By leveraging flexible fund structures and tailored strategies, fund managers and syndicators can better navigate today's market challenges, attract diverse investors, and capitalize on emerging opportunities.





5



TREND

Enhanced Investor Networking and Compliance Focus

In today's investment environment, understanding and effectively engaging with a diverse array of investors is mission-critical. As compliance becomes a key differentiator, sponsors, and investors must also navigate a complex landscape of regulatory requirements and investor expectations.



| Diverse Investor Landscape

Pensions



These range from small, local funds to massive state systems, each with varying investment criteria and goals. Fund managers must tailor their approaches to align with these institutions' requirements and risk appetites.

Endowments



University and foundation endowments come in different sizes and have unique mandates. Their investment strategies often focus on long-term growth and stability, making them selective about their investment partners.

Family Offices



Single and multi-family offices offer flexible mandates and can invest across various assets. Personal preferences and long-term family goals usually influence their investment decisions.

Insurers



Life, property, and casualty insurers typically have long-term investment horizons, seeking stable returns over extended periods. They are generally focused on investment security and compliance with regulatory requirements.

High-Net-Worth Individuals (HNWIs)



Accredited investors seeking direct exposure to commercial real estate bring a more personalized investment approach. They are often looking for exclusive opportunities and transparent, high-quality management.



Networking Strategies

Industry Conferences and Events



Attending conferences and industry events allows valuable face-to-face interactions. These gatherings offer opportunities to build relationships, showcase expertise, and gain insights into investor needs and market trends.

Virtual Networking Platforms and Webinars



These channels offer broader reach and engagement, overcoming geographical limitations. Virtual platforms facilitate connections with potential investors and partners, and webinars can be used to demonstrate thought leadership, share market insights, and build trust.

Leveraging Placement Agents and Intermediaries



Utilizing placement agents and intermediaries can streamline introductions to qualified and interested investors. These experienced professionals have established networks that can help fund managers access a wider pool of potential investors.

23Sep
2024

IN-PERSON

The 12th Annual Real Estate CFO & COO Forum (East)

07:00 AM – 6:15 PM

02Dec
2024

IN-PERSON

The 3rd Annual SFR Industry Awards

03March
2024

Best Ever Conference

09Oct
2024

IN-PERSON

2024 Old Capital Multifamily Conference – Bush Presidential Center

05:00 PM – 06:00 PM

18May
2025

Commercial/Multifamily Finance Servicing and Technology Conference

CRE Daily[View All Events](#)



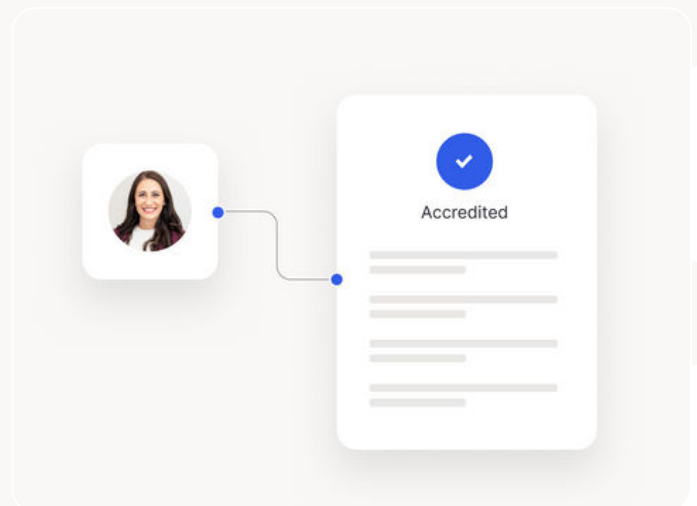
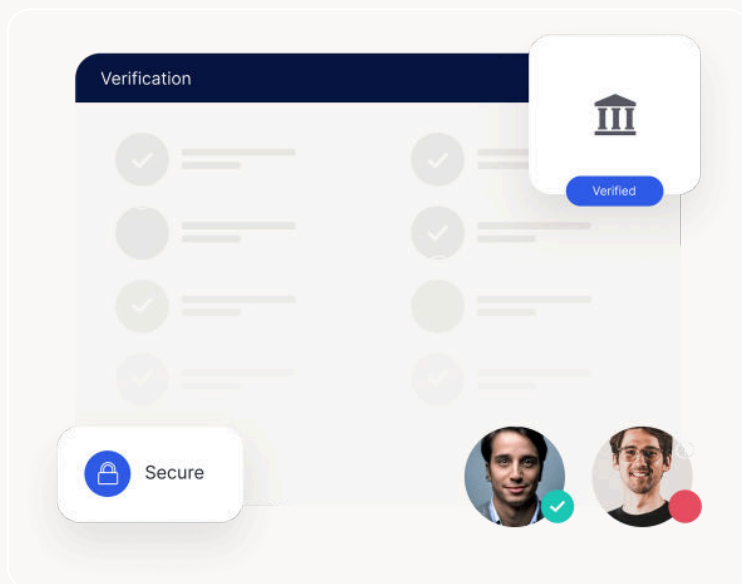
Compliance and Regulatory Focus

The current wave of distressed assets presents many opportunities for fund managers who prioritize compliance and effective networking.

[The FDIC emphasizes six essential risk management practices](#), including maintaining strong capital reserves, setting appropriate credit loss allowances, and closely monitoring loan portfolios.

Enhancing loan workout processes and maintaining adequate liquidity is also crucial, as is keeping financial data updated in real-time for more informed decision-making.

Additionally, the Federal Reserve Board's monitoring of credit deterioration in CRE lending highlights sound credit practices.





8 Key Risk Management Practices

1

Maintaining Strong Capital Levels

Ensuring that capital reserves cover potential losses adequately.

2

Appropriate Credit Loss Allowances

Setting aside sufficient allowances for credit losses to protect against defaults.

3

Managing CRE and C&D Loan Portfolios

Closely monitoring commercial real estate and construction and development loan portfolios to mitigate risk.

4

Updated Financial and Analytical Information

Keeping financial and analytical data current to make informed decisions.

5

Bolstering Loan Workout Infrastructure

Enhancing infrastructure and processes for managing distressed loans effectively.

6

Maintaining Adequate Liquidity

Ensuring access to diverse funding sources and maintaining liquidity to handle unexpected demands.

7

Investor Accreditation Verification

Implementing robust processes to verify investor accreditation status, ensuring compliance with SEC regulations and reducing legal risks.

8

Know Your Customer/Business (KYC/KYB) Programs

Establishing comprehensive Customer Identification Programs (CIP) to prevent fraud, money laundering, and other financial crimes while building trust with investors.



| Implementing FDIC's Guidelines

Investment fund managers are increasingly adopting key risk management practices to enhance the resilience of their investment strategies and ensure regulatory compliance.

They are establishing robust governance frameworks with active board oversight, ensuring senior management is accountable for effectively implementing risk management policies. This includes setting clear procedures and limits for managing various risks—such as market, credit, liquidity, and operational risks—and regularly updating these policies to adapt to changing market conditions and regulatory requirements. Fund managers also utilize advanced Management Information Systems (MIS) for real-time risk monitoring, integrating data from multiple sources to provide a comprehensive view of portfolio risks. Additionally, they manage liquidity by maintaining sufficient liquid assets and implementing robust collateral management practices for derivative trades.

Stress testing and crisis management plans are developed to ensure the fund's ability to handle market disruptions and emergencies, safeguard investor capital, and ensure long-term sustainability. Accreditation verification is more than a regulatory checkbox—it's a cornerstone of investor trust. Fund managers can streamline investor onboarding by implementing robust, technology-driven accreditation processes while demonstrating their commitment to regulatory compliance.

This mitigates legal risks and positions the firm as a sophisticated, trustworthy partner in an increasingly complex investment landscape.

KYC/KYB programs serve as both a shield and a bridge. On one hand, they protect the fund and its investors from fraud and financial crimes, safeguarding the integrity of the investment ecosystem. On the other, they offer an opportunity to deepen investor relationships through a transparent, professional onboarding experience. Advanced KYC/KYB solutions can transform a potentially cumbersome process into a competitive advantage, setting the stage for long-term investor loyalty.

These practices satisfy regulatory requirements and build investor confidence by demonstrating a commitment to transparency and security. Advanced platforms that automate these processes can significantly reduce the administrative burden while ensuring thorough compliance.



| Implementing FDIC's Guidelines

With a wave of distressed assets [valued at \\$929B](#), fund managers are faced with a once-in-a-lifetime opportunity to acquire undervalued properties. This segment requires careful navigation and adherence to regulatory standards to capitalize on potential gains.

Investment fund managers can seize distressed commercial real estate opportunities by adopting various strategic approaches. Key to this is identifying high-distress markets, such as those with significant loan maturities and declining property values, and focusing on specific sectors, such as office buildings or multifamily properties, that show potential for recovery. Managers should leverage the lower asset prices through value buying, negotiate favorable terms, and employ creative deal structures to enhance acquisition opportunities.

Additionally, fund managers should develop and implement revitalization strategies for acquired assets, including capital improvements and operational efficiencies. Utilizing advanced technology and data analytics for real-time monitoring and risk assessment will help investors make informed investment decisions. Effective risk management involves thorough due diligence and risk mitigation strategies.

Managers must decide between holding assets for long-term appreciation or flipping them for quick returns while remaining adaptable to market changes. By integrating these strategies, fund managers can maximize returns from distressed assets and navigate the complexities of the current real estate market.



Strategies for Successful Fundraising in H2 2024

Fund managers must highlight their unique value propositions and niche strategies to differentiate themselves in a crowded market, whether through innovative fund structures or specialized investment areas.

By streamlining deal flow and investor commitments—optimizing communication, tracking interactions, and managing leads effectively—they can quickly attract a targeted investor base and secure commitments, ensuring they capture opportunities without missing out.



| Flexible investment options

Offering flexible investment options is another powerful strategy. Fund managers can accommodate different investor preferences and enhance their capital-raising potential by providing varied investment sizes, entry points, and structures. Removing limitations on investment terms and conditions broadens appeal and attracts a broader audience.

Compliance and transparency are crucial. Fund managers must integrate robust compliance measures, such as investor accreditation standards and Know Your Customer (KYC) requirements, into their processes. This ensures regulatory adherence and builds investor trust through transparent and reliable reporting.

| Outlook for CRE in 2H24

The CRE market is poised for a gradual recovery in the second half of 2024, which should slowly but surely present a promising yet dynamic landscape for fund managers.

With some over-leveraged assets facing difficulties, opportunities may arise to acquire distressed properties or investments on favorable terms. Fund managers should seek out these potential deals to capitalize on market dislocations.

While some optimism is warranted, however, the ability to adapt to shifting conditions is crucial to sustained success. Flexibility and strict adherence to regulatory standards will be vital to navigating the evolving markets. Fund managers must stay agile, adjusting their strategies to meet new challenges while staying compliant.

Overall, fund managers must provide greater transparency and demonstrate robust management practices as investor scrutiny intensifies. Being prepared for increased scrutiny while showcasing the value and reliability of their funds will be key to gaining investor trust and securing more commitments.



Raise Capital More Efficiently with InvestNext

Fund managers and sponsors need robust, adaptable tools to stay ahead of the ever-evolving commercial real estate landscape. InvestNext offers a comprehensive solution designed to address challenges and capitalize on opportunities presented by emerging trends. Our platform facilitates the entire investment lifecycle, from capital raising to investor management and fund administration. By partnering with InvestNext, you can:

- Compete effectively in a mega-fund-dominated market by offering institutional-grade investor experiences, reporting, and transparency.
- Quickly adapt to sector-specific trends with flexible fund structures and customizable investor portals.
- Cultivate stronger investor relationships with personalized communications and real-time performance updates.
- Leverage robust compliance technology that reduces risk, builds investor trust, and adapts with your firm as regulations change.
- Accelerate fundraising cycles with efficient, tech-enabled processes.

InvestNext equips your team with the tools you need to optimize every aspect of capital raising. From efficient opportunity management to intuitive Deal Room functionality, you can quickly and easily connect with investors and secure commitments while lowering investor acquisition costs.

By centralizing your capital raise processes, InvestNext lets you focus on what matters most: building strong investor relationships and growing your portfolio. The result is more effective capital management, full stakeholder transparency, and a competitive edge in today's fundraising environment.

[Schedule a demo](#) to discover how InvestNext can help you optimize your capital-raising efforts, strengthen investor loyalty, and unify your operations for successful fundraising in H2 2024 and beyond.



Built to Scale Real Estate Funds and Syndicates

investnext.com

Sep 2024