

FUNDTRACKER TRENDWATCH

Q1/17 first look

Has real estate fundraising hit the wall?

Early numbers are in for real estate investment funds closing in first quarter 2017 — and they look a bit anemic when compared to the same time period last year, which itself saw less capital raised than in the

first quarter 2015. Because 2016 ended up with less capital raised than 2015 in total, you have to wonder if we are in the beginning of a real downturn.

Data from IREI's FundTracker database indicates that only 18 funds closed in the first quarter of 2017. In total, they raised \$12.3 billion. Last year, 33 funds closed in the first quarter with an aggregate raise of \$20.6 billion. That's quite a difference between the two years. Going back one more year to 2015,

we find 33 funds closing in the first quarter. This overachieving group closed with \$32.7 billion in commitments. First quarter 2015 saw the record-breaking Blackstone Real Estate Partners VIII close, so that skews the result a bit, but the trend remains the same. We are seeing less capital raised this year than last. And we saw less raised last year than the previous year.

Funds with a specific geographic focus were most likely to target the United States. Ten of the 18 funds focused on the United States, raising an aggregate of \$6.8 billion (55 percent). Three funds closing first quarter 2017 have a global strategy and accounted for \$3 billion (25 percent) of the total raised.

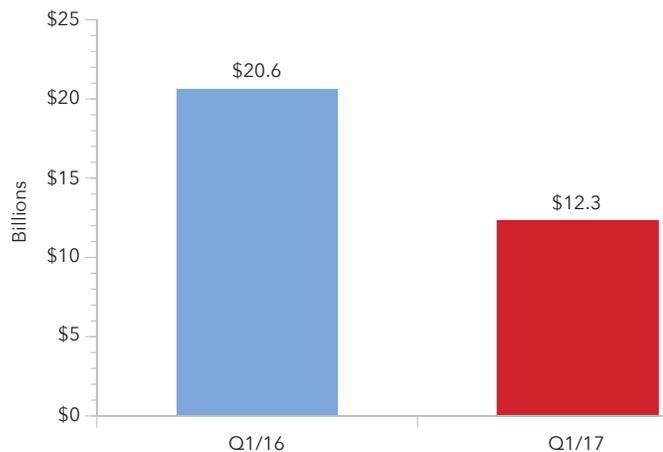
Five of the 18 funds closing in first quarter 2017 raised \$1 billion or more. In total, these funds raised \$7.0 billion, accounting for 58 percent of the total. This compares to first quarter 2016, when only four of 33 funds raised more than \$1 billion and accounted for \$9.1 billion, or 44 percent of the total.

This group of closed-end funds are a further indication that investors have stopped talking about moving out the risk spectrum and are actually doing it. Of those with a listed risk strategy, only one has a lower-risk profile — a core/core-plus fund focused on Europe. Six of the funds have a value-added strategy, and four are opportunistic funds.

Two of the funds holding final closes in first quarter 2017 are dedicated debt funds, with a focus on the United States. Two additional funds have a combined equity/debt strategy, with one looking at Europe and the other having a global strategy. In addition, two fund of funds closed.

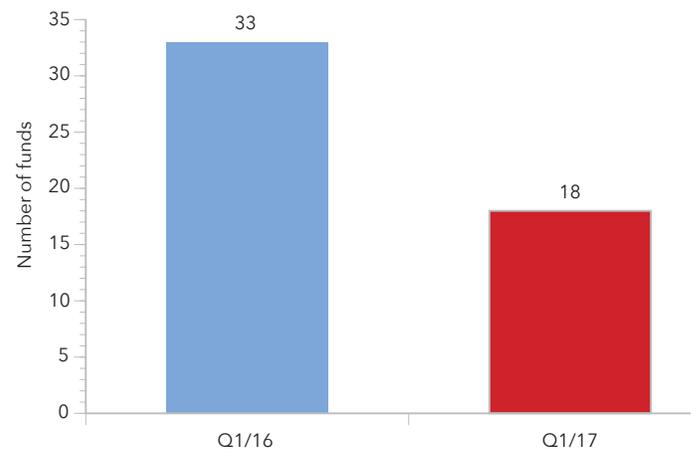
- Fundraising falls in Q1/17
- Average size of funds continues to climb
- United States remains prime investment region

Capital raised by funds closing in Q1/17 vs. Q1/16 (\$B)



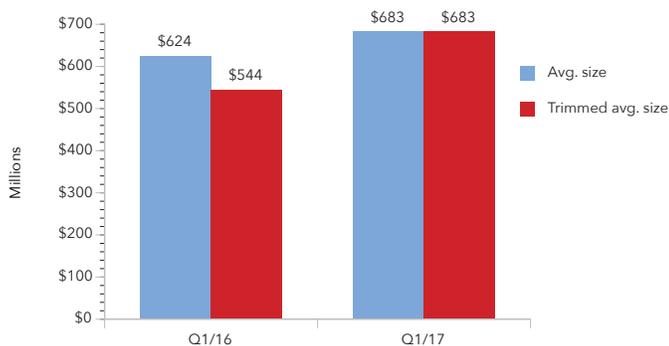
Source: FundTracker

Number of funds closed in Q1/17 vs. Q1/16



Source: FundTracker

Average size of funds closed Q1/17 vs. Q1/16 (\$M)



Source: IREI FundTracker

Average mega-fund closing times Q1/17 vs. Q1/16



Source: FundTracker

Largest funds closed Q1/17

Fund Name	Total Raised	Region
Cerberus Institutional Real Estate Partners IV	\$1.80 billion	Global
Orion European Real Estate V	\$1.62 billion	Europe
DRA Growth & Income Fund IX	\$1.50 billion	N. Amer.
Rockwood Capital REP X	\$1.10 billion	N. Amer.
Turner Multifamily Impact Fund	\$1.00 billion	N. Amer.

Source: FundTracker

Funds closed Jan. 1–Mar. 31, 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

- ▶ Singapore-based [TCC Assets Co.](#) and its subsidiary Frasers Centrepoint will jointly develop 41 acres in the heart of Bangkok with an estimated investment value of approximately \$3.5 billion.
- ▶ [Southwest Value Partners](#), a San Diego-based real estate investment company, has launched Southwest Value Partners Fund XVIII, which is seeking to raise \$350 million in total equity commitments.
- ▶ Hong Kong investors drove investment in commercial real estate in London's West End to a new record of £1.93 billion (\$2.26 billion) in the first quarter, despite market perceptions and concerns over the United Kingdom's exit from the European Union, according to [Cushman & Wakefield](#).
- ▶ [Highland Realty Capital](#) has launched BCP Commercial Real Estate Finance Fund, a debt fund seeking to raise \$100 million in equity commitments.
- ▶ The \$36.2 billion [Illinois Municipal Retirement Fund](#) has committed \$100 million to Blackstone Real Estate Partners Asia II and \$50 million to Dune Real Estate Fund IV.
- ▶ The \$50.2 billion [Pennsylvania Public School Employees' Retirement System](#) committed \$100 million into Ares U.S. Real Estate Fund IX, as well as \$200 million to Carlyle Realty Partners VIII.

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