

# FUNDTRACKER TRENDWATCH

## Smaller funds dominate numbers

But mega-funds dominate capital raised

Real estate mega-funds — those funds raising \$1 billion or more — have been growing in size and market share for the past few years. Since 2015, 439 funds have closed with a total of \$318.7 billion raised. Of that total, 84 mega-funds, or 19 percent of the total number of closed funds, have raised \$193.1 billion, or 61 percent of the capital.

- Mega-funds account for 61% of capital raised
- Mega-funds account for 69% of capital raised by debt funds
- Under-\$500 million funds make up about 60% of all funds

This relative relationship of mega-fund to nonmega-fund can also be seen in individual years, with mega-funds accounting for 63 percent, 56 percent and 64 percent of the capital raised in 2015, 2016 and 2017, respectively. By comparison, mega-funds only represented 18 percent, 16

percent and 24 percent of the funds reaching a final close in those years. As the average size of mega-funds continues to grow, it is likely their share of the total capital raised will also continue to grow.

When the capital raised and number of funds closed are broken down into smaller divisions, the dominance of the largest funds is

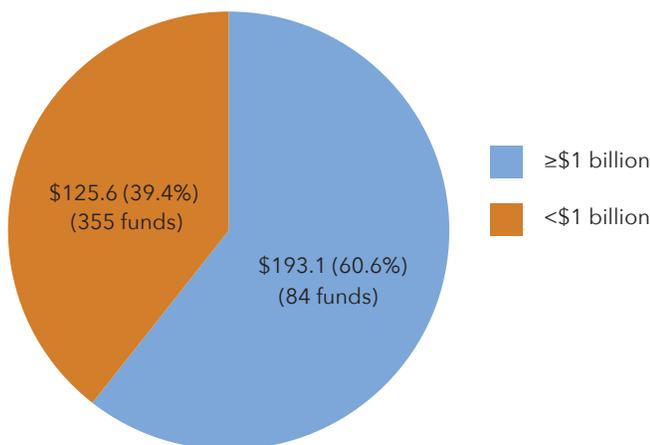
even more apparent. More than half of all funds closed each of the past three years have been smaller than \$500 million. In 2015, more than 62 percent of all funds were smaller than \$500 million. In 2016 and 2017, these smaller funds accounted for 59 percent of the total each year.

Despite their dominance of the number of funds closing, this under-\$500 million cohort only accounted for about 20 percent of the total capital raised each year.

On the other end of the scale, funds larger than \$1.5 billion accounted for way more than their fair share of the capital raised. It appears that if a manager is going to go big, it is going to go really big. The average size of funds in the over-\$1.5 billion group came in at \$3.9 billion, \$3.3 billion and \$2.6 billion for the years 2015, 2016 and 2017, respectively.

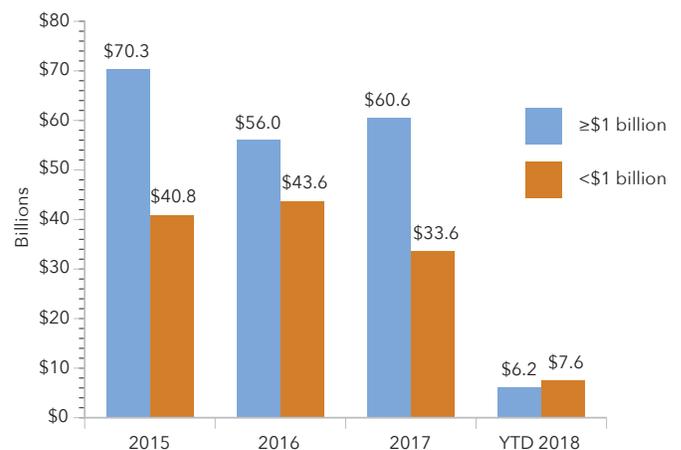
Debt funds, in particular, like the mega-fund size. During the past three years, mega-funds have accounted for 69 percent of the capital raised by debt funds. During this same period, 80 percent of the hybrid debt plus equity capital fell into the mega category. Interestingly, when debt funds are removed from the equation, the amount raised by equity mega- and nonmega-funds comes in at 50 percent each.

Total capital raised 2015–2018 by fund size (\$B)



Source: IREI FundTracker

Capital raised per year by fund size (\$B)



Funds closed Jan. 1, 2015 – Mar. 1, 2018

Source: IREI FundTracker

YTD 2018 = March 1, 2018

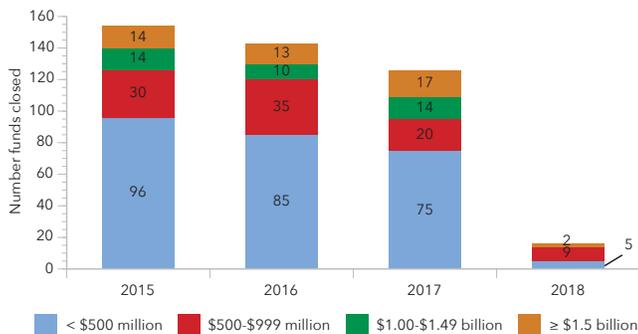
## Capital raised by fund size (\$B)



Source: IREI FundTracker

YTD 2018 = March 1, 2018

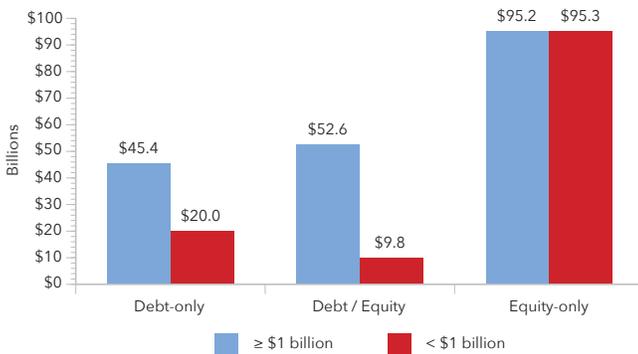
## Number of funds closed by fund size



Source: IREI FundTracker

YTD 2018 = March 1, 2018

## Debt versus equity by fund size over past three years



Source: IREI FundTracker

Funds closed Jan 1, 2015–March 1, 2018

## from the IREI NEWSLINE

- [ICG-Longbow](#) and residential group SDL have launched a new joint venture targeting the build-to-rent (BTR) sector with plans to build more than 2,000 homes in the United Kingdom over the next three years.
- [MedProperties Holdings](#), a Dallas-based private equity firm solely dedicated to investments in healthcare real estate, is seeking \$250 million for its newest real estate fund, MedProperties Fund III, which is a value-added, opportunistic fund that will invest in healthcare and medical office properties throughout the United States.
- The \$48.9 billion [Los Angeles County Employees Retirement Association](#) has committed \$50 million to AG Europe Realty Fund II, which is managed by Angelo, Gordon & Co.
- [Ohio Bureau of Workers' Compensation](#) committed up to \$75 million to Brookfield Fairfield U.S. Multifamily Value Add Fund III, a closed-end real estate fund that seeks to make investments in apartment properties in major markets throughout the United States.
- [Union Investment](#) and ZBI Zentral Boden Immobilien have plans to launch an open-end core-plus real estate fund, ZBI Union Wohnen Plus to invest in residential real estate in selected locations and growth regions in Germany.

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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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