

# 2019 starts with a bang, ends with a fizzle

## Preliminary data shows bleak picture for Q4/19 fundraising volume

When 28 funds closed in the first quarter of 2019, raising a record \$63.6 billion, there was talk of 2019 possibly shattering the 12-month record of \$134.9 billion set in 2008. Indeed, first quarter set the stage for the mega-fund phenomena of 2019 when two super mega-funds reached final closings. The Blackstone Group closed Blackstone Real Estate Partners IX, raising \$17.3 billion, and Brookfield Asset Management closed Brookfield Strategic Real Estate Partners with \$15.0 billion. These two funds alone accounted for more than half of first quarter 2019's fundraising total. And, in addition, another nine mega-funds closed during first quarter, raising \$23.7 billion. All in all, mega-funds accounted for almost 90 percent of the first-quarter fundraising total.

But then investors started tightening their purse strings. Growing global economic and political concerns raised red flags. In addition, high asset valuations and stiff competition among investors have presented challenges for

managers trying to put capital to work, resulting in a growing mountain of uninvested committed capital. Fundraising volume in the second and third quarters was muted, and now the fourth-quarter volume — based on preliminary data — looks like it will be pretty anemic.

Through the first three quarters of 2019, fundraising volume stood at approximately \$104 billion, and at this point it is uncertain if the yearly total can even eclipse last year's mark of \$113 billion.

Early data collection has only captured nine fund closings during the fourth quarter, accounting for \$6.3 billion. However, there are another two dozen funds in the FundTracker database that were targeting a final close by year-end 2019, including a half dozen mega-funds.

### A parade of mega-funds

The prominence of mega-funds has been a major theme this year.

First quarter started with a bang, as 11 mega-funds reached final closings. Second quarter 2019 paled when compared with the first quarter; only four mega-funds closed. Third quarter seemed a bit more promising, as 11 mega-funds closed. Through three quarters, a total of 26 mega-funds were in the books, putting 2019 within shouting distance of the post-global financial crisis record of 33 mega-fund closings set in 2017.

And for the grand finale? It looks like the final three months of the year could be pretty anticlimactic. To date, only two mega-funds have announced closings: Greystar Equity Partners X (\$2.0 billion) and ICG-Longbow UK Real Estate Debt Investments V (\$1.2 billion).

Whether or not the quarter closes out with a strong final push in mega-fund record-breaking fashion, 2019 will still be a year to remember.

— Denise DeChaine

### The rise of mega-funds

Year	Number of MFs	MFs \$b raised	Annual total \$b	Percent of annual \$ total
2012	10	\$28.9	\$68.2	42.5%
2013	23	\$44.4	\$78.1	56.9%
2014	23	\$54.6	\$102.3	53.4%
2015	28	\$70.3	\$115.8	60.7%
2016	25	\$60.6	\$111.4	54.4%
2017	33	\$61.7	\$105.4	58.6%
2018	29	\$65.4	\$111.7	58.6%
2019*	28	\$85.3	\$110.32	77.3%

\*YTD as of Dec. 1, 2019

Source: Institutional Real Estate FundTracker

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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