

Year-end slowdown

Coronavirus pandemic puts the brakes on fundraising

When 22 funds closed in the first quarter of 2020, raising only \$18.8 billion, some didn't blink an eye, as it was on par with recent quarters. So much so that first quarter 2020 exceeded the fourth quarter 2019 total of \$15.5 billion. When 33 funds closed in second quarter 2020, raising \$43.6 billion, wondered if fundraising might defy the economic downturn. In third quarter, there was a big possibility that the COVID-19 pandemic was beginning to have an impact on real estate fundraising activity, but while preliminary data for the third quarter indicated a drop-off from the previous quarter, there was actually an increase on a year-over-year basis. The \$23.2 billion raised by funds that closed in third quarter 2020 exceeded the \$19.9 billion raised by funds that closed in third quarter 2019.

- Only \$4.6 billion raised to date in Q4/20
- 28 megafunds closed this year
- 3 more megafunds slated to close in fourth quarter

Now we find ourselves at year-end 2020 analyzing preliminary numbers for fourth quarter 2020. At

this time last year, we contemplated the bleak picture posed by only nine fund closings during the fourth quarter, accounting for \$6.3 billion. And now in fourth quarter 2020, it seems the same picture is being painted.

Preliminary numbers show only four fund closings thus far, raising approximately \$4.6 billion. However, there are 18 more funds in the FundTracker database targeting a close by year-end 2020, two of which are megafunds. Unfortunately, even if all 18 funds close by Dec. 31, the approximate funds fundraising total would only be \$10.3 billion, bringing the fourth quarter total to only \$14.9 billion, the lowest quarterly total since fourth quarter 2011 when 24 funds raised \$11.5 billion.

The megafund trends continues

The prominence of megafunds has been a major theme this year and in recent year's past. Although lower than 2019's record-setting 31 megafunds raising \$90.9 billion, 2020 has been no slouch. There were 28 megafunds closed this year raising \$68 billion.

The quarter most predominant in megafunds was second quarter 2020, with 14 megafunds raising \$33.3 billion, which represents 84 percent of the total capital raised. The largest fund, Blackstone Real Estate Partners Europe VI, raised more than \$10.6 billion, accounting for 24 percent of the quarterly total.

First and third quarters tied for the amount of megafunds closed, both closing six megafunds. However, third quarter megafunds raised the most capital of the two quarters with \$17.05 billion, compared with first quarter's \$11.07 billion.

Fourth quarter preliminary numbers already show two megafunds closed, raising \$3.5 billion, possibly helping the quarterly totals come year-end. There are three more megafunds slated to possibly close in fourth quarter, which could potentially raise approximately \$3.3 billion.

— Denise DeChaine

| The megafund trend continues | | | | |
|------------------------------|---------------|----------------|------------------|-------------------------|
| 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 | 31 | \$90.9 | \$120.34 | 76.0% |
| 2020* | 28 | \$68.0 | \$131.80 | 52.0% |

*YTD as of Dec. 4, 2020

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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