

Realfin

State of the Market Report

Global Real Estate Q1 2023



Fundraising slump deepens by 48% as investors hold out for debt, riskier strategies

Global private real estate fundraising declined by 48.1% year-on-year to USD 25.94 billion in Q1 2023, amid an intensification and deepening of near-term investor caution, according to *Realfin State of the Market - Global Real Estate Q1 2023*.

Investors pushed harder on the brakes in the first quarter as uncertainty and risk broadened and deepened during the period amid the so-called polycrisis.

The private real estate investment environment since Q3 2022 has gone from challenging to bad, and now from bad to worse as what began as a transitory inflation challenge transmogrifies into a full-fledged market regime change with upended fundamentals.

Where initially inflation, the Russia-Ukraine conflict and hawkish monetary reactions dominated concerns in H2 2022, these were recently overshadowed by traditional banking retreats from real estate lending, only to be replaced (or added to) by concerns of a wider banking crisis and a creeping credit crunch no less.

There is much difference of opinion on the latter, but the more pessimistic investors worry that the optimists may be the same observers who insisted that the inflation spikes of 2022 were merely transitory.

Yet an interesting picture emerges when combining Realfin's data on real estate investor target allocations, attitudes to new managers, fund commitments, and mandates in Q1 2023.

Despite said abundance of uncertainty and risk, investors seeking to increase or maintain allocations to real estate comfortably outnumber those looking to retreat (Realfin's latest average target allocation data shows an increase from 10.1% to 10.9% globally); while demand for debt opportunities and riskier strategies is on the rise.

Realfin saw an unusual 62.4% quarter-on-quarter increase in the number of mandates, RFPs and intentions on RealfinX Platform in Q1 2023, led by such heightened

interest in debt, opportunistic and value-add strategies.

Real estate debt has firmly emerged as a favoured segment - arguably not only within this asset class but even vis-a-vis wider private markets and alternatives. Indeed, real estate debt vehicles occupy four of the 10 slots in Realfin's ranking of the largest final closes for Q1 2023 (Artemis; BentallGreenOak; HGI; Mesa West). Some 16% of investors seeking opportunities over the coming months specified debt as a favoured strategy in Q1 2023, according to Realfin's investor intentions data, marking an 11% increase on Q4 2022.

After all, whether one calls the current turmoil and malaise a regime change or polycrisis, in any case it was neither caused by nor is even peculiarly detrimental to real estate as an asset class. It should be no surprise that many investors look to increase their target allocations and seek high-quality opportunities in debt, distress, residential and promising niche segments.

However, this appetite is on a forward-looking basis, representing investor intentions commonly with a six- to nine-month horizon.

Conversely, investors - a significant minority of whom are over-allocated as a result of the denominator effect - are rather reluctant to invest in the immediate-term and more selective in commitments when they do. This is evidenced not only in the five-year low in fundraising in Q1 2023, but also reflected in a flight to familiarity as more investors stick with developed markets (and US markets in particular).

It is also evidenced in the reversal of a trend of openness and enthusiasm for new manager relationships we have seen in recent quarters and years. The number of investors willing to consider new manager relationships dropped to 67% in Q1 2023, down from 74% in the previous quarter, according to Realfin's investor intentions and mandate data. The number of investors explicitly unwilling to consider new manager relationships increased to 14% quarter-on-quarter, up from 4% in the final quarter of 2022.

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The world's leading real estate fund managers by capital raised across Global, Europe, Asia and RoW on rolling five-year basis

USD 25.94 billion

Capital raised by private, closed-ended real estate funds in Q1 2023

98

Number of funds reaching final close in Q1 2023

1,161

Number of transactions reaching financial close in Q1 2023



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01 Fundraising

Global private real estate fundraising declined by 48.1% year-on-year to USD 25.94 billion in Q1 2023, and by 62.1% on the previous quarter.

The total number of such funds reaching final close also fell by 43.4% year-on-year to 98 vehicles for the period, while slowing by 39.9% on the previous quarter.

Fundraising for the quarter reflects a deepening of a slowdown in investor commitments on the back of

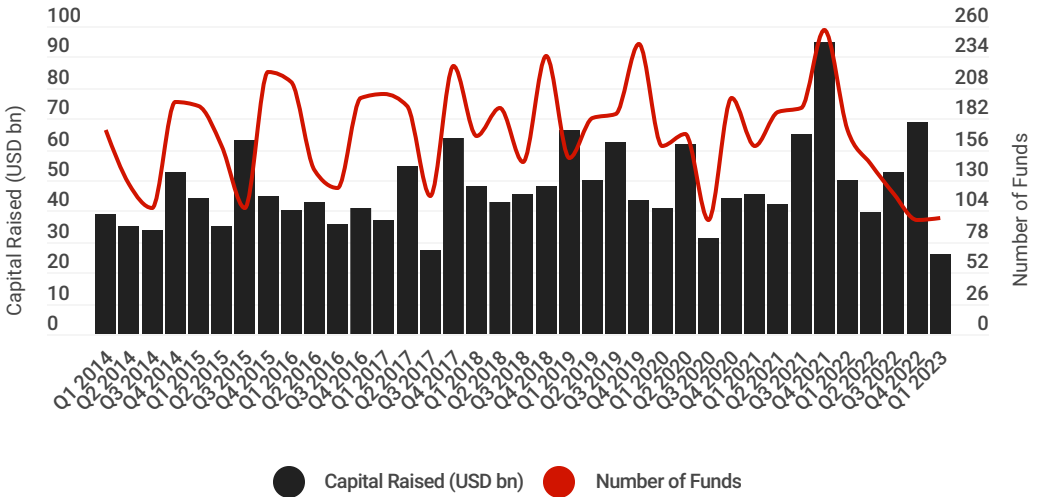
USD 25.94bn

Capital raised in Q1 2023

98

Number of funds reaching final close

GLOBAL UNLISTED REAL ESTATE FUNDRAISING



Source: RealfinX Platform

macro headwinds, market uncertainty, lender retreats, and central bank determination to cool inflation.

Realfin previously argued that fundraising was likely to remain suppressed at least until investors believe we are reaching the end of the chain of rate hikes and this remains a governing factor.

Most investors appear to be favouring a slow-down in decision-making and execution until the dust settles on the impact of those rate hikes.

The proportion of funds closing at less than their target fundraising edged up again in Q1 2023 to 30.0%, continuing a trend started in Q2 2022 that itself disrupted six consecutive quarters of managers successfully achieving 100% or more of their desired final size.

The average size of funds to reach final close increased by 39.7% year-on-year to USD 550.34 billion in Q1 2023, though declined by 28.6% on the previous quarter.

TOP 10 FINAL CLOSES BY SIZE - Q1 2023

	Fund	Manager	Strategy	Targets	Target Size (USD m)	Final Size (USD m)
	Bridge Multifamily Fund V	Bridge Investment Group	Value Add	North America; Residential	2,000	2,260
	Tristan European Property Investors Special Opportunities 6	Tristan Capital Partners	Opportunistic; Value Add	Europe; Diversified	2,812	2,154
	Artemis Real Estate Partners Fund IV	Artemis Real Estate Partners	Debt	North America; Diversified	1,500	1,900
	Invesco Real Estate US Fund VI	Invesco Real Estate	Value Add	North America; Diversified	1,250	1,783
	BentallGreenOak UK Secured Lending III	BentallGreenOak	Debt	Europe; Diversified	1,400	1,694
	HGI Multifamily Credit Fund	Harbor Group International	Debt	North America; Residential	1,800	1,600
	Mesa West Real Estate Income Fund V	Mesa West Capital	Debt	North America; Diversified	1,000	1,370
	GQ Multifamily Build-to-Rent Fund II	Qualitas	Core	Australasia; Residential		1,368
	AREIM Fund V	Areim	Value Add	Europe; Diversified	800	945
	DNE New Economy Infrastructure Assets Fund	DNE Group	Core	Asia; Industrial		871

Source: RealfinX Platform

About Realfin

Realfin is the London-based global leader in real assets data, research and intelligence. We support leading real estate and infrastructure fund managers, investors and service providers in making decisions through rigorous

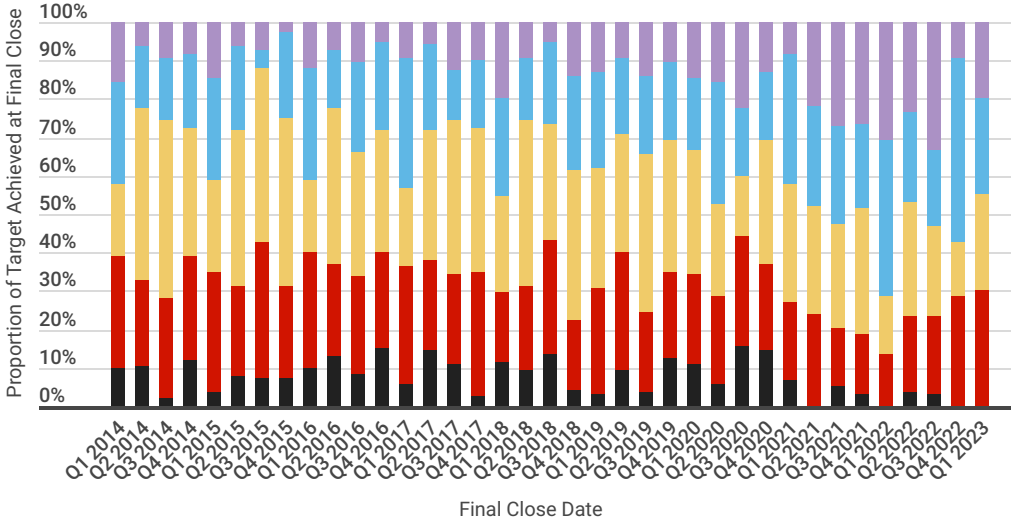
data. Realfin provides specialist real assets data through its flagship RealfinX Platform and through tailored data consultancy.

Realfin analysts are real assets data experts who speak directly to

market, leverage thousands of third-party sources and harness data science to arrive at the most comprehensive datasets of their kind available globally.

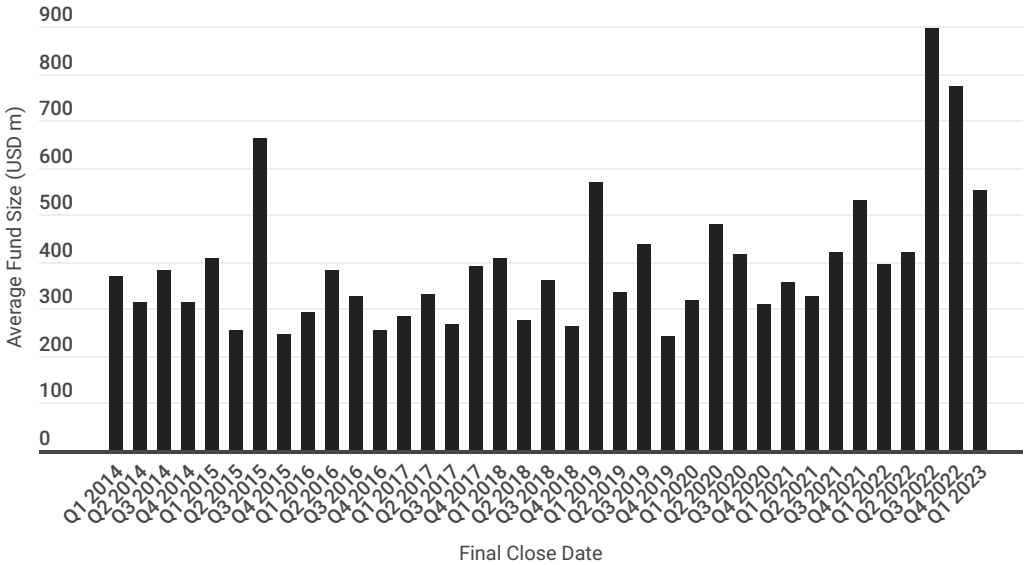
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TARGET ACHIEVEMENT



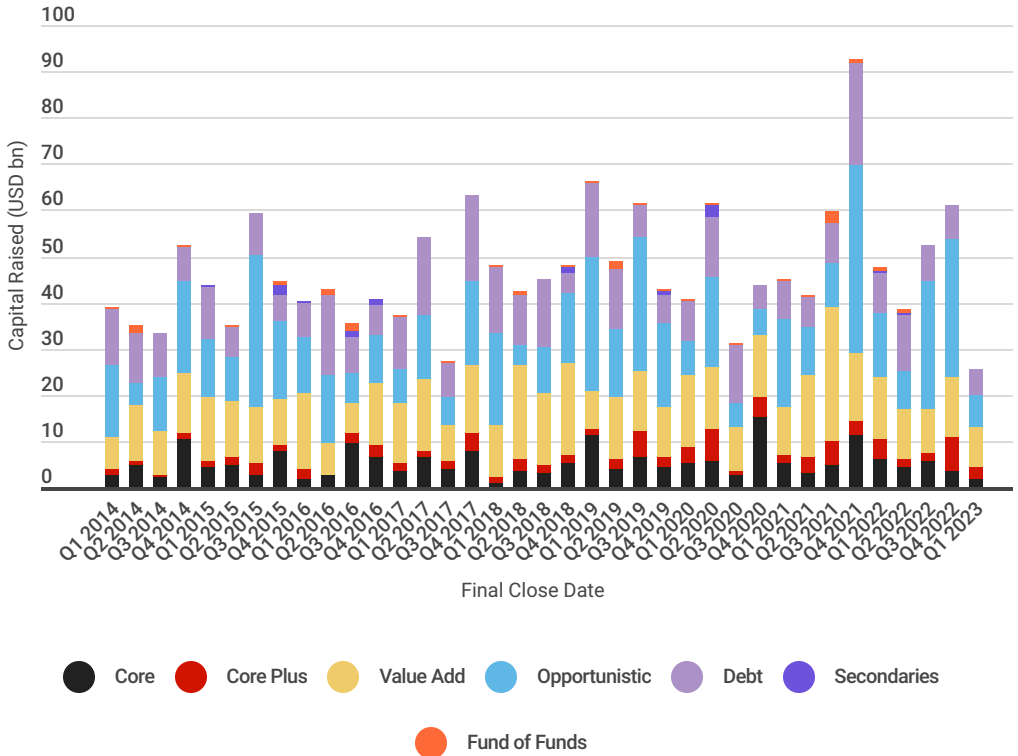
Source: RealfinX Platform

AVERAGE FUND SIZE



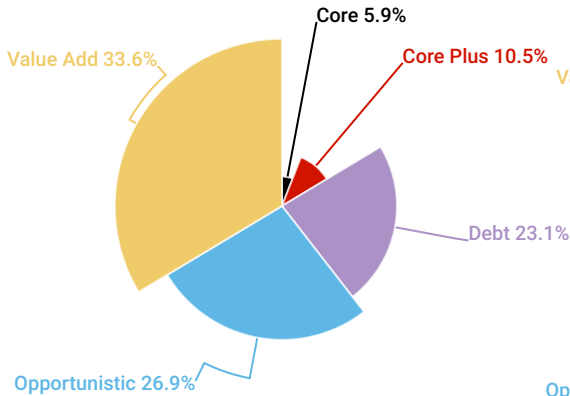
Source: RealfinX Platform

CAPITAL RAISED BY STRATEGY



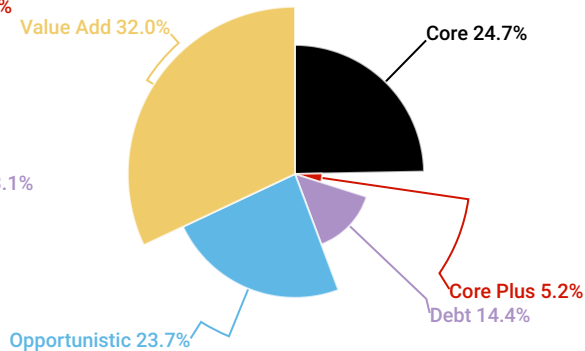
Source: RealfinX Platform

CAPITAL RAISED BY STRATEGY Q1 2023 - BY CAPITAL RAISED



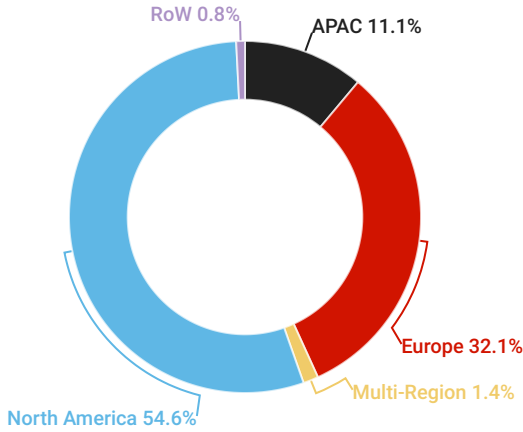
Source: RealfinX Platform

CAPITAL RAISED BY STRATEGY Q1 2023 - BY NUMBER OF FUNDS



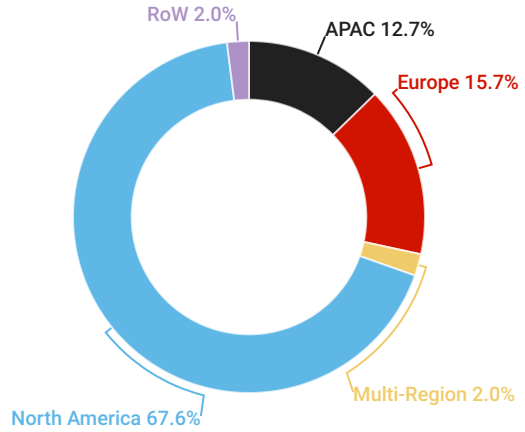
Source: RealfinX Platform

**FUNDRAISING BY TARGET GEOGRAPHIES
Q1 2023 - BY CAPITAL RAISED**



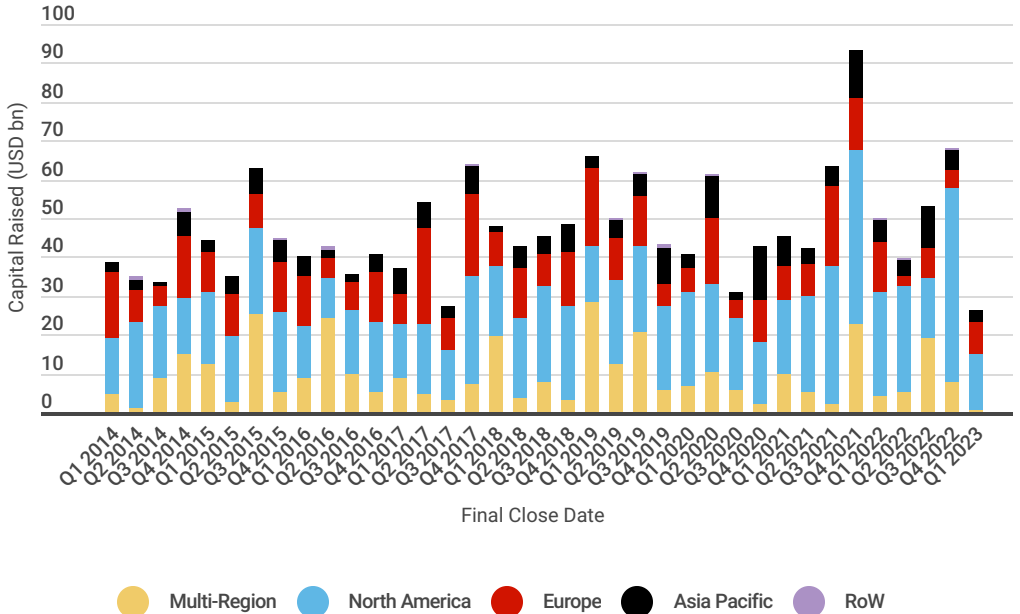
Source: RealfinX Platform

**FUNDRAISING BY TARGET GEOGRAPHIES
Q1 2023 - BY NUMBER OF FUNDS**



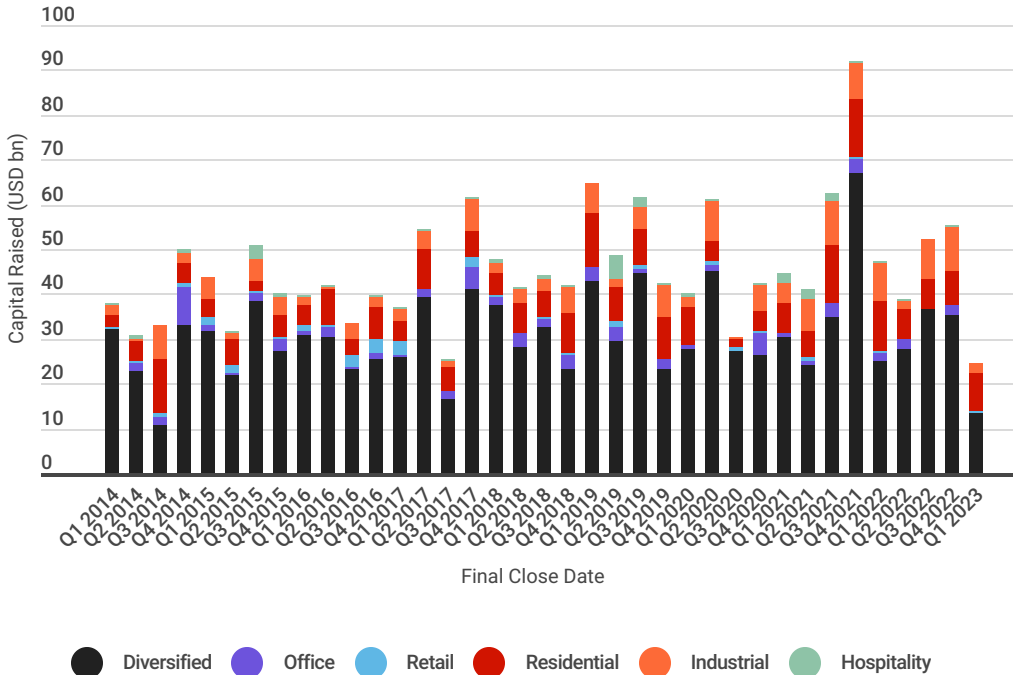
Source: RealfinX Platform

CAPITAL RAISED BY TARGET GEOGRAPHIES



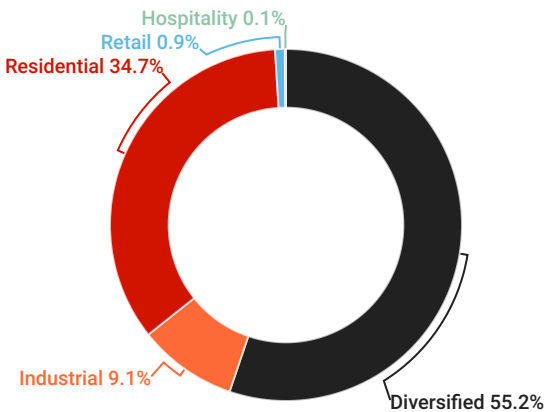
Source: RealfinX Platform

CAPITAL RAISED BY TARGET SECTORS



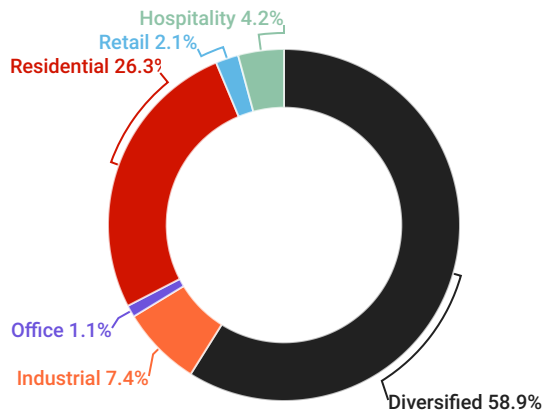
Source: RealfinX Platform

FUNDRAISING BY TARGET SECTORS Q1 2023 - BY CAPITAL RAISED



Source: RealfinX Platform

FUNDRAISING BY TARGET SECTORS Q1 2023 - BY NUMBER OF FUNDS



Source: RealfinX Platform



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02 Assets & Transactions

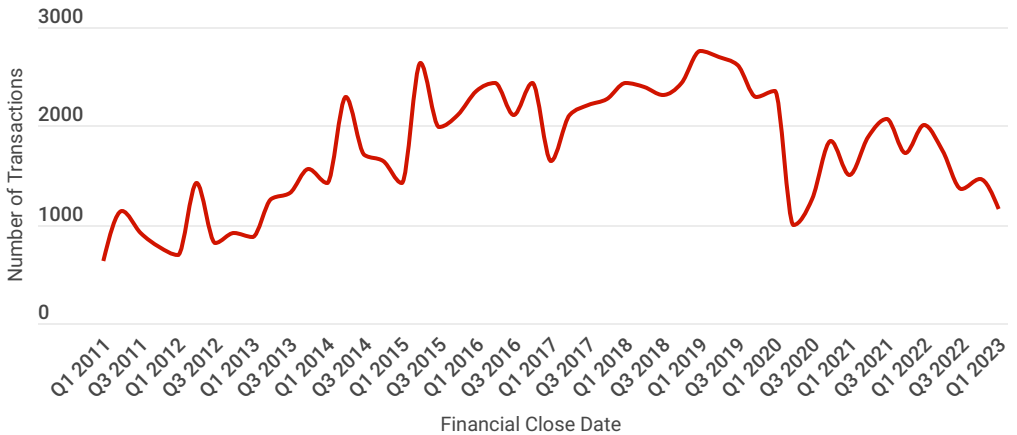
Scrutiny and caution persisted into Q1 2023 amid anticipation of deepening dislocation and mispricing, resulting in a further slowdown in transaction closings.

The total number of commercial real estate transactions involving a private fund or institutional investor declined sharply by 42.1% year-on-year to 1,161 in Q1 2023, while also declining by 21.0% on the previous quarter, according to RealfinX Platform.

1,161

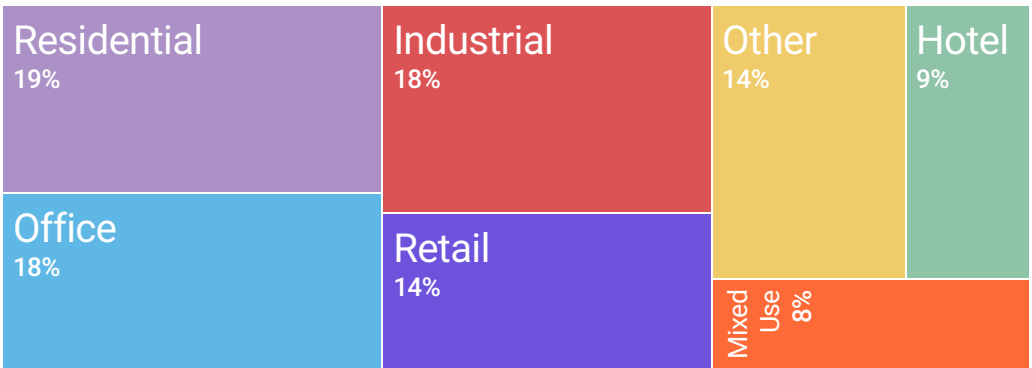
Number of transactions closing in Q1 2023

REAL ESTATE TRANSACTIONS INVOLVING FUNDS/INVESTORS



Source: RealfinX Platform

REAL ESTATE TRANSACTIONS INVOLVING FUNDS/INVESTORS Q1 2023 - BY VALUE



Source: RealfinX Platform

03 Investor Intentions

Despite an abundance of uncertainty and risk, investors seeking to increase or maintain allocations to real estate outnumber those looking to retreat, while eagerness for debt opportunities and riskier strategies is on the rise.

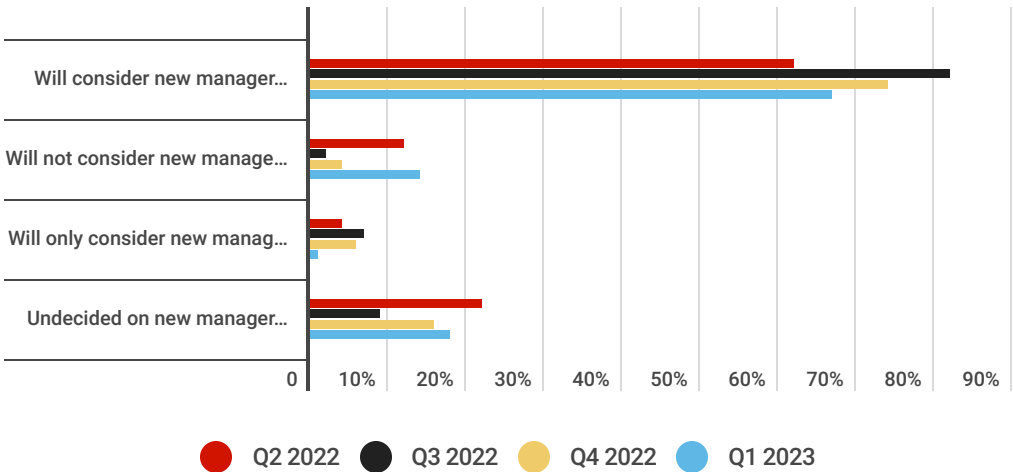
Indeed, Realfin saw a significant 62.4% quarter-on-quarter increase in the number of mandates, RFPs and intentions on RealfinX Platform, led by heightened interest in debt, opportunistic and value-add strategies.

However, this appetite is on a forward-looking basis and evidenced in investor intentions with a six- to nine-month horizon, and in Realfin's latest target allocation data (showing an increase in average target allocation to real estate from 10.1% to 10.9% globally).

Conversely, investors are more reluctant to invest in the immediate-term and more selective in commitments when they do. This is evidenced in the five-year low in fundraising in Q1 2023, but also reflected in a flight to familiarity as more investors stick with developed markets and the US in particular.

It is also on display in the reversal of a trend of enthusiasm for new manager relationships we have seen in recent quarters and years. The number of investors willing to consider new manager relationships dropped to 67% in Q1 2023, down from 74% in the previous quarter, according to Realfin's investor intentions and mandate data. The number of investors unwilling to consider new manager relationships increased to 14% quarter-on-quarter from 4%.

INVESTORS' NEW MANAGER RELATIONSHIP PREFERENCES



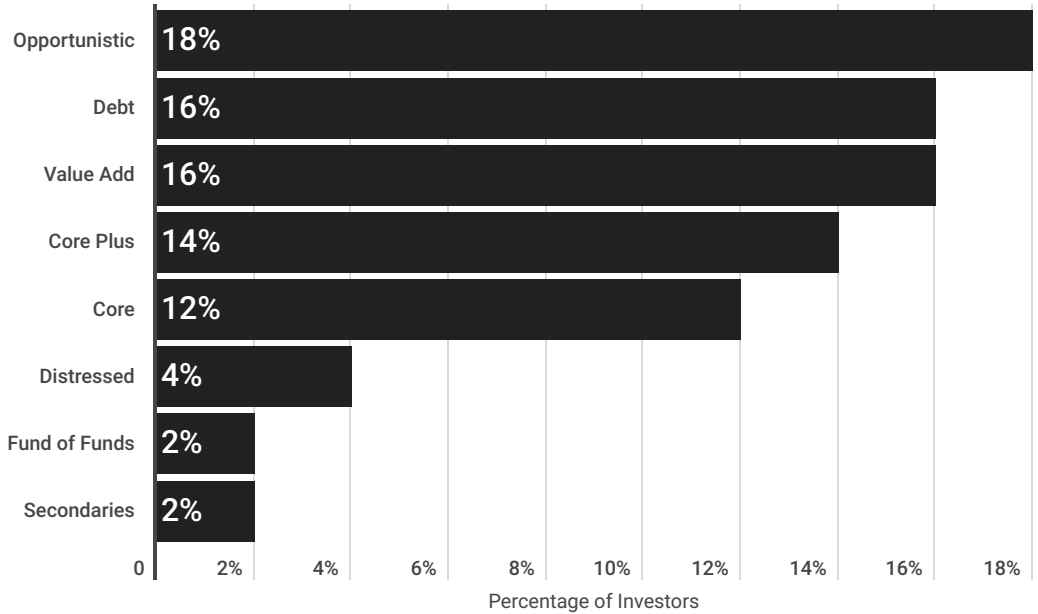
Source: RealfinX Platform

i Methodology Note

Realfin's Financial Data Analysts regularly speak directly to institutional and other investors to obtain their investment preferences and search criteria for RealfinX Platform.

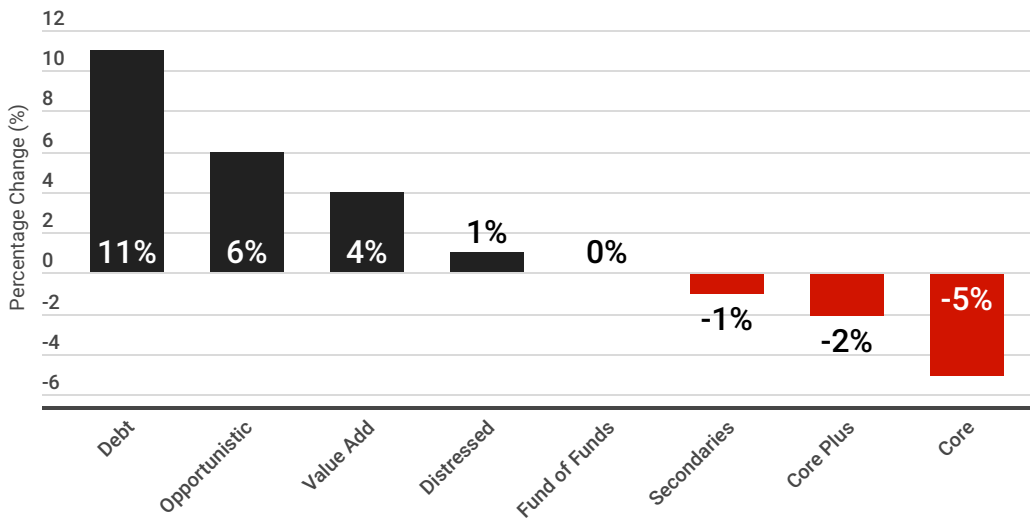
As part of this continuous outreach, Realfin also speaks to investors in relation to market sentiment and outlook each quarter. All efforts are made to maintain a proportional distribution across geographies, sectors, strategies and AUM.

INVESTOR STRATEGY SEARCH PREFERENCES Q1 2023

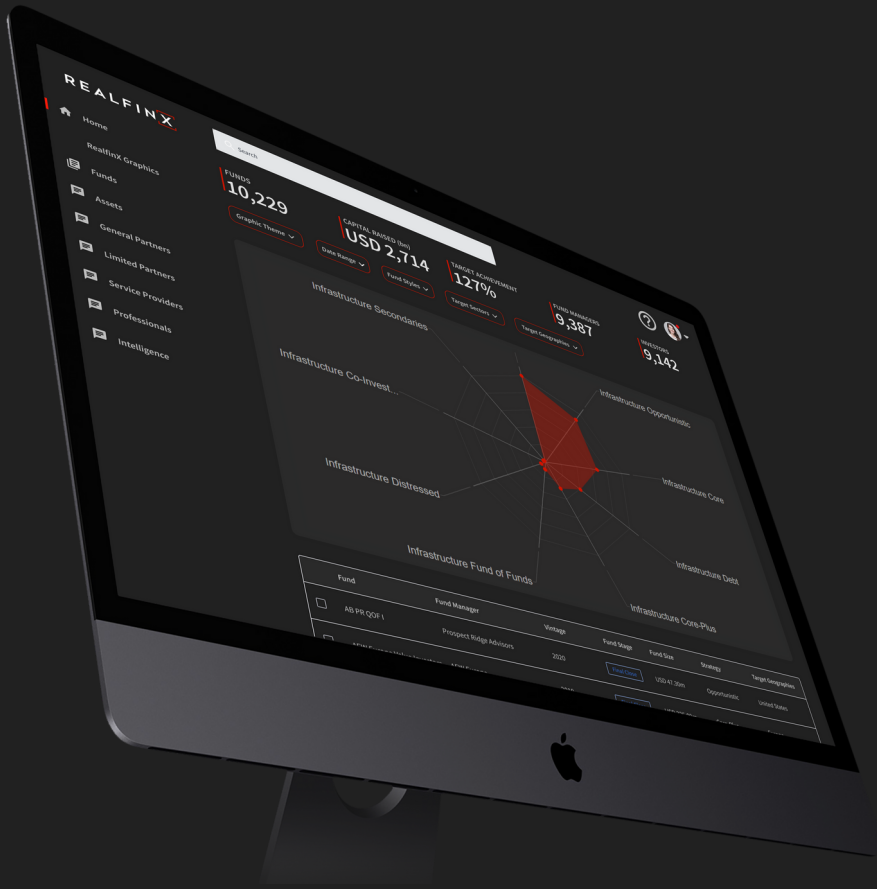


Source: RealfinX Platform

CHANGE IN INVESTOR STRATEGY PREFERENCES Q1 2023 VS Q4 2022



Source: RealfinX Platform



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04 Realfin Rankings

GLOBAL TOP 20 FUND MANAGERS BY CAPITAL RAISED - FIVE YEARS TO Q1 2023

Rank		Fund Manager	Capital Raised (USD m)
1		Blackstone	80,633
2		Brookfield Asset Management	49,827
3		GLP	33,450
4		TPG	15,950
5		Bridge Investment Group	15,668
6		Carlyle Group	15,543
7		Lone Star	15,030
8		AEW	12,658
9		Angelo, Gordon & Co	12,464
10		CBRE Group	11,253
11		Greystar Real Estate Partners	11,047
12		BentallGreenOak	10,695
13		Starwood Capital Group	10,413
14		ESR	10,247
15		EQT	9,887
16		Ares Management	9,866
17		Aermont Capital	9,626
18		KKR	9,518
19		Rockpoint Group	9,511
20		Cerberus Capital Management	9,065

Source: RealfinX Platform

TOP NORTH AMERICA FUND MANAGERS BY CAPITAL RAISED - FIVE YEARS TO Q1 2023

Rank	Fund Manager	Capital Raised (USD m)
1	Blackstone	80,633
2	Brookfield Asset Management	49,827
3	TPG	15,950
4	Bridge Investment Group	15,668
5	Carlyle Group	15,543
6	Lone Star	15,030
7	AEW	12,658
8	Angelo, Gordon & Co	12,464
9	CBRE Group	11,253
10	Greystar Real Estate Partners	11,047

Source: RealfinX Platform

TOP EUROPE FUND MANAGERS BY CAPITAL RAISED - FIVE YEARS TO Q1 2023

Rank	Fund Manager	Capital Raised (USD m)
1	EQT	9,887
2	Aermont Capital	9,626
3	Invesco Real Estate	6,551
4	Nordic Real Estate Partners	5,452
5	Ampere Gestion	4,598
6	AXA Investment Managers	4,517
7	Tristan Capital Partners	4,052
8	Patrizia	4,013
9	The Children's Investment Fund Management	3,650
10	Henderson Park	3,621

Source: RealfinX Platform

TOP ASIA PACIFIC FUND MANAGERS BY CAPITAL RAISED - FIVE YEARS TO Q1 2023

Rank	Fund Manager	Capital Raised (USD m)
1	GLP	33,450
2	ESR	10,247
3	Sino-Ocean Capital	7,357
4	Dexus	6,955
5	CapitaLand	6,900
6	Gaw Capital Partners	6,163
7	Mapletree Investments	4,795
8	Qualitas	4,656
9	KB Asset Management	3,991
10	Macquarie Group	3,647

Source: RealfinX Platform

TOP REST OF WORLD FUND MANAGERS BY CAPITAL RAISED - FIVE YEARS TO Q1 2023

Rank	Fund Manager	Capital Raised (USD m)
1	Old Mutual	5,128
2	Investcorp	973
3	Jadwa Investment Company	830
4	Arcapita	800
5	Riyad Bank	746
6	Yesodot Group	575
7	JTLV	574
8	Malaz Capital	551
9	Kasada Capital Management	500
10	Yellowstone Capital Partners	395

Source: RealfinX Platform



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