

Preqin Research Report

Private Equity Real Estate Distressed and Debt Fund Managers

Distressed and debt real estate vehicles are becoming increasingly prominent in the private real estate sector. The economic downturn has resulted in a decrease in the total number of funds closing and the total capital being raised by all private real estate funds including distressed and debt vehicles. Despite a decrease in numbers, distressed and debt funds are beginning to comprise a larger share of the private real estate fund market. In 2008, 28% of capital raised by private real estate vehicles was by funds with distressed and/or debt strategies; this grew in 2009 to 35%. The increase in the market share of distressed and debt funds is indicative of the growing importance of such funds for the private real estate market as a whole.

As shown in Fig. 1, real estate distressed and debt funds was highest in 2008, when 49 funds raised an aggregate \$39 billion. The economic downturn, which contributed to poor fundraising across all private real estate vehicles, had an adverse effect on distressed and debt fundraising in 2009, with 34 funds raising an aggregate \$16 billion.

Fig. 2 illustrates that there are currently 161 distressed and debt real estate vehicles in market targeting an aggregate \$76 billion in equity. The average distressed and debt real estate fund in market is targeting over \$470 million. As shown in Fig. 3, the majority of distressed and debt funds have a primary focus on investments in North America, with such funds constituting 74% of funds on the road. Primarily European-focused funds account for a further 17% of funds

Fig. 1: Fundraising by Distressed and Debt Real Estate Fund Managers 2002 - 2009

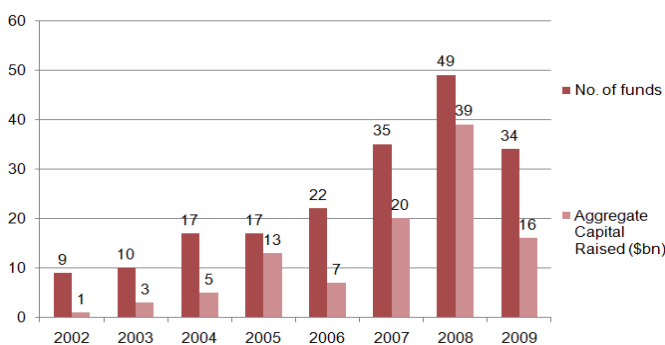
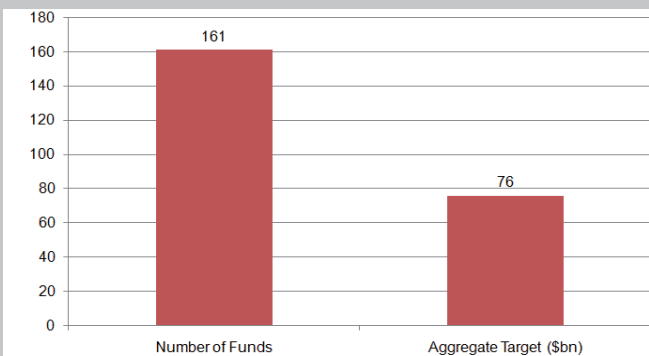


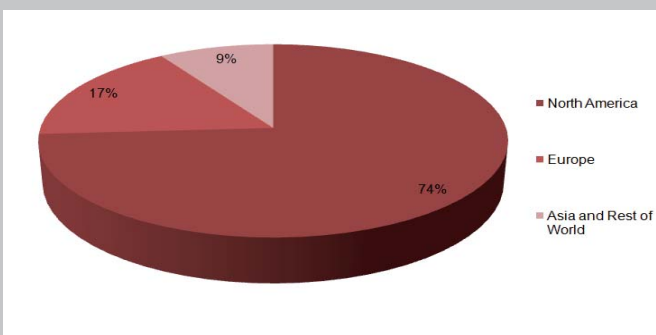
Fig. 2: Distressed and Debt Real Estate Funds on the Road



in market, with Asia and Rest of World the primary focus of the remaining 9% of vehicles.

As shown in Fig.4, Lone Star Funds has attracted the most capital for distressed and debt funds in the last 10 years, having raised over \$21 billion. Morgan Stanley Real Estate and Colony Capital have also raised significant amounts of capital for distressed and debt vehicles, having raised \$6.7 billion and \$6.5 billion respectively.

Fig. 3: Primary Geographic Focus of Distressed and Debt Real Estate Funds on the Road



Data Source: Real Estate Online

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Fig. 4: 10 Largest Real Estate Firms by Capital Raised for Distressed and Debt Funds

Firm Name	Total Capital Raised for Distressed and Debt Real Estate Funds in Last 10 Years (\$bn)	Country HQ
Lone Star Funds	21.4	US
Morgan Stanley Real Estate	6.7	US
Colony Capital	6.5	US
LaSalle Investment Management	3.8	US
Rockpoint Group	3.6	US
Aetos Capital	3.5	US
BlackRock Realty	3.1	US
Fortress Investment Group	3.1	US
Goldman Sachs Real Estate Principal Investment Area	2.6	US
Five Mile Capital Partners	2.2	US

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