

Real Estate Capital Distributions Accelerate in 2016

Strong performance and record distributions see industry AUM fall slightly in H1 2016

Private closed-end real estate funds are continuing to return record levels of capital to their investors. The 2017 Preqin Global Real Estate Report finds that real estate performance has been strong in recent years, and funds have returned two-thirds of a trillion dollars to investors since the start of 2013. This has spurred high levels of investor satisfaction, which in turn has resulted in strong annual fundraising totals. Despite this, the level of capital being raised and deployed by managers has not kept pace with distributions, and so the total assets under management for the industry have fallen slightly as of the end of June 2016.

See the sample pages of the 2017 Preqin Global Real Estate Report [here](#)

Members of the press can request a complimentary copy of the report. Please email press@preqin.com for more details.

Key Facts from the 2017 Global Real Estate Report:

- Global real estate funds have returned in excess of \$100bn to investors annually since 2013. Fund managers distributed \$128bn in H1 2016 alone, following a record \$212bn returned to investors in 2015.
- This level of capital being distributed reflects the strong recent performance of real estate funds, which have generated an **annualized return of 14.9% over the past three years**.
- Distributions have also outstripped capital calls in the past four years: overall, **fund managers have returned \$212bn more to investors than they have called up from them** since the start of 2013.
- This indicates that fund managers are exiting investments with a greater total value than those they are acquiring, and has resulted in the aggregate value of assets held by managers (unrealized value) falling.
- Unrealized value grew by 10% in 2014, but the rate of growth fell to 4% in 2015 and **in H1 2016 unrealized value has contracted by 2%**.
- Fundraising has been strong in recent years: **managers have raised in excess of \$100bn annually since 2013**.
- As a result, **dry powder totals rose sharply in 2013, but fell in 2014 and H1 2016** as managers put capital to work. **As of the end of June 2016, dry powder stood at \$227bn** globally, down from \$229bn six months prior.
- Overall, global private real estate assets under management reached a peak of \$808bn as of the end of 2015, before falling slightly to **\$795bn as of the end of June 2016**.
- Despite this, **the industry has more than doubled in size since 2009** (\$391bn), the last year in which global AUM contracted.

Andrew Moylan, Head of Real Estate Products:

“The private real estate industry has enjoyed a period of continued growth in recent years, generating strong returns and distributing two-thirds of a trillion dollars to investors. In this context, a slight decrease in the overall assets under management held by the industry should not be seen as a negative outcome, as it is indicative of capital flowing back to investors. This is reflected in the extremely high levels of satisfaction that real estate investors have in the asset class.

Going into 2017, the year ahead does present many challenges, and we may see the market having to adapt. It is unlikely that real estate funds will be able to sustain this level of performance in the face of rising valuations and stiffer competition for deal opportunities. However, the industry remains capable of providing portfolio diversification, reliable income and uncorrelated returns for investors, and it is unlikely that they will become less committed to the asset class in the long term.”

Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.

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