

Private Real Estate Fund Managers Foresee Further Consolidation by 2020

Despite continued strong investor appetite, pace of growth of industry assets slows

Since 2009, the private real estate industry has experienced year-on-year growth in both the number of active fund managers as well the annual aggregate capital raised. However, the number of new firms established each year has decreased over time, from a high of 126 new firms in each of 2006 and 2007, to just 37 in 2016, highlighting a slowing pace of industry growth. Despite this, due to strong fundraising efforts, as well as strong investor appetite and a favourable exit environment, fund managers expect to see growth in the industry by 2020*, predicting an increase in the number of fund managers entering the market. Additionally, fund managers expect to see further consolidation of the industry, which could foreshadow the emergence of a two-tiered fundraising market.

For more information and analysis, see the full *Real Estate Spotlight* here:

<https://www.preqin.com/docs/newsletters/RE/Preqin-Real-Estate-Spotlight-September-2017.pdf>

Key Talking Points on the Outlook for Real Estate in 2020:

- The **private real estate market has seen annual fundraising increase by 134%**, from \$51bn in 2009 to \$120bn in 2016.
- Accordingly, the **number of active closed-end private real estate fund managers has been increasing since 1990, and peaked at 1,295 in 2015.**
- However, the pace of growth is slowing and **the number of new firms established each year has decreased over time**, from a high of 126 in 2006 and 2007, to 37 in 2016.
- Despite this, the largest proportion (42%) of **fund managers expect an increase in the number of GPs** in the industry by 2020.
- Additionally, **79% of fund managers expect to see some consolidation within the industry by 2020 and 8% expect to see significant consolidation.**
- Overall, the majority of fund managers (71%) believe that **private real estate industry assets will have grown by 2020**, including 16% that believe the market will experience significant growth.
- More than **half of fund managers surveyed (55%) believe that family offices will account for a larger share of invested capital** in the real estate market in 2020.

Oliver Senchal, Head of Real Estate Products:

“Although the private real estate market has seen a reduced pace of growth in recent years, investor appetite has remained strong, and fund managers have been able to maintain high fundraising levels. Fund managers therefore expect the industry to grow by 2020 and similarly expect to see an influx to their ranks by that time.

However, fund managers also expect increased consolidation in the industry, which could lead to a two-tiered fundraising market in which the established and larger fund managers are able to fundraise quickly and successfully, while the majority of fund managers compete for the remainder of investor capital. Additionally, as investor appetite in the industry grows, fund managers expect more capital to come from family offices, likely as a result of the large swathes of untapped private wealth in emerging economies such as China and India.”

**Based on a survey of 94 fund managers conducted by Preqin in June 2017.*

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