Private Real Estate Capital Distributions Fall in H1 2017

2016 saw record $100bn in net flow to investors, but 2017 fails to match pace

2016 saw more than a quarter of a trillion dollars ($278bn) returned to private real estate investors, a record total that surpassed 2015 by almost $70bn. Capital calls also reached a record high of $178bn, but nonetheless the net flow of capital to investors was $100bn, the first time it has ever reached this milestone. However, concerns that this is an unsustainable pace for the industry have grown over the past 12 months, and returns do seem to be slowing. Returns for the asset class in the year to June 2017 were 10.3%, slightly lower than the 10.7% annualized rate seen across the three- and five-year horizons. At the same time, although distributions in H1 2017 remained high at $84bn, this does not seem likely to match 2016's full-year record. However, investors remain satisfied with the performance of the asset class, and 84% intend to maintain or increase their commitments from 2017 to 2018.

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.

2018 Global Real Estate Report Highlights:

- After a dip in 2016, **real estate assets under management have reached a record high of $811bn** as of June 2017.
- While dry powder available to fund managers is still high at $245bn, **most of the increase in AUM came from unrealized value**. Investments that fund managers have yet to exit are worth a record $565bn as of June.
- While 2016 saw $178bn called and $278bn in capital distributed, **capital call and distribution levels have significantly dropped off in H1 2017, with $67bn in capital called and $84bn in capital distributed**.
- Performance has stayed strong in the year to June 2017, with funds returning 10.3%. However, **this is down from annualized rates in the three and five years** to this point: funds returned 10.7% across each of these horizons.
- However, investors are satisfied with the performance of their real estate portfolios, with **88% saying that real estate investments have met or exceeded their expectations in 2017**.
- Furthermore, **26% intend to commit more capital in 2018 than in 2017**, while just 16% are looking to commit less. This is down from 24% that intended to reduce their commitments at the same point 12 months prior.
- Looking ahead, **the majority (69%) of fund managers expect the private real estate industry to grow in the next 12 months**, while just 5% expect the size of the industry to decrease.

Oliver Senchal, Head of Real Estate Products:

"The private real estate industry has seen its assets under management jump back up after a period of decline in 2016, reaching new record highs in 2017. While dry powder has grown consistently, AUM growth has largely been driven by unrealized value and the rise in pricing of assets, which is backed up by portfolios generating 30 consecutive quarters of growth in net asset value.

Investors' positive perceptions of the asset class – a primary driver of the growth we've seen in the industry – has largely been buoyed by the amounts of capital returned to them from their investments. Actually, capital distributions have consistently outstripped capital called up since 2013, driving investor appetite for private real estate even further. Although in the first half of 2017 capital calls and distributions dropped off significantly, investors will be glad to hear that capital distributed looks set to outstrip capital called for the fifth year in a row."

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