

# THE REAL ESTATE DEBT MARKET IN NORTH AMERICA

Using data from Preqin's **Real Estate Online**, we profile the private real estate debt market in North America, looking at historical fundraising trends, funds in market, investors and the latest performance figures.

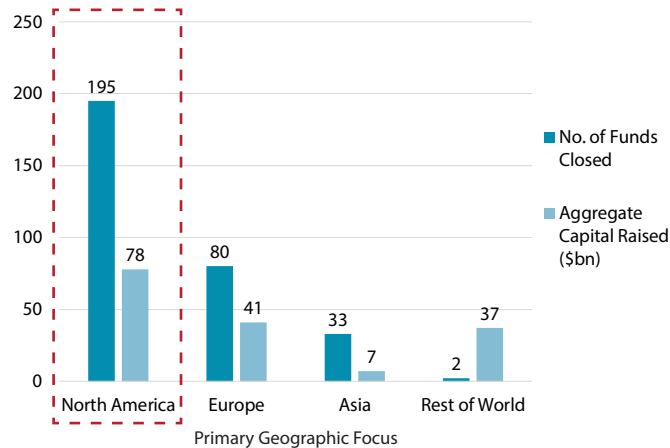
## FUNDRAISING

Preqin's **Real Estate Online** contains detailed information on 195 North America-focused private real estate debt funds that have reached a final close since 2010, securing an aggregate \$78bn in investor capital (Fig. 1).

### Key Stats:

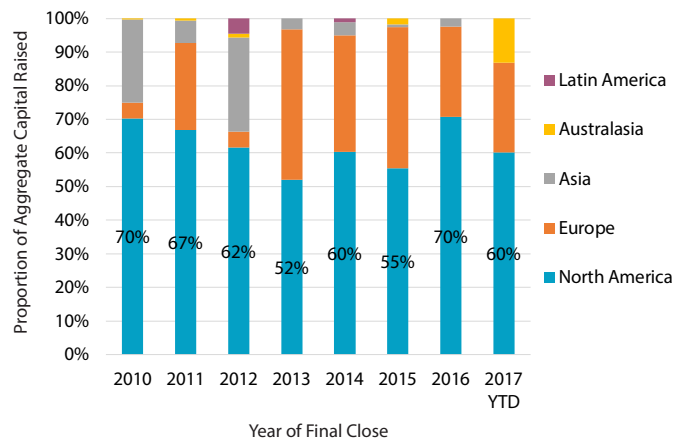
- Seventy percent of all private real estate debt capital raised in 2016 is to be deployed in North America (Fig. 2)
- 2016 saw a total of 29 North America-focused real estate debt funds reach a final close, raising \$16bn; the second highest total in the period since 2010.

**Fig. 1: Closed-End Private Real Estate Debt Fundraising by Primary Geographic Focus, Funds Closed 2010-2017 YTD (As at June 2017)**



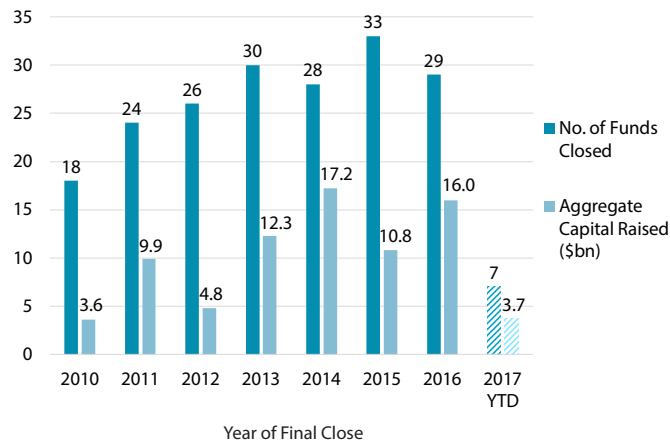
Source: Preqin Real Estate Online

**Fig. 2: Annual Closed-End Private Real Estate Debt Capital Raised by Geographic Focus, 2010 - 2017 YTD (As at June 2017)**



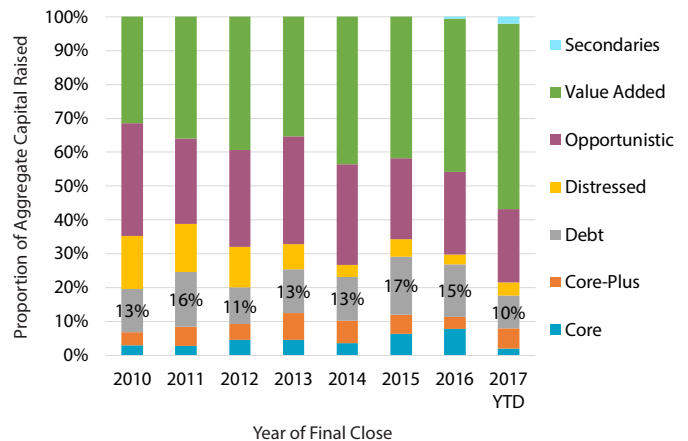
Source: Preqin Real Estate Online

**Fig. 3: North America-Focused Closed-End Private Real Estate Debt Fundraising, 2010 - 2017 YTD (As at June 2017)**



Source: Preqin Real Estate Online

**Fig. 4: Annual North America-Focused Closed-End Private Real Estate Capital Raised by Strategy, 2010 - 2017 YTD (As at June 2017)**



Source: Preqin Real Estate Online

Fig. 5: Five Largest North America-Focused Private Real Estate Debt Funds Closed, 2010 - 2017 YTD (As at June 2017)



Source: Preqin Real Estate Online

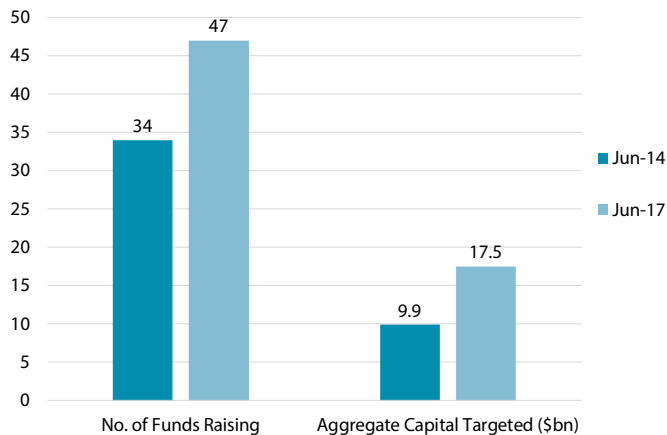
**FUNDS IN MARKET**

There are currently 47 North America-focused private real estate debt funds in market profiled on **Real Estate Online**, seeking an aggregate \$18bn in capital.

**Key Stats:**

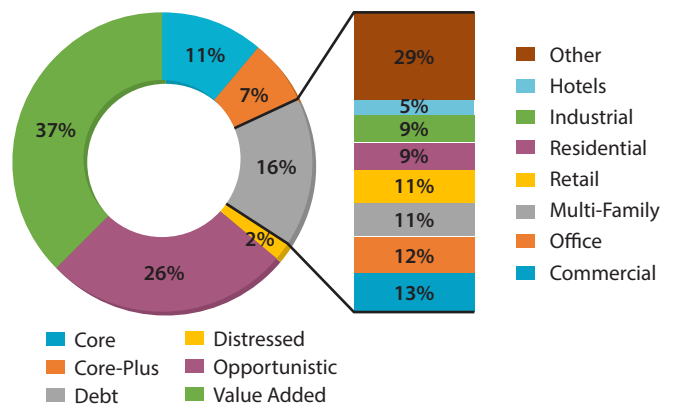
- In June 2014, 34 funds were seeking an aggregate \$9.9bn – 28% fewer funds and 43% less capital compared with June 2017 (Fig. 6).
- There are four North America-focused private real estate debt funds currently in market that are targeting \$1bn or more (Fig. 8).

Fig. 6: North America-Focused Closed-End Private Real Estate Debt Funds in Market over Time, 2014 vs. 2017



Source: Preqin Real Estate Online

Fig. 7: North America-Focused Closed-End Private Real Estate Funds in Market by Strategy and Debt Funds by Property Type (As at June 2017)



Source: Preqin Real Estate Online

Fig. 8: 10 Largest North America-Focused Closed-End Private Real Estate Debt Funds Currently in Market (As at June 2017)

Fund	Firm	Target Size (\$mn)	Strategy
AllianceBernstein Commercial Real Estate Debt Fund III	AB	2,000	Debt
Brookfield Real Estate Finance Fund V	Brookfield Property Group	2,000	Debt
Oaktree Real Estate Debt Fund II	Oaktree Capital Management	1,750	CMBS, Debt
PCCP Credit IX	PCCP	1,000	Debt
Och-Ziff Real Estate Credit Fund	Och-Ziff Real Estate Advisors	800	Debt, Distressed
Bridge Debt Strategies Fund II	Bridge Investment Group	750	CMBS, Debt, Distressed
Calmwater Real Estate Credit Fund III	CalmWater Capital	750	Debt
Carbon Capital VI	BlackRock	750	Debt
Commercial Real Estate Debt Opportunities Fund	Angelo, Gordon & Co	750	CMBS, Debt
Mack Real Estate Debt Fund	Mack Real Estate Group	750	Debt, Distressed

Source: Preqin Real Estate Online

### INVESTORS

Preqin's **Real Estate Online** profiles more than 900 institutional real estate investors in North America that have stated a preference for real estate debt vehicles, representing nearly 30% of real estate investors on the continent.

#### Key Stats:

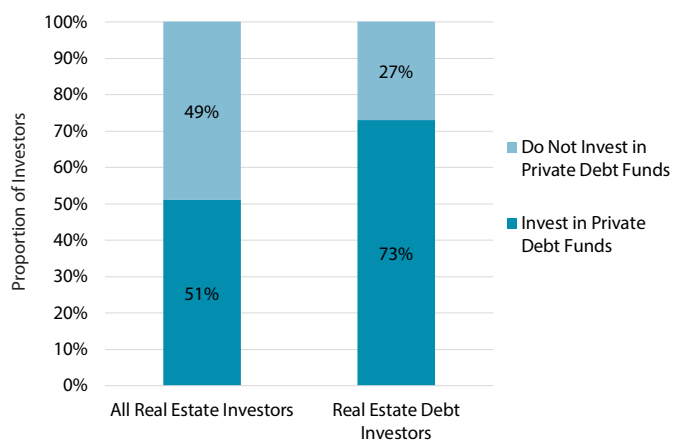
- Investors in North America-focused real estate debt strategies are more likely to also allocate to the private debt asset class than investors in other real estate strategies (73% vs. 51% respectively, Fig. 10).
- Of the top five investors that have committed to the most North America-focused debt funds, based on known commitments, all but one are public pension funds.

Fig. 9: Top Five Investors by Number of Known North America-Focused Private Real Estate Debt Commitments (As at June 2017)

Investor	Type	Assets under Management (\$bn)	No. of Known Commitments	Sample Commitments
New York State Teachers' Retirement System	Public Pension Fund	109	27	Brookfield Real Estate Partners Europe V; TCI Real Estate Partners Fund II; Madison Reality Capital Debt Fund III
MetLife Insurance Company	Insurance Company	500	18	Mesa West Real Estate Income Fund III; Prime Finance Partners III; H/2 Special Opportunities II
Pennsylvania Public School Employees' Retirement System	Public Pension Fund	50	17	RCG Longview Debt Fund VI; Blackstone Real Estate Debt Strategies III; Värde Scratch and Dent Fund
State of Wisconsin Investment Board	Public Pension Fund	96	17	Cornerstone Enhanced Mortgage Fund
California State Teachers' Retirement System (CalSTRS)	Public Pension Fund	206	16	Kildare European Partners II; TCI Real Estate Partners Fund II

Source: Preqin Real Estate Online

Fig. 10: Crossover Investors in Private Real Estate Debt Funds and Private Debt Funds



Sources: Preqin Real Estate Online and Private Debt Online

#### DATA SOURCE:

Preqin's **Real Estate Online** contains detailed profiles for 337 North America-focused private real estate debt funds closed historically.

**Real Estate Online** is Preqin's industry-leading real estate information resource, incorporating all of our real estate data, intelligence and functionality, providing you with the most comprehensive coverage of the asset class available.

For more information, or to arrange a demonstration, please visit:

[www.preqin.com/realestate](http://www.preqin.com/realestate)

Fig. 11: Sample Crossover Investors in Private Real Estate Debt Funds and Private Debt Funds

Investor	Type	Location	Assets under Management (\$bn)
Abu Dhabi Investment Authority	Sovereign Wealth Fund	Abu Dhabi, United Arab Emirates	792
California Public Employees' Retirement System (CalPERS)	Public Pension Fund	Sacramento, US	320
China Investment Corporation	Sovereign Wealth Fund	Beijing, China	813
GIC	Sovereign Wealth Fund	Singapore	350
MetLife Insurance Company	Insurance Company	New York, US	500
National Pension Service	Public Pension Fund	Jeonju-si, South Korea	503
Prudential Financial	Insurance Company	Newark, US	1,264
Sumitomo Mitsui Banking Corporation	Bank	Tokyo, Japan	1,330
TIAA	Private Sector Pension Fund	New York, US	907
Wells Fargo Bank	Bank	San Francisco, US	1,787

Source: Preqin Real Estate Online and Private Debt Online

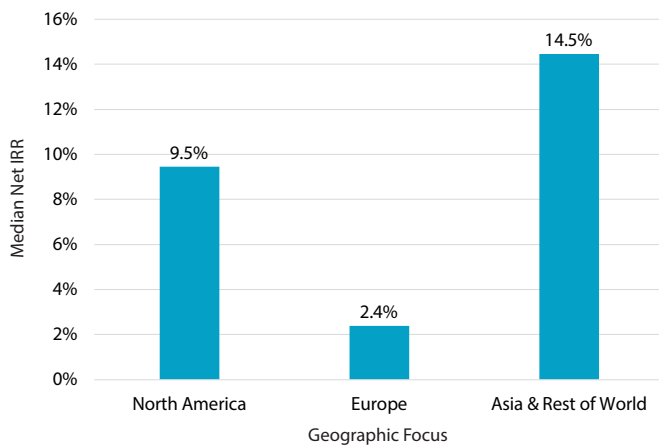
**PERFORMANCE**

Preqin's **Real Estate Online** contains detailed performance metrics on 146 North America-focused private real estate debt funds, including information on IRRs, multiples, quartile rankings and more.

**Key Stats:**

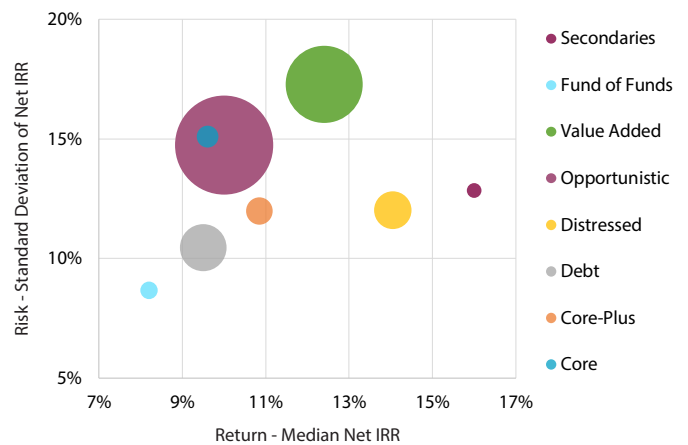
- Across all vintages, North America-focused real estate debt funds have achieved a median net IRR of 9.5% (Fig. 12), approximately the level of core vehicles, although with a lower risk profile (Fig. 13, as measured by its standard deviation to net IRR).
- Top performing vehicles have significantly surpassed the median; Occasio CMBS Fund I from Redwood-Kairos Real Estate Partners, a 2008 vintage fund, returned +59.8% making it the best performing debt fund of all time (Fig. 14).

**Fig. 12: Median Net IRRs of Real Estate Debt Funds by Geographic Focus (All Vintages)**



Source: Preqin Real Estate Online

**Fig. 13: Private Real Estate Risk/Return by Strategy (All Vintages)**



Source: Preqin Real Estate Online

**Fig. 14: Top 10 Performing North America-Focused Private Real Estate Debt Funds**

Rank	Fund	Firm	Vintage	Fund Size (\$mn)	Net IRR (%)	Date Reported
1	Occasio CMBS Fund I	Redwood-Kairos Real Estate Partners	2008	15	59.8	31-Mar-17
2	Colony Investors I	Colony NorthStar	1991	185	45.8	31-Mar-17
3	Managed Account II	25 Capital	2010	108	34.2	31-Mar-17
4	Fir Tree Mortgage Opportunity Fund	Fir Tree Partners	2008	364	30.1	31-Dec-16
5	Brazos Fund	Lone Star Funds	1995	250	28.1	31-Mar-17
6	Columbia Pacific Distressed Fund (CPDFCI)	Columbia Pacific Advisors	2010	53	25.8	30-Jun-15
7	Managed Account I	25 Capital	2010	69	25.2	31-Mar-17
8	Torchlight Debt Opportunity Fund I	Torchlight Investors	2004	283	25.0	31-Mar-17
9	ARCap Investors I	Hunt Mortgage Group	2002	386	24.9	31-Mar-17
10	Valstone Opportunity Fund	ValStone Partners	2000	8	23.3	31-Mar-17

Source: Preqin Real Estate Online