

# 2016 Recap: Real Estate Fundraising

## RESEARCH ARTICLE

January 2017



## 2016 Recap: Real Estate Fundraising

Recent data from IREI's FundTracker database indicates real estate funds raised about \$85 billion in 2016, nearly \$25 billion less than the previous year.<sup>1</sup> To some degree, a modest decline was not surprising given 2015 was a record year for real estate fundraising, but the strategies in which investors targeted in 2016 appear to suggest a more defensive position (more debt funds, slightly lower risk profile).

In fact, investor capital in debt-only funds surged to 25% in 2016, compared to an average of about 18% from 2013 through 2015. Investors also pulled back a bit on the risk spectrum, with capital to higher-return strategies declining 10% and capital to mid- and lower-return strategies increasing 7% and 1% respectively. Uncertainty surrounding who would win the U.S. election, how the E.U.'s economic outlook would fare in the coming months, what could happen to interest rates, how China's slowing economy might affect world markets, and the belief that real estate has reached its peak kept some investors on the sidelines – or at least investing in lower-risk, more defensive vehicles.

Will this defensive approach persist in 2017? It is too soon to tell. None of the previously mentioned challenges has changed with the exception one; Mr. Trump won the U.S. election in a surprise victory. Investor sentiment will depend largely on the incoming administration's policies. Although the stock and bond market appeared overwhelmingly optimistic in the weeks following the presidential election, we are in "wait and see" mode as to whether reality (and real estate fundraising) can keep pace with the high expectation of economic growth.

---

<sup>1</sup> IREI data as of December 2, 2016.

## CREDITS & DISCLOSURES



**Dr. Will McIntosh**  
Global Head of Research  
Phone: 210-641-8416  
Email: Will.Mcintosh@usrealco.com



**John Kirk, CAIA, CCIM**  
Senior Associate, Research  
Phone: 210-690-6715  
Email: John.Kirk@usrealco.com



**Mark Fitzgerald, CFA, CAIA**  
Director, Research  
Phone: 210-690-6706  
Email: Mark.Fitzgerald@usrealco.com

These materials represent the opinions and recommendations of the author(s) and are subject to change without notice. USAA Real Estate Company, its affiliates and personnel may provide market commentary or advice that differs from the recommendations contained herein. Certain information has been obtained from sources and third parties. USAA Real Estate Company does not guarantee the accuracy or completeness of these materials or accept liability for loss from their use. USAA Real Estate Company and its affiliates may make investment decisions that are inconsistent with the recommendations or views expressed herein.

The opinions and recommendations herein do not take into account the individual circumstances or objectives of any investor and are not intended as recommendations of particular investments or strategies to particular investors. No determination has been made regarding the suitability of any investments or strategies for particular investors.

Research team staff may make or participate in investment decisions that vary from these recommendations and views and may receive compensation based on the overall performance of the USAA Real Estate Company or its affiliates or certain investment funds or products. USAA Real Estate Company and/or its affiliates or clients may be buying, selling, or holding significant positions in investments referred to in this report.