A total of €121.8 billion new equity was raised for non-listed real estate in 2016

> More than four-fifths of fund managers raised capital last year
> Europe remains the most popular target market
> Non-listed funds and separate accounts investing directly were the most popular vehicles

Non-listed real estate remains in favour among investors of all types, especially pension funds and insurance companies. That is the key message from the latest Capital Raising Survey in its annual round-up of where fresh capital was raised.

Since its inception in 2006 the survey has seen ups and down in the level of new capital raised annually. Despite this year-on-year variability, the capital has not ceased to flow, and in fact the amount of new capital raised has grown significantly since 2012. Clearly there continues to be confidence in the non-listed real estate sector as a place to invest.

> 'Investors of all types continued to view real estate in a positive light in 2016'

Collectively, respondents raised €121.8 billion for the non-listed real estate industry, which is slightly less than last year's tally of €123.6 billion. Expectations for the next two years are optimistic – 70.4% of respondents believe capital raising will increase.

The largest pool of capital (46.5% or €56.6 billion) was committed to vehicles with a European strategy, showing that Europe continues to ride high in terms of investor preferences, consistent with last year's results. By contrast, 26.0% of total capital (€31.6 billion) was raised for North American-focused vehicles and 17.8% (€21.7 billion) was raised for vehicles with an Asia Pacific strategy – a significant uplift from last year's €16.9 billion.

Pension funds and insurance companies were the dominant investor type, representing a combined 62.5% of the total amount of new capital raised for the non-listed industry globally. However, investor types choosing to supply new capital in 2016 goes wider than just insurance companies and pension funds – other types of investors such as sovereign wealth funds, high net worth individuals and family offices are also present, though their capital contribution is less significant.

European investors contributed the largest share (49.6%) of equity being raised last year. North American investors contributed 26.3%, with the remainder coming from Asia Pacific based investors (21.9%), South American (0.2%), African (0.1%) or investors of unreported domicile (1.9%).

In line with previous years, the largest share of capital (49.9%) was raised for non-listed real estate funds. However, the spread of vehicles reflects the growing choice of products and maybe also investors' desire for greater diversification. Separate accounts took 23.4% of all new capital; joint ventures and club deals attracted 13.8% of capital; non-listed debt products, separate accounts investing in indirect vehicles, and fund of funds picked up 6.9%, 3.5% and 2.5% respectively.

Of the €56.6 billion that was raised for European non-listed real estate, the majority came from Europe (73.7% or €41.7 billion). Asia Pacific and North American investors added a further 8.6% (or €4.9 billion) and 5.5% (or €3.1 billion) respectively. The remaining 12.2% (or €6.9 billion) came from South American institutions (0.1%) or were left unreported (12.1%).

Investors can also choose between various types of debt funds. There is considerable choice of product in this part of market, including a range of funds operating at different points of the capital structure. So, for example, an investor could choose senior debt on its own, or a more diversified mix of senior with subordinated. In 2016, €3.3 billion of equity was raised for European debt funds.

Finally, funds of funds are also a feature of the market, attracting substantial new equity (€3.8 billion) into their core and value added offerings with a European strategy in 2016.

In terms of sector choice, it is worth noting that there were shifts in sector preferences, with 64.3% of total capital raised being earmarked for multi-sector European funds versus 35.7% for those focused on single sectors. Within the category of single sector funds, retail funds dominate (41.2%), followed by residential (18.3%) and, following closely behind, office (16.2%).

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Figure 1: Expectations for capital raising activities

70.4% Increase
6.2% Decrease
21.0% No change
2.5% Undecided

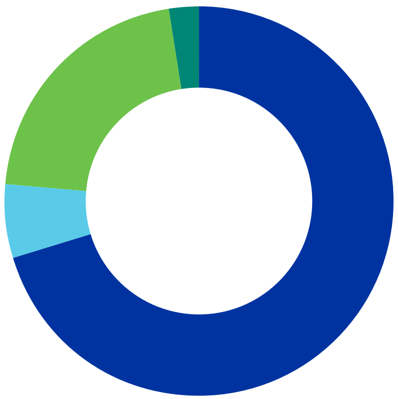

Figure 2: Equity raised by investor type by value

45.7% Pension funds
16.8% Insurance companies
8.7% Sovereign wealth funds
3.1% Government institutions
1.6% Charities, foundations, non-profit organisations
2.9% Funds of funds
2.9% High net worth individuals / Family offices
15.4% Other
2.9% Unreported

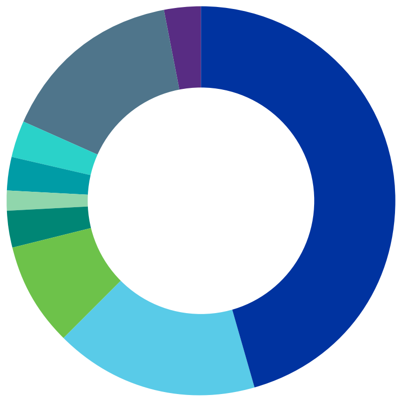

Figure 3: Equity raised by vehicle type by value

49.9% Non-listed funds
23.4% Separate accounts investing directly
3.5% Separate accounts investing into indirect
13.8% JVs and club deals
2.5% Funds of funds
6.9% Non-listed debt products