

Big guns line up in top 10 as value-add strategies take centre stage

The largest fund closes in the first three quarters of this year are tilted to value-add approaches by long-standing real estate managers

Top 10 real estate equity raises Q1-Q3 2019 *NEW ENTRANTS Q3

NAME OF FIRM	FUND/VEHICLE	EQUITY RAISE €	FOCUS
Cale Street Partners*	Cale Street 2	2.5 bn	Pan Europe
Henderson Park	Henderson Park Real Estate Fund I	1.95 bn	Pan Europe value-add to opportunistic
Ares Management*	Ares European Real Estate Fund V	1.78 bn	Pan Europe value-add to opportunistic
Tristan Capital	EPISO V	1.6 bn	Western and central Europe
Benson Elliot Capital Management	BEREP V	800 mln	Pan Europe value-added/opportunistic
ICAMAP, Ivanhoé Cambridge	ICAWOOD	750 mln	Low-carbon offices in greater Paris
Harrison Street	Harrison Street European Property Partners II	700 mln	Focused primarily on student property
HIG Capital	HIG Europe Realty Partners II	673 mln	Value-add investments in the small- and mid-cap sector
Harbert Management*	Harbert European Real Estate Fund V	662 mln	Value-add investments in major markets
AXA IM - Real Assets	Pan-European Value-Added Venture (PEVAV II)	643 mln	Europe value-add

SOURCE: PROPERTYEU AND EUROPROPERTY (PROPERTYEU'S WEEKLY NEWS TITLE)

BY **ROBIN MARRIOTT**

The line-up of fund managers that held the biggest final closes in the first nine months of 2019 has a very familiar look to it.

Henderson Park, which is three years old, is the only outlier in the top 10 otherwise dominated by seasoned names in real estate fund management.

PropertyEU's tracker shows three new entrants to the top 10 list published at the end of H1 2009. They are Cale Street Partners, Ares Management and Harbert Management, which announced final closes over the summer. Strikingly, the largest vehicles raised in Q1-Q3 have a value-add strategy. Perhaps this is no surprise, as investors have recently been indicating their disposition towards this approach towards risk return in Europe.

A recent survey carried out by data provider Prequin for its 'Investor Update: Alternative Assets report H2 2019,' says investors are most commonly targeting value-add as the 'most sought-after' strategy among real estate investors. It found 46% of respondents felt value-add offered the most attractive investment opportunities. Meanwhile, appetite for opportunistic strategies is described as being 'on the rise', given 44% of its sample said they

planned to target that strategy in the next 12 months, up from 20% in June 2018 and from 29% in December 2018. Core and core-plus demand seems significantly less, with 27% and 24% respectively.

However, the indications are that as an asset class, there will perhaps be a tailing off in terms of overall commitments. Prequin linked findings that 27% of respondents predicted they would invest less over the next 12 months to record valuations and what it claims are reduced distributions.

UK A SPECIAL CASE

Experts contacted by PropertyEU report a clear story emerging regarding fundraising and the UK in particular. For commingled funds, limited partners (LPs) are rejecting pan-Europe funds that have a UK component to them. Secondly, at the beginning of the year, several firms expressed a plan to launch UK-specific distressed property funds, but none have materialised.

'Normally, the UK would be the most interesting part of a pan-Europe fund, but it is now very challenging to get LPs aligned with the idea of having a UK and continental European property product,' said Oliver Fochler, managing partner and CEO of Stone Mountain Cap-

ital. 'For one thing, they are concerned with hedging costs linked with the volatile UK currency and Brexit situation.'



RECORD TUMBLES

The Blackstone Group has broken the record for the largest-ever real estate fund raise. The firm, which focuses on alternative asset management and is headquartered in Park Avenue, Manhattan, revealed on 11 September it had held a final close of Blackstone Real Estate Partners IX on \$20.5 bn (€18.6 bn) of equity. Kathleen McCarthy and Ken Caplan are global co-heads of Real Estate.