PERE FIFTY

At last the calm

Stability comes to the PERE 50 now that franchises that were chewed up in the global financial crisis have seen their pre-crisis funds forgotten while the stronger groups have prospered via their second or third funds since then

The PERE 50 ranking of private equity real estate firms, following the twisted iron wreckage of the global financial crisis of 2008, now has some shape and stability to it. Unlike last year when there were no fewer than 14 new entrants to the ranking, this time around we see just two firms making their premiere - Greystar Real Estate Partners and Almanac Realty Investors.

This can be explained by the fact that the major banking franchises that used to rank so highly in this list have exited and been replaced by groups that have had the time to raise at least two significant funds since 2010 as the shakedown by investors has left the healthy apples on the trees, while the sickly have fallen.

Of course, there has been no change at the very top of the chart. The Blackstone Group is out of sight having now raised more equity for opportunistic real estate investing than the GDP of 77 different countries. The only slight drama towards the top of the tree relates to second and third spot where Starwood Capital Group this year leapfrogged Lone Star Funds, having figured behind the Dallas-based firm the previous year. Starwood's second position on the grid has a lot to do with raising its largest ever fund - Fund X.

A counterintuitive finding, however, comes in the absolute dearth of true European private equity shops in the PERE 50. How can this be when Europe has been the hottest market for investing? This year, there is no Orion Capital Managers, no Tristan Capital, no Perella Weinberg Partners or Patron Capital. Instead, what we have is Hamburg-based shopping center specialist ECE Real Estate Partners up 25 spots from 67 after great success with its value-add fund and Kildare Partners at number 41 off the back of its impressive first-time raise culminating in November 2014. This is not to say that the other European franchises have not manufactured great success in their own fundraising these past five years, but they do lie in that twilight zone just outside the top 50 having seen their positions in the 40 to 50 bracket taken up mainly by North American firms that have been active due to their capital raising cycles such as DivcoWest, Carmel Partners, Tricon Capital Group, Paramount Group, Merlone Geier Partners and Fir Tree Partners.

Meanwhile, Asia-based franchises are showing up more strongly than European firms even though some of the Asian groups actually slipped places. Gaw Capital just clung on to 50th place having fallen 13 spots and owes its inclusion to capital raised for its new US strategy. PAG fell 16 places in another example of an Asia slip. However, Singapore's Mapletree rose four spots and there is simply no stopping Global Logistic Properties up to fourth place in the world now. What a legacy the late Jeffrey Schwartz and his co-founding partner Ming Mei have created there.

Analyzing the PERE 50 as a whole, it should be noted that the cut-off - the minimum equity a group needed to raise in the past five years to make the ranking - was $1.785 billion. That is considerably up on the $1.3 billion required in 2014 and on the $1.37 billion the year before that. We keep being told capital is not so tough to find this year as more investors look to gain exposure to real estate for macroeconomic and portfolio allocation reasons. Are we seeing here a microcosm of that trend?

Methodology

The annual PERE 50 ranking measures private equity real estate firms by equity raised over the last five-year period. For this year's ranking, the relevant period runs from January 1, 2010 to the end of March 2015. Qualifying equity is raised for direct real estate investment through closed-ended, commingled real estate funds and co-investment vehicles that sit alongside those funds. The firm must have discretion over the fund's capital, meaning club funds, separate accounts and joint ventures are excluded from the ranking. Further, as a ranking of private equity real estate firms, only funds with value-added and opportunistic investment strategies qualify. Strategies such as core and core-plus, as well as those not focused on direct real estate, like fund of funds, debt funds, and funds where the primary strategy is not real estate focused, such as general private equity, are excluded.

Rank	2014 Ranking	Movement	Name of Firm	Capital Raised ($bn)
1	1	↔	The Blackstone Group	$46,300.00
2	3	↑	Starwood Capital Group	$14,604.10
3	2	↓	Lone Star Funds	$12,500.00
4	10	↑	Global Logistic Properties	$9,072.48
5	5	↔	Brookfield Asset Management	$8,512.75
6	6	↔	Tishman Speyer	$8,359.65
7	4	↓	Colony Capital	$6,468.92
8	14	↑	The Carlyle Group	$5,882.93
9	15	↑	Fortress Investment Group	$4,688.18
10	9	↓	Oaktree Capital Management	$4,325.00
11	26	↑	Ares Management	$4,277.24
12	23	↑	Rockpoint Group	$4,191.92
13	27	↑	KSL Capital Partners	$4,110.47
14	19	↑	LaSalle Investment Management	$3,990.00
15	8	↓	Westbrook Partners	$3,465.00
16	33	↑	CBRE Global Investors	$3,424.00
17	72	↩	Invesco Real Estate	$3,333.50
18	new	★	Greystar Real Estate Partners	$3,200.00
19	45	↑	GreenOak Real Estate	$3,121.00
20	22	↑	Northwood Investors	$3,102.17
21	20	↓	Beacon Capital Partners	$3,096.10
22	16	↓	TA Realty	$3,054.66
23	7	↓	Angelo, Gordon & Co	$2,815.73
24	21	↓	Hines	$2,720.60
25	18	↓	Cerberus Capital Management	$2,650.00
26	25	↓	GTIS Partners	$2,594.90
27	76	↑	Och-Ziff Capital Management	$2,519.00
28	38	↑	Harrison Street Real Estate Capital	$2,455.50
29	54	↩	Shorenstein Properties	$2,450.50
30	71	↩	CIM Group	$2,431.20
31	11	↓	Walton Street Capital	$2,401.00
32	new	★	Almanac Realty Investors	$2,359.85
33	30	↓	DRA Advisors	$2,350.00
34	39	↑	Kayne Anderson	$2,334.00
35	29	↓	Rialto Capital Management	$2,117.22
36	64	↩	AEW Global	$2,110.99
37	61	↩	USAA Real Estate	$2,010.68
38	48	↑	The JBG Companies	$2,009.04
39	12	↓	GI Partners	$2,000.00
40	44	↑	Mapletree Investments	$1,919.20
41	41	↔	Kildare Partners	$1,907.00
42	67	↑	ECE Real Estate Partners	$1,904.13
43	52	↑	Fir Tree Partners	$1,899.00
44	28	↓	PAG/Secured Capital	$1,880.37
45	31	↓	Merlone Geier Partners	$1,879.00
46	32	↓	Paramount Group	$1,853.00
47	-	↑	Tricon Capital Group Inc.	$1,851.31
48	42	↓	DivcoWest	$1,846.25
49	85	↑	Carmel Partners	$1,845.64
50	37	↓	Gaw Capital	$1,785.40
			TOTAL EQUITY RAISED SINCE 2010	**$223,980.57**

Legend: ↑ *Higher rank than 2014* ↓ *Lower rank than 2014* ↔ *Same rank as 2014*
★ *PERE 50 debut* ↩ *PERE 50 return*

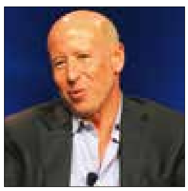
1 The Blackstone Group
$46.30 billion
HQ: New York / **Founded:** 1992

Here's a statistic for you. In the past five years, The Blackstone Group has raised more equity for real estate investments than the entire GDP of 77 countries including Haiti, Zimbabwe, Senegal, Honduras, Nicaragua, Iceland and Jamaica. The latest fund has attracted capital commitments of $14.5 billion in less than four months and at press time was expecting another $1.3 billion from high-net-worth investors. Blackstone is also in the market with core funds, but that is not counted for the purposes of this ranking. There is no way any other firm will be ranked number one in this list for years unless Blackstone is taken over or indeed a small country decides to commit its entire GDP to someone else's blind-pool opportunistic real estate fund.

345 Park Avenue, New York: Blackstone's HQ is an equity magnet

2 Starwood Capital Group
$14.604 billion
HQ: Greenwich, Connecticut / **Founded:** 1991

Starwood has been trading places with Lone Star Funds for a few years now. This time around, it is Starwood's turn to leapfrog Lone Star into the second spot with some $14.6 billion raised in the last five years. That is a very impressive figure and had a certain New York firm not enjoyed runaway success with its franchise, we would be looking at Starwood being kingpin right now. As it is, the group is still attracting vast equity for its strategies and shows no signs of easing the foot off the pedal. Earlier this year, in fact, the firm led by Barry Sternlicht, closed its largest opportunistic real estate fund to date – Starwood Global Opportunity Fund X on $5.581 billion. When added to $4.2 billion for Fund IX in April 2013 and $966 million for a hospitality fund in 2010, the firm can lay claim to a gargantuan feat. Fund X will primarily be focused on distressed debt, value-add assets and corporate transactions, and is expected to generate an 18 percent net internal rate of return. So far, Starwood has invested or committed more than $2 billion of equity from Fund X, split fairly evenly between the US and Europe. Some of the most notable transactions made through the fund have been entity-level investments. For example, in December, the firm agreed to acquire the management platforms of SveaReal Fastigheter and DNB NOR Eiendomsinvest I, a Norwegian real estate firm, along with a portfolio of office, industrial, hotel, retail and other assets in Sweden and Norway for $1.4 billion, the single largest property transaction in Scandinavia last year. In January, Starwood also completed the $1.2 billion purchase of TMI Hospitality, an owner, manager and developer of select-service hotels in the US.



Sternlicht: generation X

3 Lone Star Funds
$12.500 billion
HQ: Dallas / **Founded:** 1995

Lone Star Funds slipped one spot to third place on the PERE 50 ranking, but that's only because it hadn't yet closed on its latest property fund, Lone Star Real Estate Fund (LSREF) IV, by the PERE 50 cut off date. Now that Lone Star has hit a final close and exceeded its $5.5 billion hard cap, the equity haul is likely to put the firm ahead of current second place finisher Starwood next year. Starwood Capital Group. LSREF IV was one of the three largest funds in the market at the beginning of 2015, along with The Blackstone Group's Blackstone Real Estate Partners VIII and Starwood's Starwood Distressed Opportunity Fund X. Starwood held a final close of $5.6 billion in March for Fund X, exceeding its original $4 billion to $5 billion target, while Blackstone went on a fundraising tear for BREP VIII, hauling in a staggering $14.5 billion that same month and is expected to add another $1.3 billion from high net worth investors. Like Blackstone, Lone Star is widely managed to raise all of the capital for its property fund in a single close. Indeed, one of Lone Star's largest investors, the Oregon Public Employees' Retirement System, had to seek approval to change its usual investment protocol in order to get its $300 million commitment into the fund on time. And similar to Blackstone, Lone Star tied up its capital raise for LSREF IV, which was launched during the fourth quarter, in only a matter of months. Both firms are known to have used the still unconventional approach of group due diligence sessions to round up all of its capital within an abbreviated period.

Grayken: trading places