# Q1 2016 Fundraising Update

## Pension fund commitments to managed real estate vehicles

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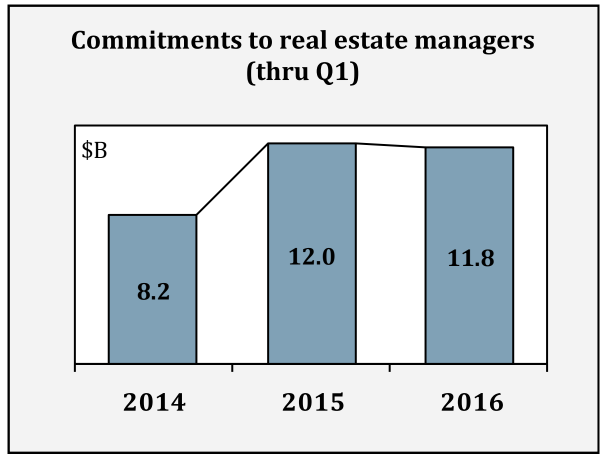
# Q1 commitments up from Q4, in line with Q1 '15

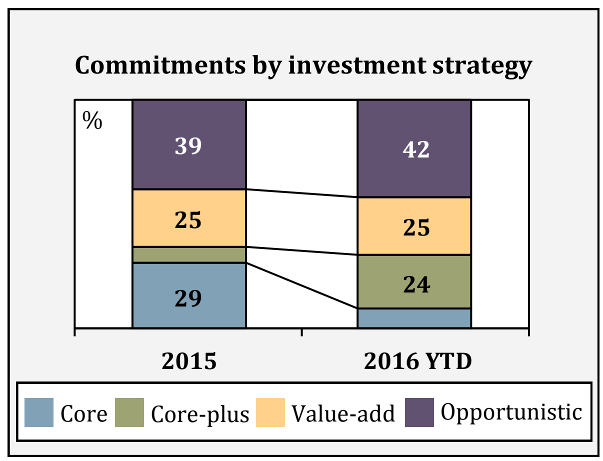
## Public pensions have committed $11.8 billion to real estate managers thus far in 2016, a figure consistent with Q1 2015 and up from Q4

Commitments to real estate managers by U.S.-based public pensions through Q1 2016 are consistent with the same period in 2015, according to data tracked by FPL Consulting. Per FPL's proprietary database, pensions committed $11.8 billion to managed real estate vehicles through Q1, compared to $12.0 billion over the same period last year and $8.2 billion in Q1 2014. The Q1 figure represents a considerable increase from the fourth quarter total of $8.2 billion, when capital commitments cooled off after three strong quarters to begin the year.

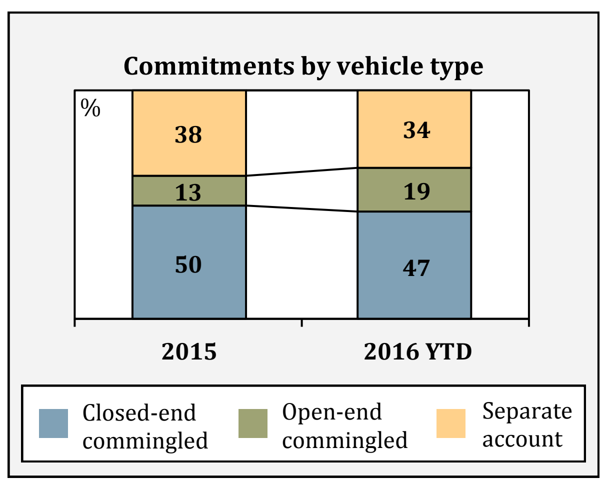



### Investment Strategy and Vehicle Structure

High-yield (i.e. value-add and opportunistic) strategies continue to be in favor with investors thus far in 2016, making up about two-thirds of commitment dollars YTD. That said, the first quarter of 2016 also saw institutional investors favor "core-plus" strategies (24%) over more traditional core vehicles (9%), moving slightly up the risk curve to target returns that typically range between nine and 12 percent. The growing prevalence of core-plus funds in market speaks to investors' continued search for yield in a low interest rate environment without taking on significant levels of risk.




With respect to vehicle type, the landscape of commitments shifted slightly in the first quarter. While closed-end commingled funds have remained popular in 2016, representing 47 percent of commitments YTD, commitments to open-end funds increased to 19 percent YTD versus 13 percent for full year 2015 and 10 percent in 2014.

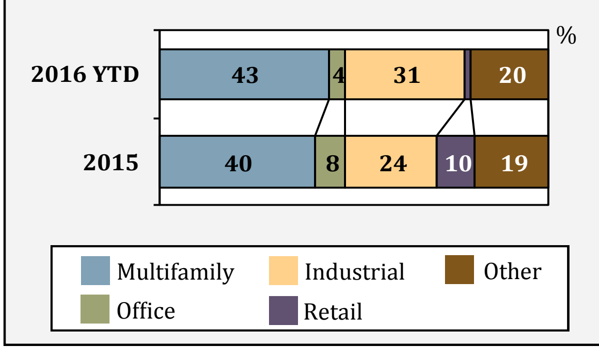



While direct equity strategies continue to attract the lion's share of commitments, debt focused vehicles made up 16 percent of commitments this quarter, up from 10 percent in 2015.

## Property Type

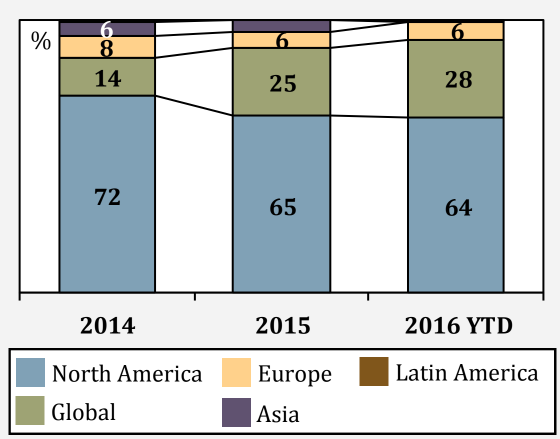
Vehicles dedicated to a single property type have attracted 10 percent of commitment dollars so far in 2016, a figure well below the totals from 2015 (26%) and 2014 (41%). Among these vehicles, commitments with a multifamily or industrial focus were the most prevalent, representing 43 and 31 percent respectively of commitment dollars. Commitments to retail focused vehicles decreased from 10 percent in 2015 to two percent YTD, while office focused vehicles also saw a decline from eight percent in 2015 to four percent so far in 2016.

**Breakdown of commitments by property type (among property-specific vehicles)**




## Geography

**Breakdown of commitments by geography**

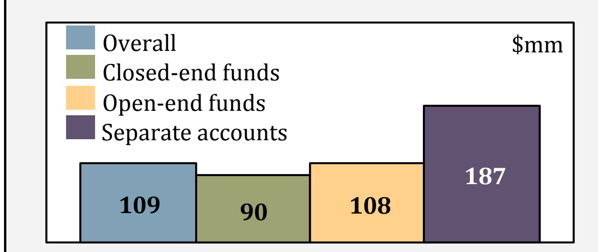



The majority of commitment capital (64%) from domestic public pensions continues to flow to vehicles focused on North America. That said, global strategies also maintained traction with institutional investors, accounting for 28% of commitment volume in Q1 2016, driven by a prevalence of global, opportunistic mega-funds in market. European focused strategies have attracted about six percent of commitments YTD. Asian vehicles, meanwhile, have attracted 0.2 percent of commitments in Q1, continuing a downward trend from 2013, when eight percent of commitments went to funds investing in Asia.

## Average Commitment Size

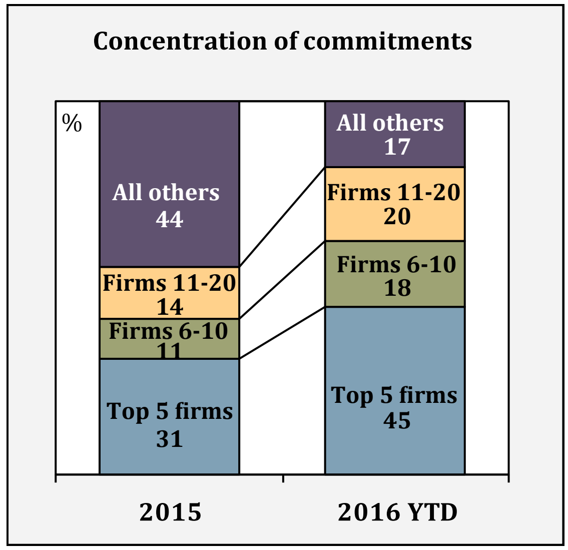
The average commitment size thus far in 2016 is $109 million, which is slightly up from the 2015 average of $98 million. As one would expect, the average commitment to separate accounts is considerably higher at $187 million. It's important to note that this metric includes both newly formed separate accounts (which tend to be larger commitments), as well as follow-on commitments to existing separate account vehicles (which are often smaller).

**Average commitment size (overall and by vehicle type)**

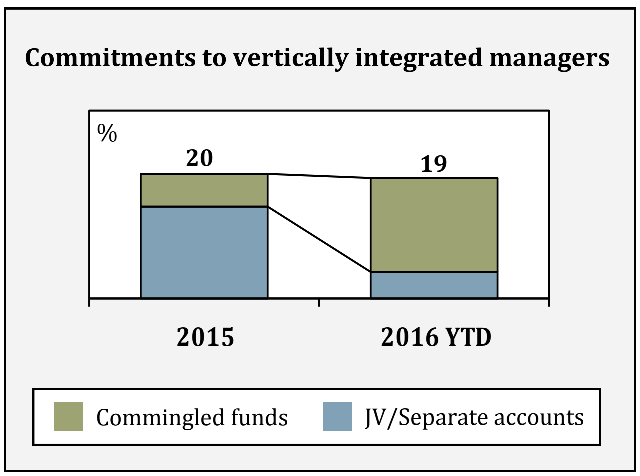


## Manager Concentration

Over the last few years, the industry's prominent managers have attracted a disproportionate share of commitment volume, underscoring the bifurcation between 'haves' and 'have nots'. So far in 2016, the top 5 firms (by aggregate fundraising dollars over the period) represent 45 percent of volume YTD, while the top 20 represent 83 percent. It is important to keep in mind that these concentration metrics tend to decline over the course of the year. For reference, in Q1 of last year, the top 20 firms accounted for 81 percent of commitment dollars.




## Vertical Integration




Vertically integrated managers attracted 19 percent of commitment capital in 2016, down slightly from about 20 percent in 2015. The decrease was more apparent among separate accounts; in 2015, 44 percent of capital committed to single investor vehicles went to vertically integrated managers versus only 12 percent in Q1 2016. Among the major investment strategies, core-plus and value-add mandates are the most likely to be committed to vertically integrated managers, with 27 and 24 percent of commitments made to core-plus and value-add strategies, respectively, flowing to vertically integrated managers in 2016.

## Contact

For more information, please contact:


**Timothy Kessler**
Principal
tkessler@fplassociates.com

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