Q1 2014

PRIVCAPRE / SPECIAL REPORTS

Capital Raising 2014

Videos in this Report

On Camera

Tom Garbutt: LPs will pay greater attention to commingled funds.

This special report includes the following new video programs. Watch them at PrivcapRE.com

Commingled Funds Will Return Stronger
Tom Garbutt of TIAA-CREF talks about the commingled fund attracting greater LP attention in the next few years.

The Year Ahead in Property
IPD's Greg Mansell discusses the results of the latest research into institutional investors' real estate allocations and the outlook for commercial property investment.

GP Due Diligence: Get Managers Off-Script and Share War Stories
LPs should get prospective GPs off-script to understand the true management character. Roy Schneiderman of Bard Consulting offers his advice on improving manager due diligence.

Adding to the Investment Model Menu
Mark Grinis of EY looks at how GPs are adjusting their product offerings to meet LPs' changing appetite.

Gauging Appetite: Commercial RE Debt
David Rose of Hewitt EnnisKnupp on the role of commercial real estate debt in the institutional portfolio.

COMING SOON on PrivcapRE

The Fall and Rise of Catch-Ups & Co-Investment
Greenhill's Pamela Wright talks about the falling use of the catch-up, rising appetite for co-investments and how GPs need to adapt their fundraising strategy accordingly.

Lessons Learned With Texas Teachers' Retirement System
Steven LeBlanc, former head of the $30B private markets group at the Teachers' Retirement System of Texas, talks about his four years with the public pension plan.

Explosion of Chinese Capital
There's a huge wave of Chinese capital about to hit global real estate markets, say Joseph Kelly and Simon Mallinson of Real Capital Analytics. Europe could be high on its list.

Deal Story: 285 Madison Ave., New York
Sonny Kalsi of GreenOak Real Estate discusses his firm's purchase of a Madison Avenue building reminiscent of the "Mad Men" era, and their plans to transform it into a modern, gateway city asset.

UPCOMING REPORTS

Q1

Housing: Multifamily, Single Family Rentals & Student Housing

Non-Senior Debt Investing

Q2

Performance & Benchmaking

Industrial & Logistics

Q3

Value Creation & Active Asset Management

In Case You Missed It...

Must-see thought leadership from **PrivcapRE.com**

Attracting and Structuring for Foreign Investors

Mayer Brown's Matthew Posthuma offers advice on how, and when, to structure efficiently.

Hodes: M&A Looms as Managers Seek Scale

David Hodes of Hodes Weill & Associates says 2013 was the return of the mega fund, as investors view them as a way to deploy capital and build scale.

How Big Data Is Revolutionizing LP-GP Reporting

Alan James from Yardi says LPs are entering a revolutionary era for collecting data, and he explains how "big data" mitigates a portfolio's risk.

The ABCs of FIRPTA & AIFMD

Josh Sternoff of Paul Hastings on his firm's model for helping foreign investors tread cautiously through the regimes and directives.

Stay the Course 2014

Henry McVey of KKR outlines the main points of his 2014 outlook report.

Armored Up: Threats to Commercial Real Estate

Stuart Boesky of Pembrook Capital says investors are overly sanguine about the interest rate environment.

About PrivcapRE Special Reports

PrivcapRE Special Reports are exclusively for subscribers to PrivcapRE, the definitive channel for thought leadership in private real estate investment. Each month, PrivcapRE focuses on a critical investment theme and produces a package of thought-leadership content in multiple formats—a digital report, video interviews and panel discussions, and audio programs. The market intelligence of leading authorities forms the core of each package. PrivcapRE Special Reports help market participants better understand opportunities and practices in private real estate, and gain deep insights into potential investment partners.

PRIVCAPRE/ SPECIAL REPORTS

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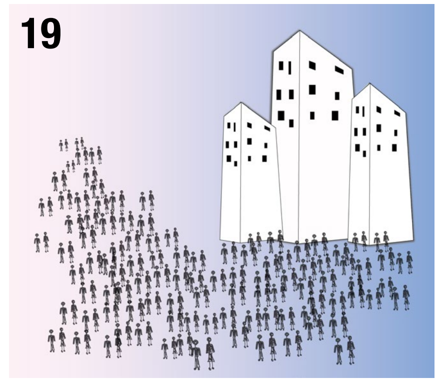

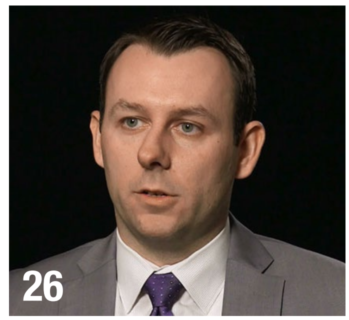

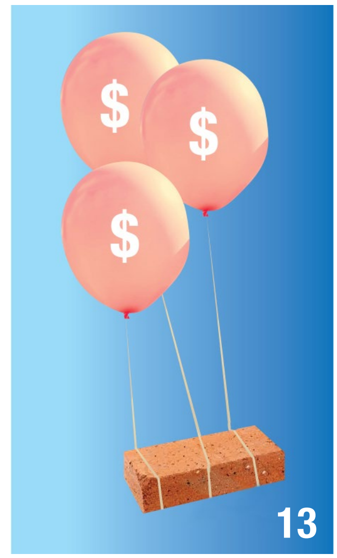

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Interviews in this report have been edited for length and clarity.

Fundraising: A Fight for Survival

Commingled funds are witnessing a resurgence, but it's one concentrated in the hands of fewer GPs. To succeed, managers need to adapt—or perish.

Market Analysis by Editor **Zoe Hughes**

Talk to investors, advisors and placement agents, and most agree that the closed-ended, commingled fund model has regained much of the reputation and momentum it lost during the worst of the crisis.

It's not just anecdotal evidence, either. A recent survey of 198 institutional investors by Cornell University's Baker Program in Real Estate and Hodes Weill & Associates revealed that approximately 60 percent of institutions were actively investing in private real estate funds in 2013, up from 48 percent in 2012.

Combine that with news of oversubscribed funds in 2013 – among them Blackstone, Wheelock Street, Lone Star – and you'd be forgiven for thinking the gravy days had returned.

Yet the truth of the matter is much more complex. Just 230 funds launched in 2013, according to consulting firm The Townsend Group, the fewest since 2006. That despite the fact that the actual volume of capital raised surpassed 2012 levels by 14 percent.

So while funds are raising more money overall, fewer managers are enjoying the bounty.

Some managers are responding by scaling up. With a broader and bigger platform typically comes greater ability to tailor products to investors' precise needs. A global reach isn't necessary, but it helps.

> IN AN ENVIRONMENT WHERE IT'S NOT GETTING ANY EASIER TO RAISE CAPITAL, AND WHERE THE EXISTING CAPITAL SOURCES ARE BEING MUCH MORE SELECTIVE, GPS HAVE TO CONSIDER THE CONSEQUENCES OF COMPLACENCY.
>
> -ZOE HUGHES

In 2013, large-scale M&A deals illuminate the trend: TIAA-CREF's joint venture with Henderson Global [watch Tom Garbutt's keynote interview in this Special Report]; BlackRock's acquisition of MGPA; Carlyle's deal with Metropolitan Real Estate; and Grosvenor's acquisition of Credit Suisse's CFIG group.

Such diversification and scale is not only about driving revenue by offering a greater variety of products; it's also about relationships.

For instance, investors for whom a closed-ended, opportunistic strategy isn't the right fit may think differently to a core, income-producing vehicle with longer hold periods.

By introducing such a fund, the traditional value-added or opportunistic GP can strengthen investor relationships, which may make up for lower fee revenue.

Of course, the counter argument is that commingled fund managers should stick to their knitting. But in an environment where it's not getting any easier to raise capital, and where the existing capital sources are being much more selective, GPs have to consider the consequences of complacency.

That's not strategy drift or unfettered expansionist thinking; it's the reality of capital raising in 2014. A failure to bolster existing management fee streams from commingled funds with complementary vehicles, be it open-ended funds, separate accounts, JVs or co-invests, can – and likely will – force some groups out of business.

I hope this special report helps you avoid being one of them./

Distribution Slowdown

A panel of three fundraising experts from **TPG, Monument Group** and **Triton Pacific Capital** discuss the winners and losers of the real estate capital-raising market, the impact of slowing distributions on allocations and investor appetite for co-investment rights.

Lori Campana
Partner
Monument Group

Campana covers U.S. investors from Monument's Boston office. Previously, she was a Senior Vice President at Atlantic Trust Company, Vice President at Wellington Management Company, and help senior consultant, acquisition and portfolio management positions in the real estate investment industry, including AEW Capital Management.

Lindsey Sugar
Vice President
Triton Pacific Capital

Sugar has worked in real estate investment and financial consulting for more than a decade. She was Senior Vice President of Real Estate at the Pension Consulting Alliance, and also worked at Arch Street Capital Advisors, Foot Locker Realty, Inc. and Norgo Group.

Robert Weaver
Partner
TPG Capital

Weaver is part of TPG's real estate division in New York, where he is a member of the investment committee and responsible for investor relations and capital formation. He was previously a Managing Director at Morgan Stanley, coordinating the firm's Private Capital Markets real estate business.

PrivcapRE
What's the reality on the ground for real estate fundraising, and how does it compare to the past?

Lori Campana, Monument Group
The activity and demand on the private equity side and the movement of investors is much faster than on the real estate side. There are more distributions coming back in real estate, but not as rapidly as in private equity. Sometimes real estate is frustratingly slow.

PrivcapRE
Distributions for private equity in 2012 were significant—it's one of the best years. Is that not happening for real estate?

Robert Weaver, TPG Capital
I was on the phone recently with an investor who has a relationship with a GP who said they expected to return $900 million of distributions this year. They ultimately returned two-thirds of that, which is still a ton of money, but less than what the LP was budgeting and it affected their internal calculations for future allocations for the 2013 vintage year.

There has been a lot of liquidity, there have been a lot of distributions, but on balance, for 2013, it will have been slightly less than people were expecting at the beginning of the year. That has ramifications for whether investors do that next fund. If they do, do they put in $50 million, $100 million or a different size? Distributions in 2013, while strong compared to the last five years, haven't met peoples' expectations.

Lindsey Sugar, Triton Pacific Capital
Distributions should pick up pace. There should be distributions from funds eight, nine, 10 years out. They'll still be good returns, but it's not going to be as robust as in the earlier part of 2013. It will be more comfortable for managers to say, "this is much more of a normalized environment, we should sell now."

PrivcapRE
How slow have distributions been in getting back to the LP?

Campana
It's been slower than people wanted. It wasn't long ago that they invested in the last round of funds, 2010 through 2012 vintages, and that money is still invested or reserved for future capital calls. They're starting to see a few realizations from that but it has been slow, and as a result, so have new commitments.

Sugar
On the whole, vintage 2005, 2006, 2007 funds, have exercised their first extension options, or sometimes second. Your extension option is to draw out the fund term and hope they're returning as much capital to investors as possible.

This creates slow capital return to investors and often times less is being distributed than was committed in the first place. We've seen instances where investors say, "yes, we would like to invest in your next fund, but we really need the capital back from the prior fund to make that happen."

In 2013 some investors, including large public pension plans, sold off some of their commingled fund interest in the secondary market, looking to purge less-than-positive-performing assets and get back in the market. Others have chosen to wait it out.

PrivcapRE
Is it a case of needing to get back into the fray quickly before the opportunity closes? And the LPs need the capital to do that?

Sugar
Other pension funds did the same over the summer [of 2013], not trying to stop the bleeding, but to cut their losses, move forward in their investment plans and put capital out.

Weaver
One of the things that continues to be true is that many investors are consolidating their GP relationships, and as money becomes available for new commitments, they tend to be doing more with fewer people. That's beginning to create an environment of winners and losers among the manager community.

PrivcapRE
Will the capital-raising winners be big, broad and global GPs?

Campana
Actually, no. There's still that attraction to the larger manager, of course, but it depends on the investor.

Some investors are still relatively new or have bigger allocations, but they want to allocate to fewer managers, so the global strategy makes sense. There are a lot of people who have to fill out their portfolio or believe that the niche managers might provide more alpha, so they are looking for niche, smaller or regional strategies.

Weaver
One of the biggest trends going on right now is LPs are much more concerned about who their peers are in the funds. A lot of the big guys and small guys alike would rather be invited to a dinner party of 20 than one of 75.

PrivcapRE
We've all seen the headlines of several funds, large and small, being over-subscribed. What does it take to be part of that group?

Weaver
The fundraising process sometimes becomes a momentum machine. Oftentimes there's a spark and you go from a fundraising that is plodding along to one where people are running for the entrance.

Campana
It starts with right-sizing your fund, and knowing your investor base, setting your terms appropriately for your key investors right from the get go. Consultants are even more important to the process than in prior vintages.

Weaver
There's still plenty of room for mid-sized managers, but the bar to become a new GP is a lot higher than it used to be.

PrivcapRE
Lori, how do you right-size a fund?

Campana
Right-sizing a fund can make or break a fundraiser. You have to have it large enough to attract the big checks, but small enough that certain investors feel like they have some say within the funds. And right-sized well enough to make sure you have a successful fundraise, but still ensuring the GP has the right amount of capital to execute a strategy.

PrivcapRE
Where are LPs negotiating most? Is it fee terms or co-investment rights?

Weaver
The most thoughtful investors are not asking for everything all the time. They are legitimately concerned about the J-curve, and fee structures that can take a bit of the edge off. They are also looking for co-investment opportunities [saying] "help me with my overall fee load and allow me to overweight the deals where."

Campana
The co-investment issue is a struggle for many GPs, as they need the right-sized fund to generate appropriate management fees to support their strategy and management of the organization and knowing that co-investments don't generate as much in fees.

Many of their key anchor large investors are asking for it. Some LPs want to make sure if there is an opportunity offered, they are in a position to consider it. Other investors are adamant that co-investment opportunities are driving their strategy, so in some cases they invest in a fund as a way to get the co-investment and to reduce their overall fees.

PrivcapRE
What are your expectations for real estate fundraising in five years' time?

Weaver
I hope fundraising doesn't get as frothy as it did during 2004 to 2007; that we have a market that's in relative equilibrium, where there has been more capital allocated for alternative assets, including private equity, real estate and real assets.

Campana
Real estate has always been the dominant asset class in the real assets bucket. Where investors were disappointed in real estate managers and/or their performance over the past five years, they have looked to expand their portfolios elsewhere, particularly energy portfolios.

They're looking at other real asset alternatives in addition to real estate, which is oftentimes competing against not only other real estate options, but other real asset options like infrastructure, as well.

Sugar
GPs have taken in a lot more foreign capital than ever before. Diversifying the investor base is crucial, and building loyalty and certain types of strategies lend themselves to foreign investors.

You hear stories from China, in particular, where investors don't care what their return is as long as they're not going to lose money. With the instability in capital markets in China, it seems like a safer place for them. A large amount of foreign capital is likely here to stay./

Click to watch this video at privcapre.com

A Commingled Comeback?

Global institutional investors and commingled funds could stage a comeback in the next few years as smaller investors allocate more to real estate. **TIAA-CREF senior managing director** and **head of global real estate Thomas Garbutt** talks to PrivcapRE.

Tom Garbutt, TIAA-CREF

PrivcapRE
Is TIAA-CREF changing its focus in terms of the vehicles it offers? Where is your preference today, and do you think that's going to change over the next few years?

Thomas Garbutt, TIAA-CREF
We're finding opportunities in discreet strategies that allow us to pierce the tougher markets. Those usually include lot-sized asset plays, so larger office or retail things. I see the demand continuing to grow in the real estate space. Small and midsize investors want to up their real estate allocations. That's where the connectivity comes, with the resurgence of commingled funds in a year or two. That's one of the areas I'm excited about.

PrivcapRE
A lot of GPs will be happy that you've just said commingled funds may start to come back in the industry. For TIAA-CREF, how do you view the growth of the platform over the next five years, bearing in mind the TIAA Henderson Global Real Estate venture, where you've combined your European and Asian real estate platforms?

Garbutt
The growth is going to come back both organically and inorganically. Our goal is to serve our clients' needs, and what does it take to do that? How do you continue to be best in class? It's an organic path that has our eyes and ears open to inorganic opportunities. I see increased focus on Asia growth over time, and also in South America.

PrivcapRE
Could you see another M&A merger like the Henderson deal?

Garbutt
It's always a possibility.

PrivcapRE
When you were considering the Henderson deal, had you been in the market looking for potential partners for a while?

Garbutt
The way I like to characterize it is, we had our eyes and ears tuned in. The Henderson situation was interesting—we connected in our normal course of business. It was a bit of looking in the mirror, but we were in different continents, and the conversation progressed.

PrivcapRE
What's been one of the biggest challenges in merging different platforms? Some people talk about cultural things, but I'd love to get your insights.

Garbutt
Making sure you put clients first. Making sure that there is a seamless platform when it's all said and done, so that day one, when those lights get flicked on, you are prepared to handle your clients' needs.

PrivcapRE
TIAA-CREF has a daily NAV, open-ended fund. Tell me about that fund.

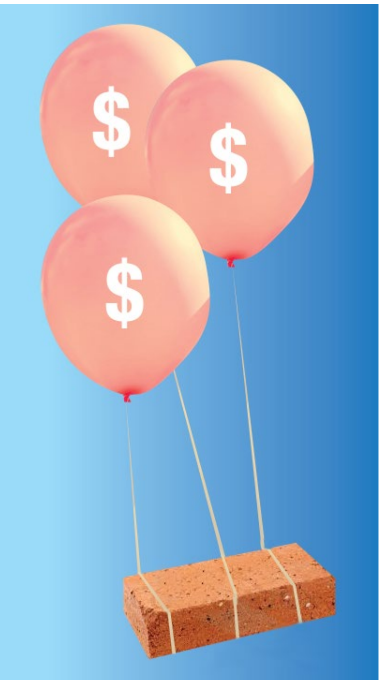
Garbutt
We have a unique product-probably the only one in the U.S.-where there is a daily NAV cut and individuals can come into the fund at any time. You have to have a rigorous valuation process scheduled. It's a difficult product to replicate, because the cash is inside the account. There are also requirements for liquidity so investors can get out at any time. It resides in that U.S. platform, so pure replication for the broader market is difficult.

PrivcapRE
Does the wider private real estate industry need to think about how to tap the retail investors, given that, with less capital available, they are becoming much more selective, and engaging fewer managers?

Garbutt
That's the big untapped market today, especially with the global convergence toward defined-contribution plans. If you can tap that retail market and find ways to get that capital into the real estate sector, that's massive. I know a lot of investment managers are looking at that, and it's quite challenging. /

BIO

Thomas Garbutt is a senior managing director and head of global real estate for TIAA-CREF, heading the firm's global- equity real estate activities. He is a member of the Urban Land Institute, Pension Real Estate Association, National Association of Real Estate Investment Managers, and the Real Estate Roundtable. Garbutt received a B.S. in business administration from Binghamton University and an M.S. in real estate investment from New York University.



Debt Funds: The Devil's in the Detail

LPs regained their appetite for debt funds in 2013 as the **projected risk-adjusted returns trumped those of equity investments**. The outlook for the market remains strong. But the funds are not without risk.

By **Ainslie Chandler**

Funds holding top-quality commercial real estate in key markets have long been the cornerstone of private equity's property strategy.

But the prospect of owning prized towers and malls has lost some of its luster in the past year, with yields on some solid assets in core markets tightening to the point that some deals no longer stack up.

So, what's an investor to do when their investment strategy no longer makes sense?

In 2013, many LPs made the decision to diversify their exposure to the property sector and put some cash into real estate debt funds, which diminishing returns on equity investments made look a lot more tempting, in terms of risk-adjusted returns.

The result has been a sharp turnaround in the level of investment in debt funds, with giants like Blackstone Group, Pramerica Real Estate and Axa Real Estate raising funds in 2013.

> BEING A LENDER IS THE EQUIVALENT OF BEING A TEAM THAT HAS NO HITTING. THE PITCHING NEEDS TO BE REALLY GOOD AND MAKE VERY FEW MISTAKES, BECAUSE IF YOU GET DOWN BY A COUPLE RUNS YOU CAN'T MAKE IT UP ON THE NEXT ONE.
>
> -JEFF FRIEDMAN, MESA WEST

The volume of cash raised for debt funds almost doubled from 2012 to 2013, with $10.7 billion raised by 21 vehicles, according to Preqin figures. This trumped the $10.6 billion raised in 2008, but fell short of the $14.8 billion raised by 40 funds in 2006. The benefits of LPs' entry into the market, through debt funds, a few years back are apparent for both the borrower and lender.

Borrowers can access debt at a time when traditional lenders have backed away from property after a few stomach-churning years, and CMBS issuances have become scarce, while lenders can get more bang for their buck than making an equity investment.

Preqin head of real estate assets Andrew Moylan says as bank lenders moved away from property lending, non-traditional lenders embraced the opportunity as part of their investment strategy, stepping in to breach the gap.

"Prior to 2008, 2009, debt as a strategy for some of the fund managers barely existed aside from a handful of players," he says.

Investors were putting money into vehicles across the risk spectrum, from senior loans to lower-grade debt, Moylan says, after initially focusing on mezzanine loans.

However, with banks making a return to real estate

Five Key Questions or Real Estate Debt Fund Managers

1. **Is real estate debt a core part of your business?**
Is the manager experienced in raising and managing property debt funds or is the current raising opportunistic and outside their core business? Do they have a long-standing, stable, experienced RE debt team?

2. **Can you operate and reposition the asset if necessary?**
Does the GP have the infrastructure, personnel and experience to manage property investments through an investment cycle, if there is a need to hold the asset?

3. **Do you have local knowledge?**
If the fund is targeted at European debt, does it have on-the-ground personnel with experience in dealing with those markets, asset types and regulatory regimes?

4. **How do you compete to get a deal?**
How does the GP plan to achieve the best result for investors? Does it have long-term relationships in this space? How quickly can they respond to opportunities?

5. **What are you not willing to do?**
As the landscape shifts and the market potentially gets frothy, what risks or investments can the GP guarantee its investors it will not take? Will it maintain its standards?

lending, the role for debt funds in the coming years was unclear, Moylan says. He saw 2014 as another year of strong demand for debt funds but did not see room for further strong growth this year.

Pension Consulting Alliance Managing Director David Glickman did not expect the return of the major banks to threaten the position of debt funds in the near term. He says those which were making the move back to property lending were still targeting assets that were conservatively underwritten, leaving opportunities to lend on assets that were less so.

Talmage Chief Executive Officer Ed Shugrue was bullish about the market's prospects. He says the outlook for real estate debt funds for the coming five years was solid, with a staggering amount of debt to be refinanced.

The U.S. CMBS market was about $600 billion, with $400 billion of that to be refinanced in the coming four years, after aggressive underwriting in 2006 and 2007, Shugrue says.

"That, in our view, keeps a tamper on the recovery, which, from an investment side, is wonderful," he says, noting that much of the debt was overleveraged and had run out of extension options.

Shugrue says more "nontraditional money" had come into the real estate debt space following the financial crisis, in the form of "hot money" or hedge funds, but many of those buyers left the space as it shifted from a "generalist commodity business to a sharpshooters business."

Connecticut-based Cornerstone Real Estate Investors' CIO of Finance Rob Little says Cornerstone had its eyes firmly on the high volume of CMBS maturities in the U.S. in 2016 and 2017.

However, more immediately, there were opportunities in Europe, particularly in the hospitality sector.

The European Opportunity

In 2014, investors are expected to continue focusing on Europe, where big banks have yet to step back into the market, leaving a raft of opportunities for private lenders.

Already in 2014, UBS Global Asset Management and Mitsubishi Corp. have announced they will join as co-GPs, backed by a major European pension fund, to raise a £500 million debt vehicle targeting the UK market.

Charles Daulon du Laurens, AXA Real Estate's Head of Investor Relations-Real Asset Finance, says in their European debt investments, North American banks have so far focused on the U.K. property market (where there was no language barrier and regulations were similar to their home market), rather than on France and Germany.

Some European banks have already restarted their real estate lending programs, joining German banks that have access to the Pfandbrief market and have never stopped their property lending.

Daulon du Laurens felt the ECB would be more closely scrutinizing the region's banks in the coming year, encouraging them to strengthen their capital, which may prevent them from loaning more money.

Demand for loans in 2014 is expected to continue at 2013 levels, he says, but strong growth in the number of North American lenders entering Europe this year is not expected, given the amount of money they committed to the region in 2013, causing margins to tighten.

"I wouldn't expect any more competition from such lenders in Europe," he says.

Jeff Friedman of Mesa West, which raised the fifth largest real estate debt fund during 2013, with its $752 million Real Estate Income Fund III, was more optimistic, noting that the "European lenders are virtually gone."

His firm originated about $1 billion in loans in 2013, up from about $650 million in 2012. Between 2005 and 2007, there was a lot of deal flow but also a lot of competition, as debt became "sexy", Friedman says, so the firm originated only about $500 million a year. "Irish banks were in, German banks, French banks, everyone who had an interest in lending a dollar could lend a dollar," he says. "By rough math it's twice as good as it was back then."

Chris Bates, head of Cornerstone's European debt business, said the traditional lenders who were still lending in Europe tended to misprice deals, after being burned during the previous cycle.

"It is dangerous to bracket Europe as one market," he says, noting a particular difference between regulation in the northern and southern countries.

Letting the Right One In

While the opportunity is apparent, debt strategies can be risky, particularly as investors move into higher-yielding vehicles.

If a debt fund goes well, all investors stand to win is their investment back, with interest. If it goes wrong, there is much more to lose.

This means it is almost impossible for several successful debt deals in a fund's portfolio to shield investors from the impact of a bad one. In a portfolio of equity investments, even one outstanding investment can help negate the effect of deals gone wrong.

"Being a lender is the equivalent of being a team that has no hitting. The pitching needs to be really good and make very few mistakes, because if you get down by a couple runs you can't make it up on the next one," Friedman says.

So it is crucial that LPs entrust the right manager with their debt investments. Probitas Partners' Michael Hoffman says that many managers in this space were either debt specialists or real estate specialists but few had experience on both fronts.

LPs had to look for a sophisticated operator who had the capacity to operate assets, should they engage in a "loan-to-own" strategy, otherwise they were unlikely to fully capitalize on the asset's value. "Many LPs are justifiably suspect" regarding fund managers' ability to both manage the debt and assets, Hoffman says./

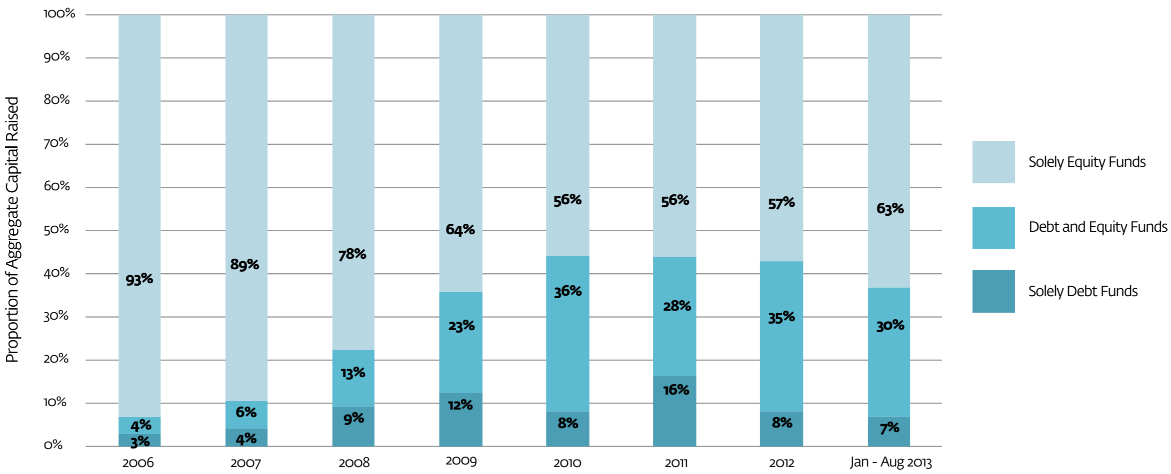
Watch the Video

Twice as Good to Lend Today
Lenders today have it twice as good as in 2006, says Mesa West's Jeff Friedman. But there are challenges.

The Prospects for Real Estate Debt
Talmage LLC's CEO Ed Shugrue looks at what lies ahead for the real estate debt market.

Debt Strategies Core to LP Real Estate Commitments

Since 2010, debt strategies, whether through sole debt funds or combined with equity vehicles, have proved a core part of the fundraising landscape, according to Preqin. Debt strategies account for 37% of all fundraising success in the first eight months of 2013 compared, to 22% in 2008.



Source: Preqin Real Estate Online

Top 10 Debt Funds Closed 2006-2013

Blackstone tops the charts among the 10 largest solely debt-focused real estate funds closed between 2006 and August 2013, according to Preqin. With Blackstone, Goldman Sachs, Torchlight and Colony expecting final closes of their new funds in 2014, expect these figures to rise even more.

Fund	Firm	Final Close Size (M)	Final Close	Fund Primary Geographic Focus
Blackstone Real Estate Special Situations Fund II	Blackstone Group	$2,900	Feb, 2011	US
Goldman Sachs Real Estate Mezzanine Partners	Goldman Sachs Merchant Banking Division	$2,630	Mar, 2009	US
Blackrock Mortgage Investors Fund	BlackRock Realty	$1858	Mar, 2008	US
Cornerstone Core Mortgage Fund I	Cornerstone Real Estate Advisers	$1750	Jun, 2010	US
Fortress Japan Opportunity Fund II	Fortress Investment Group	¥130,000	Dec, 2012	Asia
Five Mile Capital Partners II	Five Mile Capital Partners	$1,530	May, 2008	US
CRE Senior 1	AXA Real Estate	€1,000	Dec, 2011	Europe
Guggenheim Structured Real Estate Fund III	Talmage	$1,250	Oct, 2007	US
Investcorp Real Estate Credit Fund	Investcorp	$1,000	Jul, 2008	US
NREP Real Estate Debt Fund	Capmark Financial Group	$1,000	Dec, 2006	US

Source: Preqin Real Estate Online

The Fundraising Winners & Losers

As one of the largest real estate consultants in the world, **The Townsend Group** has unrivaled data on global fundraising activities. Key data from its January 2014 real estate fundraising report reveals that **some managers are pulling back from raising new closed-ended funds,** with the spread between capital sought and capital raised widening. For some who stay the course, there is **good news ahead.**

Increasing Spread: Capital Sought, Capital Raised

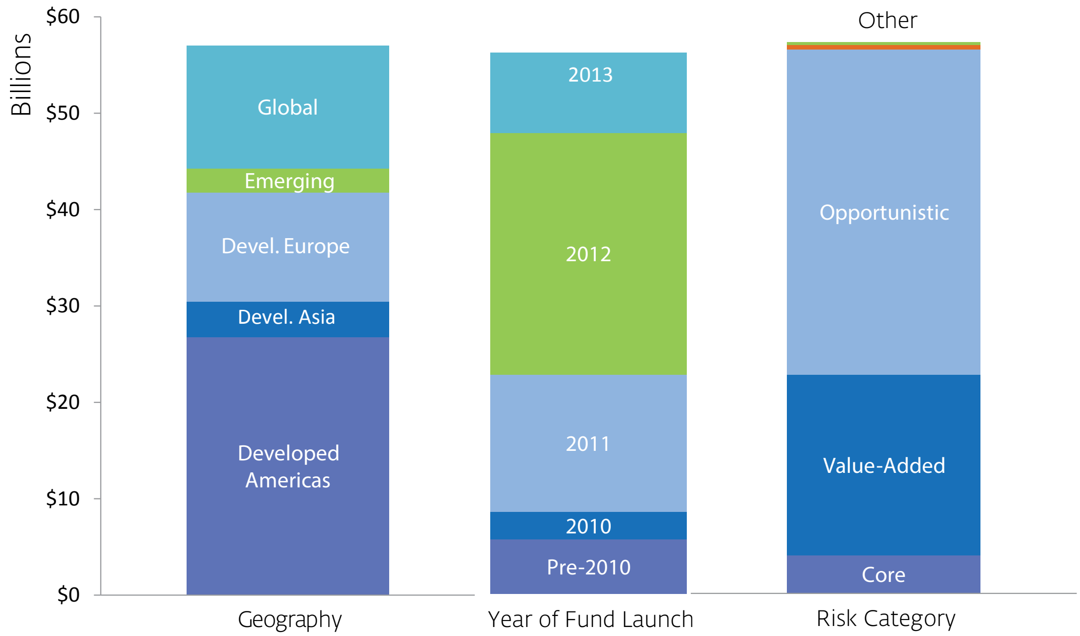
The spread between the amount of capital sought by GPs for closed-ended real estate funds versus that actually raised is getting wider, according to The Townsend Group. Although still in fundraising mode, 2012 and 2013 vintage funds witnessed the largest difference between targeted fundraises and capital raised to date—the worst performance since 2008, and for 2013 vintages, equivalent to raising roughly 25 cents for every $1 sought.

Capital Raised for Closed-End Funds

Commitment Stack: The Where and When of LP Appetites

Less than $60B of real-estate capital was raised by closed-ended funds in the past 12 months, however, The Townsend Group details the winners and losers here. Strategies targeting the developed Americas dominate the landscape, as expected, but developed Asia strategies have seen the greatest increase from six months prior. 2012 vintages garnered the strongest appeal among LPs, and opportunistic strategies scooped up a majority of the commitments.

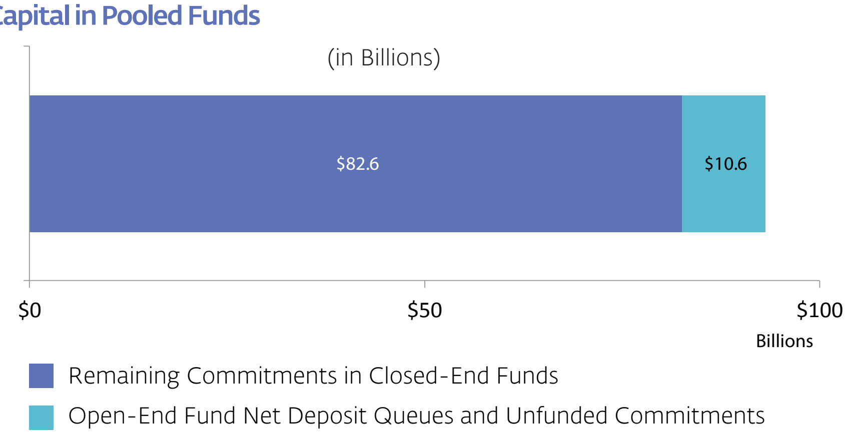
Capital Raised in the Past 12 months: Closed-End Funds



Commitment Powder Overhang

The amount of capital still sitting in closed-ended and open-ended real estate funds has risen by more than 13 percent in the past six months alone, with $82.6B currently residing in closed-ended funds. This "commitment powder" overhang, as one senior Townsend executive described it, is making its mark felt on future fund allocations.

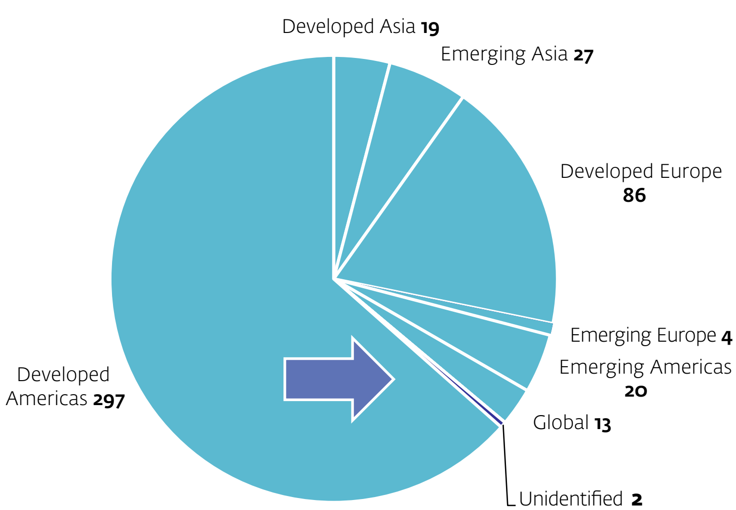
Capital in Pooled Funds



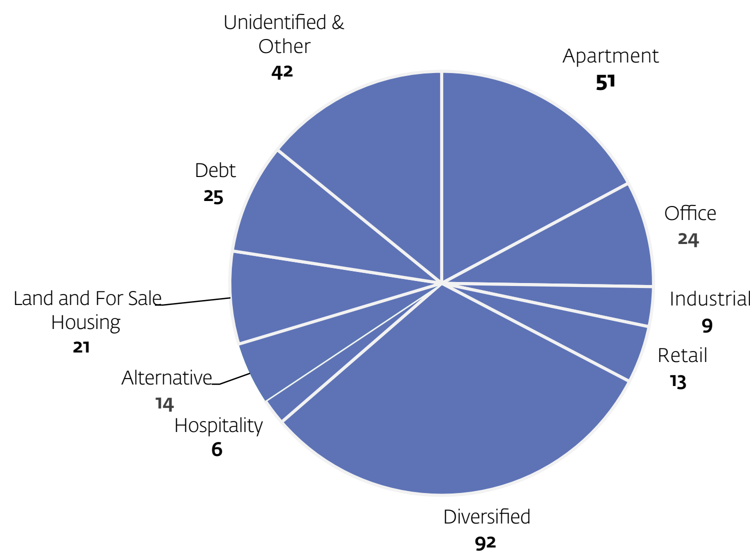
North America Dominates, But Europe's Influence Grows

With 468 real estate funds in the market, there's no shortage of competition for GPs trying to raise capital. Developed Americas' strategies dominate the landscape, with a diversified focus capturing much of the market share. However, since The Townsend Group's last report in March 2013, it is developed European funds that have undergone a fundamental shift, with the number of closed-ended funds in the market rising 28 percent to 86 in January. Global strategies took the largest hit, declining 71 percent with just 13 funds in the market in January.

Closed-End Private RE Funds in the Market: 468 Total



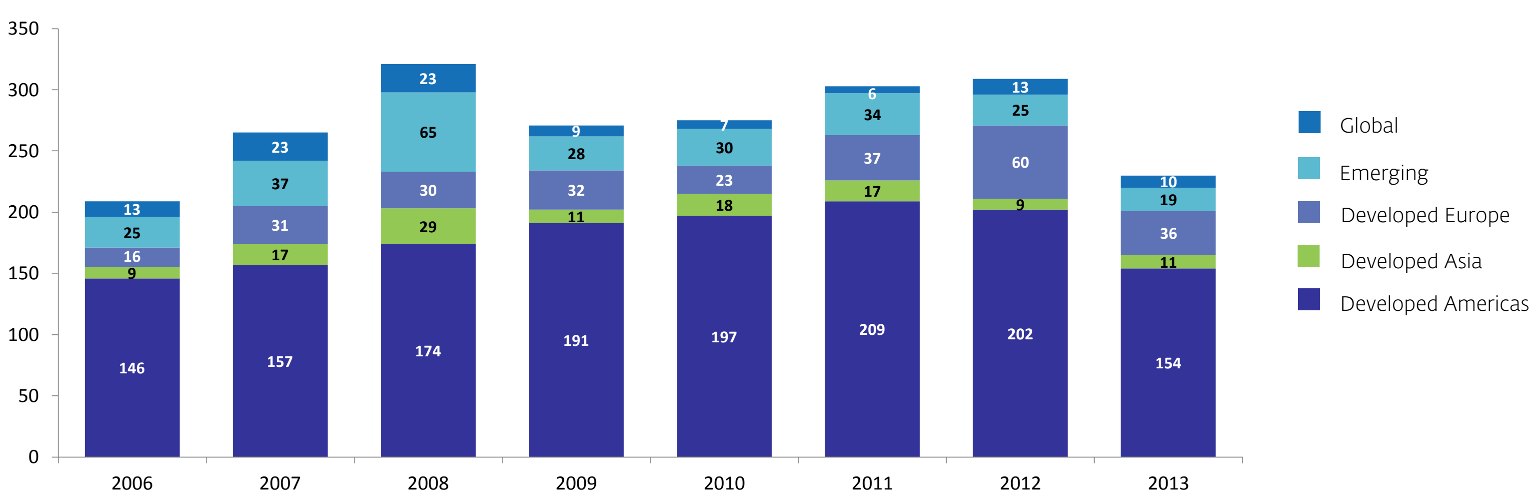
Developed Americas: Closed-End Funds in the Market: 297 Total



Fund Launch Low

Not since 2006 have so few real estate closed-ended funds been launched globally. During 2013, only 230 new vehicles came to market, down 25 percent from 2012 and marking an end to the steady rise in new fund launches following the financial crisis.

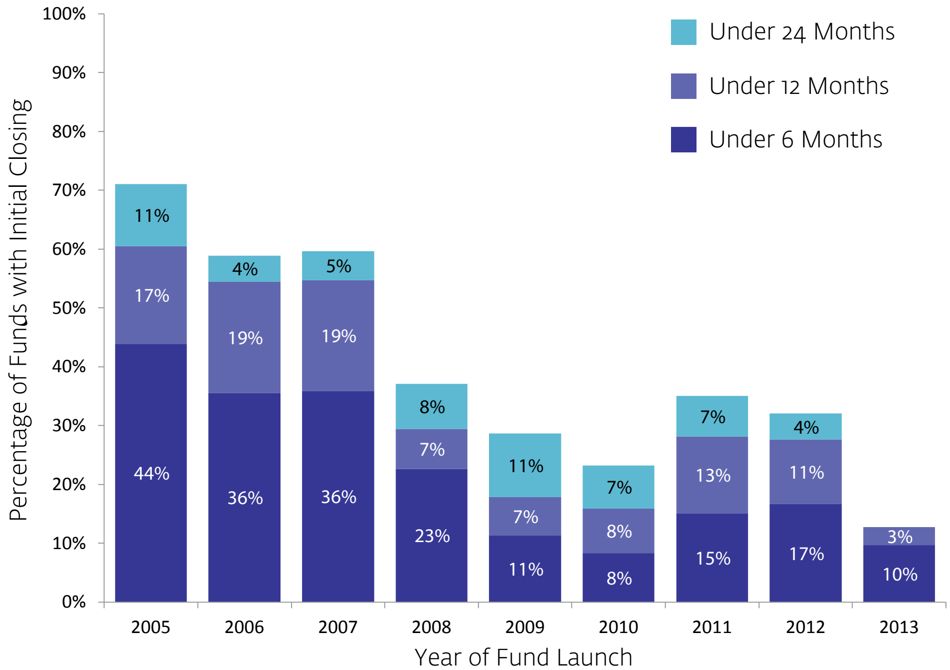
Number of Closed-End Real Estate Funds Launched



(Some) Fundraises Pick Up Speed

Although the number of new funds coming to market has dropped dramatically, there is some good news on the horizon: the number of funds getting to an initial close in less than six months is on the rise, modestly. For 2012 vintage funds, 17 percent of funds came to a first or initial close within six months—the highest figure since 2009. Overall, the outlook is tough, with only one-third of funds getting to an initial close within 24 months.

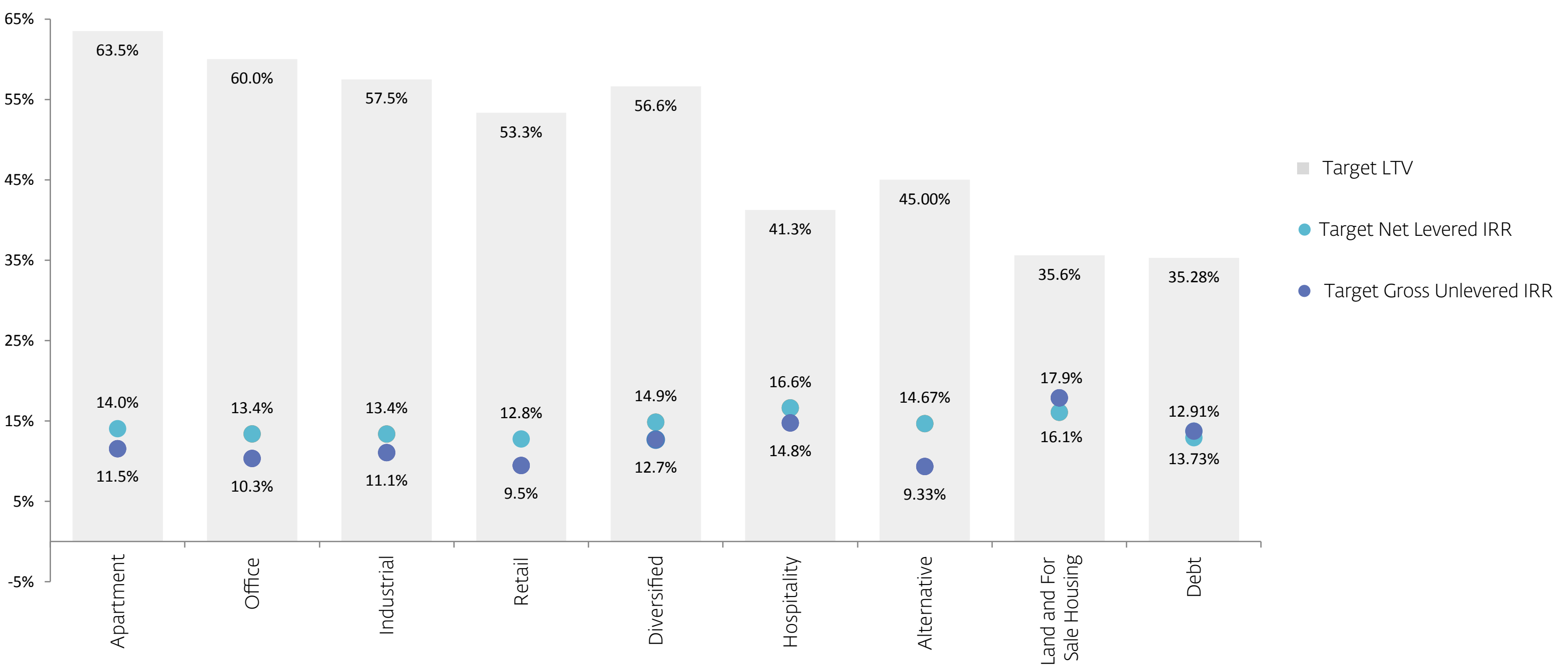
Time in Market to Initial Closing



Hitting the Return Hurdles

The Townsend Group presents a breakdown of targeted returns and leverage in U.S. closed-ended funds, according to real estate sector. Alternative real estate strategies, such as medical office, student housing and senior living, see the greatest spread between net levered IRRs and gross unlevered IRRs, while land/for sale housing and debt strategies predict higher target gross IRRs compared to net IRRs.

Average Targeted Returns and Leverage: U.S. Closed-End Funds in the Market



The Golden Ticket

Real estate private equity managers are **experimenting and innovating with investment models** in order to capture the attention–and cash–of **retail investors**.

By **Christopher O'Dea**

Real estate private equity managers are often innovative, supplying private capital in often-unique structures that get deals done and buildings built. But the next few years may present challenges that test the industry's creativity—and its appetite for change.

One area in focus is their sources of capital. Managers need to attract capital from a wider range of sources, in particular from retail investors. That might not sound like much of a challenge. After all, strong retail demand for real estate in 2013 pushed inflows to non-traded equity REITs to a record level of $18.7 billion, double the amount raised in 2012. But non-traded REITS primarily tap retail assets through independent broker-dealers, a limited channel where high sales commissions and limited liquidity for investors' holdings pose obstacles to reaching a broader retail market.

Most retail assets are held in accounts that are part of defined-contribution (DC) retirement plans. The opportunity is compelling. Assets in DC plans topped $5.1 trillion at the end of 2012, according to the Investment Company Institute, the trade group for mutual-fund companies. More than half – $2.9 trillion – was allocated to mutual funds, and real estate managers will have to find some way to provide investors with access to their expertise through this mainstream – and more highly regulated – vehicle.

For the past 30 years, private commercial real estate managers have "thrived," managing assets from public plans and insurance companies, says George Pandaleon, president of Inland Institutional Capital Partners. Pandaleon believes defined-contribution assets are likely to grow substantially in the coming years and predicts that a switch from defined benefit to defined contribution in the public sector could occur much sooner – and faster – than many real estate managers expect. "Defined-contribution plans are going to be where the growth is," he says. While the industry is still experimenting, he suggests that asset-allocation vehicles such as target date funds could enable CRE managers to tap meaningful retail flows.

Even a small shift toward DC plans in the public sector could result in large new cash flows. The 100 largest public plans in the U.S. had assets of $2.6 trillion in 2013, according to pension consultant Milliman, Inc. But those plans face liabilities of $3.77

trillion ($2.2 trillion for retirees and inactive plan members not yet collecting benefits and $1.6 trillion for plan members who are still working). That leaves the plans with only 27 percent of the assets needed to cover the accrued liability for active plan members. In states such as Illinois, underfunding of public pension plans has forced legislators to introduce 401(k)-style DC options for new, and some active, workers.

Pandaleon says CRE managers who can tap DC assets will hold a "golden ticket." That will require innovation in product development and personnel. What's needed, he says, is a product that can meet the need for the daily liquidity and daily pricing required in the 401(k) world. The next question is "how to get into the 401(k) option list."

As a long-duration asset often involving private-market transactions, real estate does not readily lend itself to a daily-liquidity model. It's a marketing dilemma, and CRE managers are in the early stages of experimenting with solutions. So far, no structure have emerged that meet the requirements of the major retail channels, DC plans, and fee-only financial advisers. It's not for lack of effort on the part of private CRE managers, and the size of the retail opportunity means the industry will continue to try.

Approaches to date have clustered around three broad product-development strategies aimed at different parts of the retail-distribution spectrum. Those include hybrid funds that adjust sales loads and tweak other features of non-traded REITs in an effort to spur sales to a wider range of commission-driven advisers; mutual-fund approaches in which non-traded funds adopt pricing and other features usually found in registered fund vehicles in an effort to appeal to financial advisers who don't sell commission products; institutional approaches that seek to deliver the performance of commingled real estate funds to defined-contribution plans.

Each approach has its merits, but tension remains between the retail channel's need for liquidity and the inherent long-term nature of real estate. The most ambitious approach was Clarion Property Partners Trust, Inc. (CPPT). Launched in 2011 and liquidated in 2013, the fund received intensive industry scrutiny as a pioneering effort "to address well-known shortcomings associated with traditional non-listed REITs, principally, lack of liquidity, the rigidities implicit in a closed-end, finite-life, fixed-price investment, and high fees," according to Clarion letters filed with the Securities and Exchange Commission.

To control costs, CPPT charged a management fee of 0.9 percent and a performance fee of 25 percent of gains that only applied after the manager, CPT Advisors LLC, a unit of ING Clarion Partners LLC, delivered a 6 percent minimum return. The maximum sales charge of 3 percent was significantly below the prevailing rate for non-traded real estate vehicles at the time. Despite the modest cost structure, the fund achieved little traction and reported only $13 million in net offering proceeds in its March 31, 2013 SEC filing. The fund was liquidated in June 2013. Clarion Partners LLC, the successor entity to ING Clarion, declined to comment for this article.

Perhaps the best illustration of the challenges facing CRE managers is the correspondence between CPPT and the SEC in early 2012, when the fund asked the SEC for permission to shift its redemption policy toward the "net redemption" policy used in retail mutual funds that offer investors the ability to redeem their entire position at NAV on any business day. Redemptions in CPPT were originally subject to a quarterly limit of 5 percent of the prior quarter-end net asset value. In 2012 the fund asked to revise its policy to set the 5 percent limit based on net redemptions in order to improve liquidity for investors. Redemption caps can prevent some investors from selling their positions if they try to redeem after the limit is reached. If not changed to a net basis, CPPT says, the cap "could limit redemptions in a quarter despite the Company receiving a net capital inflow for the quarter, which is at odds with the objectives of a perpetual life, non-listed REIT and does not advance the investor protection goals" of the SEC.

The rationale for the change highlighted the dilemma inherent in delivering the benefits of real estate investments to retail customers. Fund managers must hold cash to pay shareholders who redeem their holdings, but idle cash can hurt performance. CPPT says the change to net redemption was "designed to provide greater liquidity to the company's stockholders without requiring the company to allocate a greater portion of its portfolio to cash, cash equivalents and other liquid assets that typically produce a lower return than investments in the company's targeted assets."

Another approach is being tried by The Blackstone Group, Inc., which in January filed with the SEC for permission to market a non-traded CRE vehicle, the Blackstone Real Estate Income Fund II. Blackstone declined to comment while the fund is in a quiet period. Blackstone's structure appears aimed at intermediary firms and fee-only financial advisers; instead of a sales commission, the fund will pay an ongoing 12(b)-1 fee of 25 basis points, a flat annual marketing fee that is included as an operational expense in a traditional mutual fund's expense ratio. The fund will have a 1.5 percent expense ratio and a 15 percent performance fee. While a marketing fee of just 0.25 percent seems razor thin in the non-traded REIT world, it shows the cost-sensitive nature of the retail channel. One of the largest institutional real estate mangers, Prudential Real Estate Investment Management (PREI), has been pursuing the DC channel for about five years. Prudential is investing strategically in its effort. In 2011 it hired David Skinner, JP Morgan's head of defined contribution investment only institutional sales, to spearhead its DC push. PREI's website prominently features a video, "Commercial Real Estate in Your DC Plan," and Skinner was instrumental in launching the Defined Contribution Real Estate Council (DCREC) during 2013. The group aims to persuade plan sponsors and consultants to add commercial real estate as a DC investment option.

On the investment front, PREI invests 75 percent of DC assets through a separate account in its institutional commingled funds to achieve exposure to the CRE asset class. To provide liquidity, PREI holds up to 25 percent in publicly-traded REITs and cash. That might cause concern in the DC world; in its video, PREI notes that REITS are not a good substitute for direct commercial real estate investments since REITs tend to track the equity market and trade like small-cap stocks, but does not address why assets with small-cap-equity characteristics are suitable as a cash equivalent. PREI did not provide a contact for this article. PREI clearly states that the ability to make daily withdrawals from its Prudential Retirement Real Estate Fund (PRREF) is not guaranteed, and redemptions could be delayed if the fund does not have sufficient cash available. While cautioning investors about potential illiquidity, PREI last year retained the Chicago-based Real Estate Research Corporation to determine the daily value of PRREF's direct real estate investments and to ensure that the process is transparent, consistent, and accurate.

PREI notes that DC plans can access its direct CRE expertise through asset-allocation strategies such as target-date funds. Prudential's strategy seems to be paying off. The fact sheet for PRREF shows assets of $468 million on September 30, 2013, although it does not indicate whether that is all from DC clients. And the Callan Glidepath 2020, a target-date fund designed for employee benefit plans and managed by the investment consulting firm, had a 12 percent allocation to PRREF on December 31, 2013—the fund's second-largest allocation to a single manager of any strategy. /

Click to watch this video at privcapre.com

Rising Allocation

In producing its weighty survey of global institutional investors and sovereign wealth funds, IPD has revealed that real estate allocations will continue to rise in 2014, the focus will remain on core and income, and LPs will turn even more to global deals in the search for yield. **Greg Mansell, head of applied research at IPD**, explains the survey's key findings.

Greg Mansell, IPD

PrivcapRE
You recently interviewed pension funds and sovereign wealth funds at IPD to gauge insights into not only real estate, but all asset classes and how those asset classes fit into their portfolio. What were some key findings for real estate from the survey?

Greg Mansell, IPD
The first one was that, as target allocations go, a lot are trying to increase allocations to real estate. We interviewed about 130 and the average was about five-and-a-half percent for their allocation to real estate. About one-third were more than 10 percent allocated to real estate. They're the middle numbers, and then they're trying to make an improvement. The second theme was the type of real estate. It's more core real estate on the private real estate side, trying to get involved in the direct-ownership side. The third area is the role of real estate itself. In the good old days, it was more about high returns; today, it's more about the income side, being an alternative source of income from, say, fixed-income investments.

PrivcapRE
What are some tactics for allocating capital as investors look forward to 2014 and 2015, given that quite a few want to increase allocations to property?

Mansell
Quite a lot of their current allocations are heavily towards home buyers, so moving forward, they're trying to get a bit more global, trying to move away from their own regions into other regions.

PrivcapRE
The globalization of foreign capital?

Mansell
That's been slow to happen for real estate. It happened for the pension funds a long time ago, so they've removed a lot of that domestic bias. Real estate really struggled with that. During the financial crisis, everyone retreated back to their own markets if they were able

to, sticking to what they know, especially if they were moving to other countries, chasing ever higher returns to ever more emerging markets. They're still talking about trophy buildings in the main gateway cities. The bigger guys, they're not thinking, "Now's the time to go for second-tier cities or secondary properties."

PrivcapRE
How does this translate into capital flows into certain regions? Will we see more capital flows into the U.S.? As we look forward, who are going to be the main winners and losers?

Mansell
The North American markets got a second wind. Based on data results, we saw that in the middle of 2013, U.S. and Canada really kicked on. That's generated a bit of interest from the European guys. The North American guys are looking at Europe for opportunities, so there are deals to be done. There's a little improvement on the European front. People have been waiting for a lot of the problems in Europe to settle down and are comfortable with where prices are.

It's taken a while, so U.K. first, core Europe—a lot more interest in Germany than we were expecting, based on the interviews. Peripheral Europe is either a "Yes, but depends on the deal" or an absolute "No." That may change.

PrivcapRE
Looking back at 2013, are there any surprises that came through for you in terms of investments, what the pensions and sovereign wealth firms were doing?

Mansell
The pensions and sovereign wealth funds were sticking to the main offices, retail, industrials; better logistics came into that. The big push for the rest has been on the more alternative types of real estate, whether that's hospitality, leisure, or anything related to social infrastructure. How much momentum there has been for infrastructure as a whole has been a surprise. We're talking about healthcare, anything to do with education, and then into more hard-type infrastructure funds./

Key Findings: IPD Annual LP Survey

- Average RE allocation is 5.5%; 33% allocated 10%+
- Core and direct ownership is a driving theme in future allocations
- Income is king
- Investors have dropped domestic bias; capital increasingly global
- European investors continue to eye North America
- Core Europe has benefited first; peripheral Europe has been slow.
- How is compliance monitored and managed?
- What are the cash-management processes?
- What is the firm's internal management system?
- How accurate and efficient are the accounting and reporting systems?

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Digging Deep in GP Due Diligence

Assessing new GPs can be a testing time for an LP. Getting them to talk off-script and uncovering their war stories are two crucial ways of effectively assessing their character, consultant **Roy Schneiderman** of **Bard Consulting** told PrivcapRE.

Roy Schneiderman, Bard Consulting

PrivcapRE
What should be front and center in an LP's mind when assessing a new GP relationship?

Roy Schneiderman, Bard Consulting
The first and foremost question is: Who are these guys? How are they going to react under different circumstances? More important: What kind of actors are they? What kind of managers of money, what kind of stewards of capital are they?

PrivcapRE
How do investors assess a manager's character?

Schneiderman
It's not easy, and has to be done in context, not off of a checklist. It's important to see managers under a variety of circumstances. One of the ironies is [that] the most controlled situation for a GP is showing up at an LP's office with a pitch book. The GP can walk through the pitch book and tell a story that's been well-tuned, well-rehearsed, and well-practiced. When you meet people outside an office, even if you can't do due diligence at the GP's office, see if you can't get them off their game.

PrivcapRE
Are investors focusing more on operational capabilities during due-diligence negotiations, as well as investment strategy?

Schneiderman
There's more of a focus, as investors are starting to think about their managers as long-term relationships and partners. You'll find less influence on the specific person who will be their client representative and the senior people at the firm, and more on the depth and long-term staying power of an organization, especially big organizations, where people come and go. The due diligence revolves around: Is it a good strategy? Do you have people who can execute the strategy, and do you have the company that can stand behind those people?

PrivcapRE
Have you been surprised during your due-

diligence work on behalf of investors?

Schneiderman
You learn a lot from talking to the people who aren't rehearsed, who may be enthusiastic about their company but are happy to tell you about an issue. One place where we often found it interesting to talk to people is IT. That's where the rubber meets the road for a lot of professional services and investment firms.

PrivcapRE
Not all LPs can afford to do deep due-diligence dives. What key piece of advice can you offer smaller LPs?

Schneiderman
Ask around to your compadres and peers to understand how a GP has behaved. I mean that over various kinds of environments. Everybody will do okay if the environment they meet is the environment that they expect. Getting the war stories from other investors about how a manager or a management firm has reacted when circumstances have changed would be the most important thing you can do if you aren't hiring your own due diligence./

Vital Checklist for GP Due Diligence

Performing due diligence on new and existing GPs is not only about strategy and track record, according to Bard's Roy Schneiderman. It's also about assessing operational risk. Here are 10 crucial things to weight up in the due-diligence process:

- Where is operational risk monitoring placed in the organization?
- What are their decision-making, valuation, and budget procedures?
- Does it have appropriate asset allocations?
- How does the IT function perform?
- What are the internal audit procedures?
- What is the growth-management strategy?
- How is compliance monitored and managed?
- What are the cash-management processes?
- What is the firm's internal management system?
- How accurate and efficient are the accounting and reporting systems?

Adapt or Perish

Two real estate PE authorities on LPs' shifting demands and how GPs are–and should be–responding

Responding to LP Needs

MARK GRINIS

Global Leader, Real Estate Investment Fund Services, EY

The globalization of our industry and the greater role of sovereign wealth on some Middle Eastern funds, Asian platforms, and pensions and endowments mean they have different twists on how they're approaching things. It's a lot of work on both parties' sides, and you have to have the staffing and infrastructure. The LPs that are equipped and have big operations may be more able to dive into those other platforms. For some of the larger funds that don't have to change, they may not want to offer anything else. To some extent, it's responding to what investors are asking for.

Securing LP Investments

DAVID ROSE

Senior Consultant, Hewitt EnnisKnupp

GPs should be open to asking, "What is it that an LP needs to help get this commitment?" The GP is going to lead with what they see is the market opportunity set and the strategy, and that's what an LP is paying them for. They need to understand what hot buttons and hurdles an LP needs addressed in order to make that commitment. It may be simple things like, "What do I need to do in terms of investor reporting and transparency?" At the end of the day, the GP is working for the LP, and the LP may or may not have stringent information requirements. It's all about understanding what an LP wants.

From the Archives

Explore PrivcapRE's vault of recent videos forecasting 2014's critical trends

REPORTING & FUND MANAGEMENT

Setting the Standard

With John Baczewski, Board Chair of Real Estate Information Standards

What is Build-to-Suit Financing?

With Kathleen Barthmeier, Executive Director, W. P. Carey

Keeping Track of Value-Added Performance

With Peter Steil, CEO of NCREIF

CFO Dilemma: Being Disciplined Outside the Box

With Michael Levy, Global CFO and COO, Morgan Stanley Real Estate Investment

EMERGING MARKETS

Building Abraaj

WIth Mustafa Abdel-Wadood, CEO, Abraaj Capital

Mexican Pensions & PE: A Growing Opportunity

With Carlos Ramirez Fuentes, President, CONSAR

Property, Agribusiness and Energy in Brazil

With Julius Haupt Buchenrode, Partner, Global Equity

Europe's Periphery Comes Into Play

With Simon Mallinson and Joseph Kelly from Real Capital Analytics

Mexico's CKD Market-Expander

With Andrew Hoemann, Americas Region Head Citi Private Equity Services

SUSTAINABILITY

Building an Environmentally Conscious PE Firm

With Tom Murray, Managing Director, Environmental Defense Fund

Real Property Meets Intellectual Property

With Tom Barrack, Founder, Chairman, CEO of Colony Capital

Bonderman's Environment

With David Bonderman, Founding Partner, TPG Capital

Retrenchment and Opportunity in European Real Estate

With Jeffrey LeFleur, Managing Director, W. P. Carey

Shifting Investor Appetite in Brazil

With experts from Vision Brazil and Apex-Brasil

COMPLIANCE & REGULATION

The End of Pass-Through?

WIth Rick Bailine, Principal in Charge, Washington National Tax, McGladrey

GPs Under Attack: The Regulatory and Fundraising Reality

With Richard Jaffe, Partner, Duane Morris

Regulating FIRPTA

With Jeremy Naylor, Partner, Cooley

The Era of Form PF

With panelists from New Mountain Capital and ConceptONE

Capital-Commitment Financing

Click to watch this video at privcapre.com

Experts explain the benefits of a subscription-finance tool for fund managers

David Wasserman, SMBC, and Albert Tan, Haynes and Boone

THE BENEFITS OF BRIDGE FINANCING

Albert Tan, Partner, Co-Chair, Global Capital Commitment Financing Group, Haynes and Boone

Private equity funds, particularly real estate private equity funds, use subscription, or capital, commitment financing as a form of bridge financing to satisfy the investment and business needs of the fund. They can use this particular facility – where the collateral is secured not by the assets of the fund but by the capital commitments of the investors – as near-term financing in lieu of calling capital from their investors during the life of the investment period of the fund. The biggest benefit is the fund is able to use it for all of its business needs: payment of fees, expenses, and defaulting investors. It can pay for other borrowings that the fund may have for other subsidiaries. The facility can be used to bridge all of that.

COMMITED CAPITAL COMMUNICATIONS

David Wasserman, Executive Director, Real Estate, Sumitomo Mitsui Banking Corporation

There are a lot of different structures and vehicles, but we estimate its size at slightly over $100 billion. The market right now is very liquid. Many banks are returning to the space, particularly money center banks from Asia and Europe.

It prioritizes the same concepts as any other debt facility, including communication between the lender and borrower and understanding their needs to get comfortable providing the credit. As lenders, I don't even have to ask for these provisions to be kept in the limited partnership agreement anymore. They're automatically included because borrowers' and lenders' counsel become more knowledgeable about the process.

TIME IS OF THE ESSENCE

Jeffrey Tucker, COO, Century Bridge Capital

The GP's right to make capital calls on the investors is no longer just a nice feature for a firm. It's now a necessary tool for a fund like ours. We have LPs all over the world and we're closing investments in China. When we issue a capital call in this market, there's a 10-business-day period for everybody to fund their capital call. Then there's an additional step: money generally comes into Hong Kong or Singapore before it's converted into RMB.

In a recent project we were closing, the joint venture documents and contracts were signed about four days before a government-imposed deadline when the capital had to enter China. In that scenario, there would be no way that we could fund the capital on time by issuing a capital call to our investors. So we used our subscription line, and then issued the capital call to our investors.

Click to watch this video at privcapre.com

Expert Q&A

with Albert Tan
Partner & Co-Chair, Global Capital Commitment Financing Group
Haynes and Boone

How did Haynes and Boone develop a specialty in capital-commitment financing for private funds?

For the past quarter-century, we have had the largest full-time, dedicated practice group in capital commitment subscription financing. Our team of attorneys has represented lenders and private equity funds in North America, Europe and Asia. It has recently migrated to Latin America.

Our firm has witnessed the evolution of the product since its inception, when it was used as a simple facility for one U.S.-based real estate private equity fund. It has since become a second-nature product for real estate funds, and we see it slowly moving to infrastructure, buyout, energy, and maritime funds.

The Haynes and Boone database contains analytical credit information for thousands of investors, with linkage to their ultimate credit source. Our database is also full of precedent documents due to our experience as lead administrative agent in key transactions worth more than $20 billion.

The multi-disciplinary approach satisfies the interests of all the investors, the funds, and the lenders.