Capital Raising Survey
2024

Research

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. Our aim is to improve the accessibility of non-listed real estate vehicles for institutional investors by promoting greater transparency, accessibility, professionalism and standards of best practice.

As a pan European body, INREV represents an excellent platform for the sharing and dissemination of knowledge on the non-listed real estate industry.

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Executive summary

A quarter of managers did not raise any capital in 2023	European investors returned as the leading source of capital globally	Accumulation of dry powder continues	Sovereign wealth funds and government institutions grow market share

> **Capital raising activity slumps to a record low**
In 2023, fund managers raised a minimum of €117 billion of new capital for non-listed real estate globally. This is the lowest result since 2015 and less than half the minimum of €246 billion raised in 2022. Sharp declines in capital raising activity were evident in every region of the globe. With €35 billion, North America remained the primary destination, with global strategies moving up to second position (€33 billlon) as European strategies gave way with only a minimum of €29 billion raised. A quarter of managers of the total 83 contributors to the survey did not raise any capital last year. Lack of suitable product was highlighted as the main reason for that, although the fact that 86% of the capital raised in 2023 is yet to be invested undoubtedly affected their ability and willingness to raise more equity.

> **European investors most active despite average real estate allocation decreases**
European investors returned as the leading source of capital for real estate globally, with 38% of the overall equity raised in 2023. These results are encouraging, but still well below their long-term average of 44%. Asian Pacific investors, having featured as leading source of capital in 2022, were not far behind with 34% of the total capital raised globally in 2023. They have grown in prominence in recent years, which translated into the rebalancing of power towards sovereign wealth funds and government institutions, which dominate the Asian Pacific investor base. Jointly they accounted for almost 20% of the total global activity last year and became the leading source of capital for global strategies (43%). With a 15% share, government institutions had a record high share of capital raising for European strategies, a notable increase on their long-term average contribution of a mere 3%.

> **Non-listed debt funds grow their market share**
Non-listed debt products continue to grow in importance, accounting for 14% of the total capital raising activity globally in 2023. However, with 64%, non-listed equity funds retained the top spot, an increase from 56% equivalent in 2022. These increases were largely at the expense of separate accounts investing directly, which contributed only 11% of the total equity raised last year, the lowest result since the inception of the survey, and well below their long-term average share of 20%. Vehicle preferences vary significantly by investor domicile, with North American and Asian Pacific investors displaying a strong preference for non-listed funds, while European investors showed a strong preference for non-listed debt funds, at 32%. North American investors are increasingly in favour of funds of funds globally (6%).

> **European debt vehicles grow market share and focus on residential**
Last year 40% of total equity raised for European strategies targeted non-listed debt, marking a turning point for the segment, and leaving non-listed equity funds in second place with 29%. Debt funds were strongly preferred when targeting a mix of alternative and mainstream sectors. Over 80% of the capital raised for the European residential strategies in 2023 was targeting private debt. Non-listed funds and debt funds showed the most diversified investor base, both by investor type and origin.

Chapter 1

Uncertainty erodes capital raising activity worldwide

The real estate industry faced a difficult year, characterised by low levels of transactions and negative returns. It is no surprise that capital raising activity was profoundly affected. In 2023, investment managers surveyed raised a minimum of €117 billion of new capital for investment in non-listed real estate globally[1]. This is the lowest result since 2015 and more than 50% decline on the 2022 results.

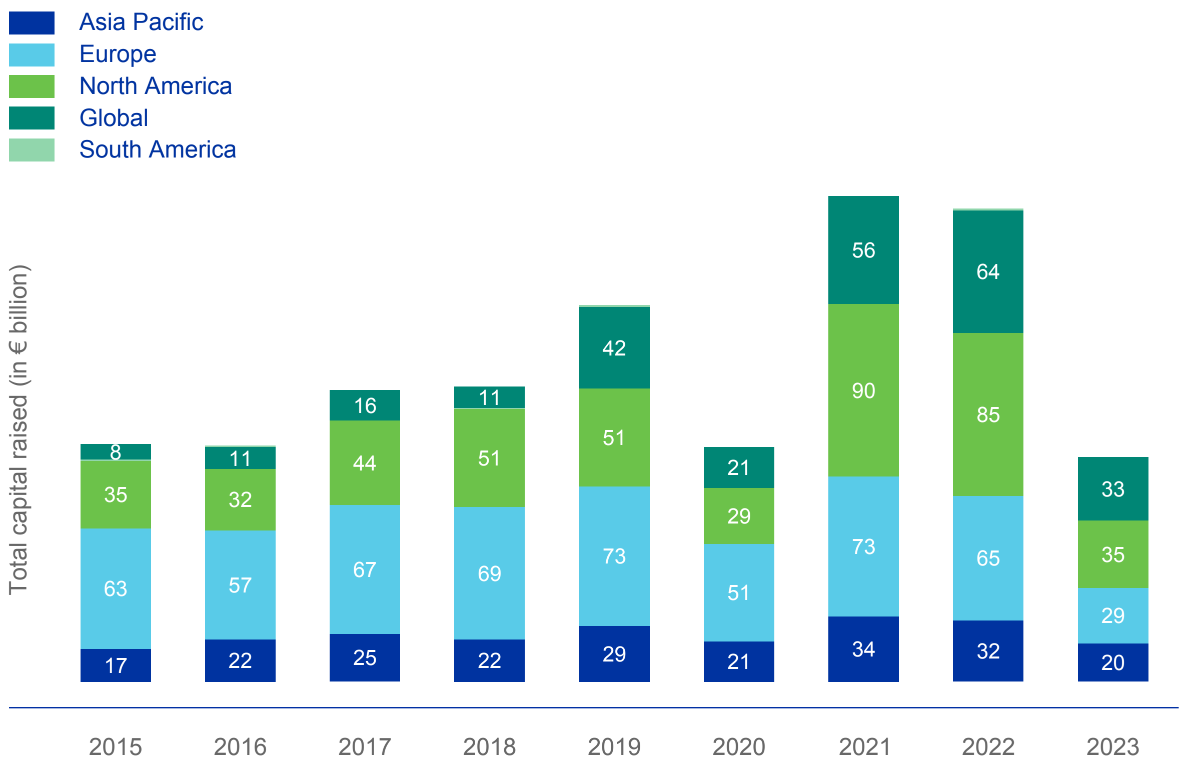
The slump in capital raising activity was evident in every region of the globe. With a total of €35.3 billion, capital raised for vehicles with North American strategies saw the sharpest year-on-year decline[2] of 58%. Nevertheless, it maintained its place as the most popular strategy for the third year in a row.

Vehicles with European strategies raised €28.8 billion, 56% less than in 2022, and the lowest result for the strategy since 2015 when the time series began. Vehicles with Asian Pacific strategies fared better with a 38% year-on-year decline and a total of €19.9 billion raised, the second weakest result after 2015.

A 48% year-on-year decline in capital raising activity for global strategies meant that only €33.2 billion was secured in 2023. Despite the drop, the latest result is significantly above the pre-2019 annual average and just above the long-term annual average of €29 billion. This highlights the growth in importance of the global strategy in recent years.

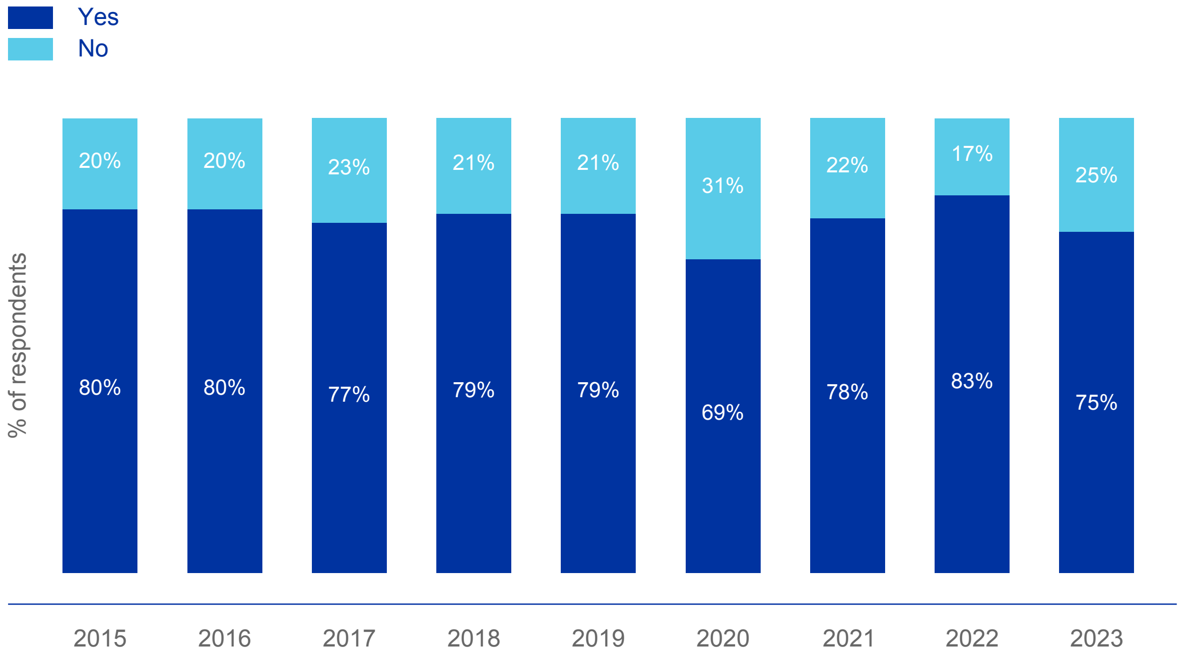
1 The global capital raised for non-listed real estate is made up of investment via non-listed real estate funds, separate accounts investing directly into real estate and investment into indirect vehicles, joint ventures and club deals, funds of funds and nonlisted real estate debt products.
2 Excluding South American strategies

Figure 1: Capital raised for investment in non-listed real estate by regional strategy[3]



3 For a vehicle to have a global strategy, no more than 90% of the total Gross Asset Value (GAV) may be invested in a single region.

Figure 2: Global capital raising activity

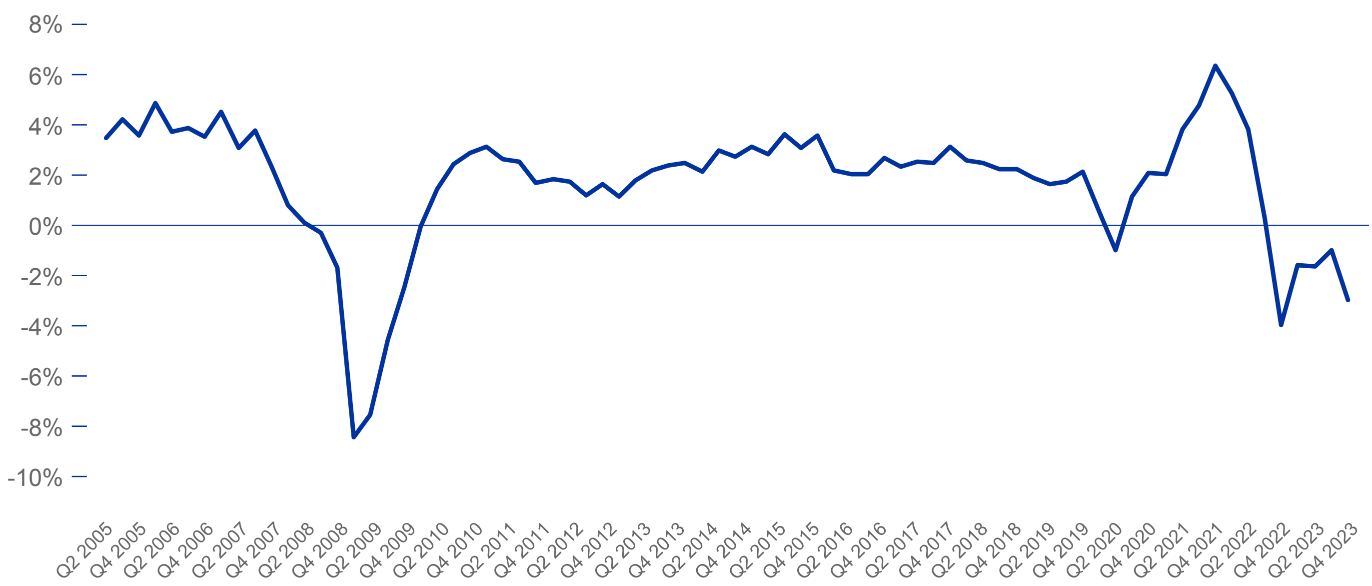


A quarter of the participants in the study did not raise any capital in 2023, the highest share since 2021. Since the time series began in 2015, it is only lower than the 31% reported in 2020, a year deeply affected by the COVID-19 pandemic. The latest results are a direct consequence of the weak underlying markets and 'wait and see' investor attitude as after six consecutive quarters of negative performance, the pricing discovery is still on-going, and market conditions are yet to improve (see Figure 3).

The ANREV/INREV/NCREIF Global Real Estate Fund Index (GREFI) delivered negative returns in all four quarters of 2023 and across all three global regions. US funds performed the worst, delivering an annualised return of -12.2%, followed by funds with European and Asian Pacific strategies, with the equivalent -4.15% and -4.02%, respectively.

This negative return profile showcases the state of the industry worldwide and explains the difficulty fund managers are facing when trying to raise capital.

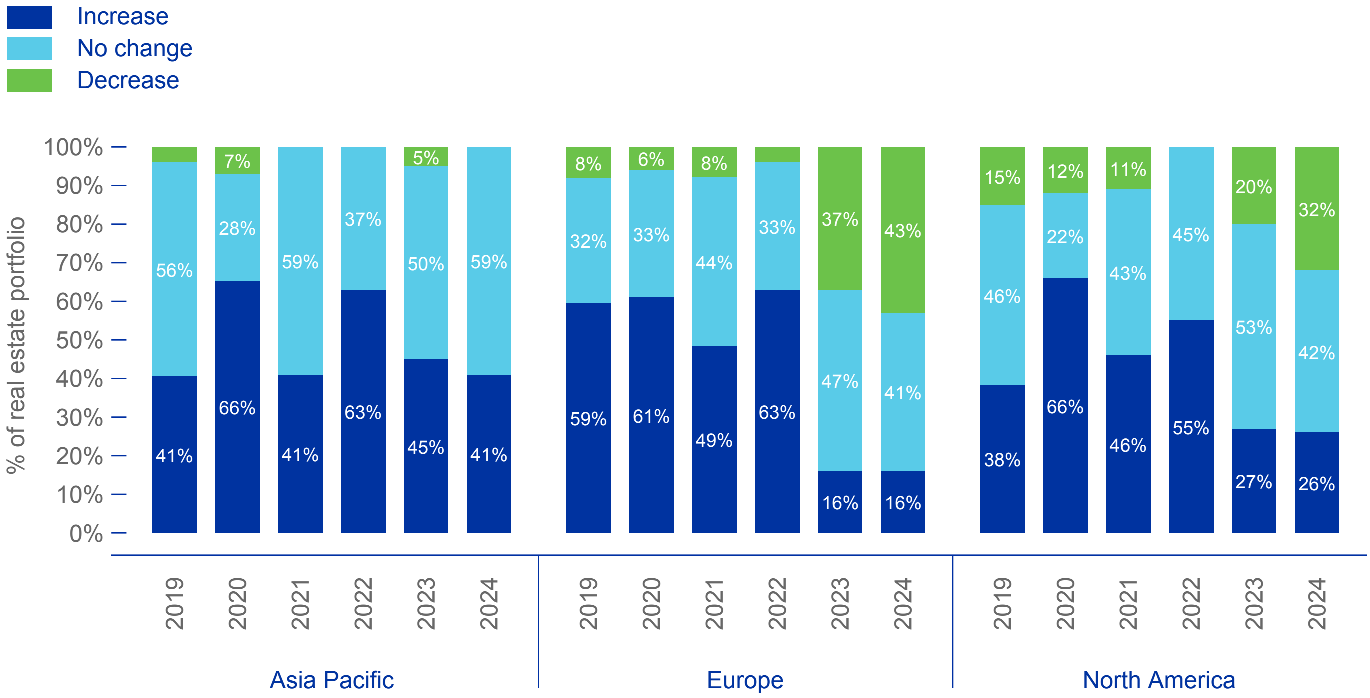
Figure 3: Global real estate performance: local currency total returns



Source: ANREV / INREV / NCREIF Global Real Estate Funds Index (GREFI)

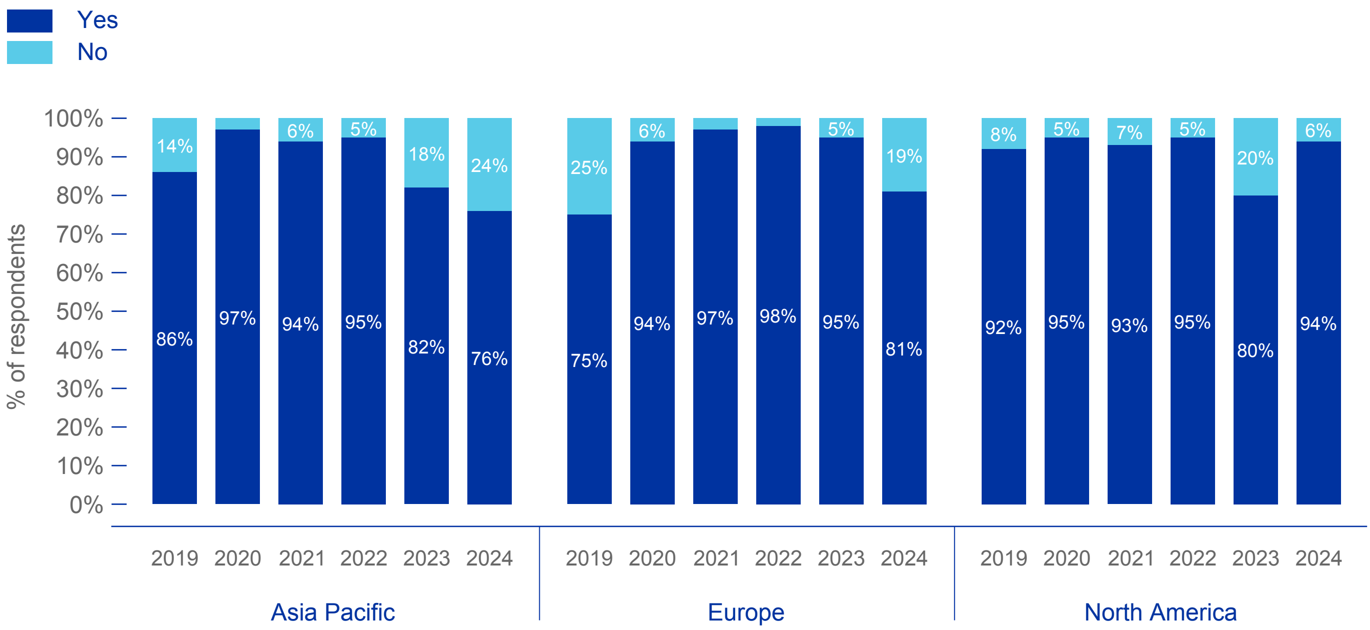
The latest ANREV/INREV/PREA Investment Intentions Survey reveals negative investor sentiment for the next two years, suggesting that near-term capital raising activity is likely to remain muted. Notably, European and North American investors have a net negative view (respondents with intentions to increase real estate allocations less those with negative views, see Figure 4). Whereas Asian Pacific investors are net positive, with 41% expecting to increase allocations, and the remainder maintaining their allocations for the next two years. Having said that, the vast majority of investors, regardless of domicile, intend to deploy capital in 2024 (see Figure 5).

Figure 4: Expected changes in global real estate allocations over the next two years (equally weighted)



Source: ANREV/INREV/PREA Investment Intentions Survey 2024

Figure 5: Intention to deploy capital in 2024 by investor domicile



Source: ANREV/INREV/PREA Investment Intentions Survey 2024

Chapter 1.1

Accumulation of dry powder continues

Only 16% of the total capital raised in 2023 is already invested. This is the lowest share since the question was first introduced in 2018 and notably down on the 26% equivalent in 2022 (see Figure 6). This is a consequence of the low level of transactional activity as lagged valuations and a prolonged period of uncertainty left investors and managers on the sidelines, waiting to get the best possible deal.

The large amount of dry powder accumulated by fund managers in the last few years further contributed to the recent reduction in capital raising. It is quite likely that managers who control vehicles with 2021 and 2022 vintage years still have a substantial amount of capital committed to the vehicle but that capital has yet to be invested.

Lack of suitable product in the market was highlighted as the predominant reason why managers did not raise capital from investors in 2023 (see Figure 7). Furthermore, the current situation impedes managers' ability to launch new vehicles into the market to take advantage of low competition and proximity to the bottom of the cycle.

It is anticipated that with the first interest rate cuts, the substantial pool of capital awaiting to enter the market will be promptly called and deployed. Consequently, capital raising activity may rebound relatively quickly, albeit unlikely to reach the €250 billion mark witnessed in 2021 and 2022.

Figure 6: Global non-listed real estate: capital raised and invested

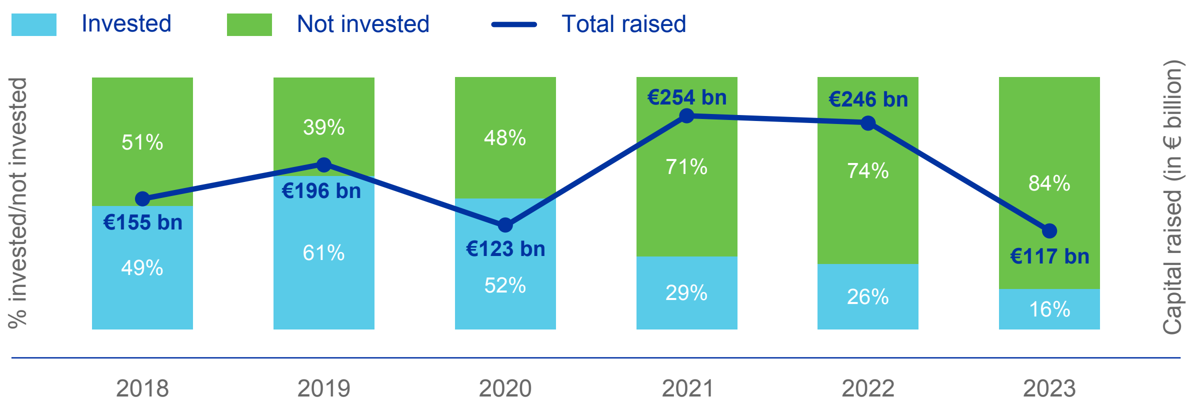
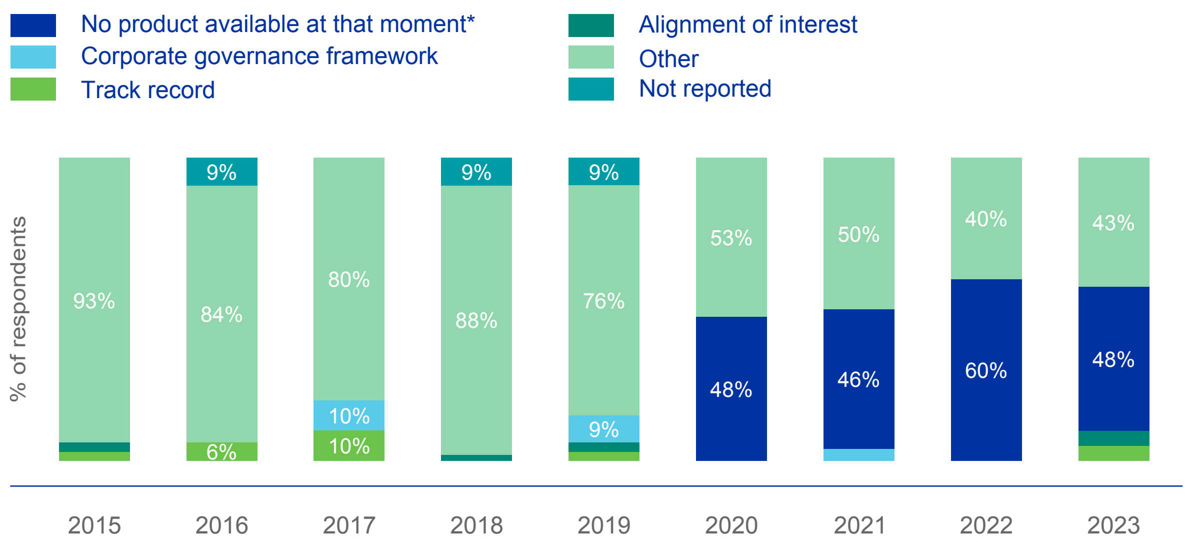


Figure 7: Reasons why no capital was raised



**Added as category for 2020*

Chapter 2

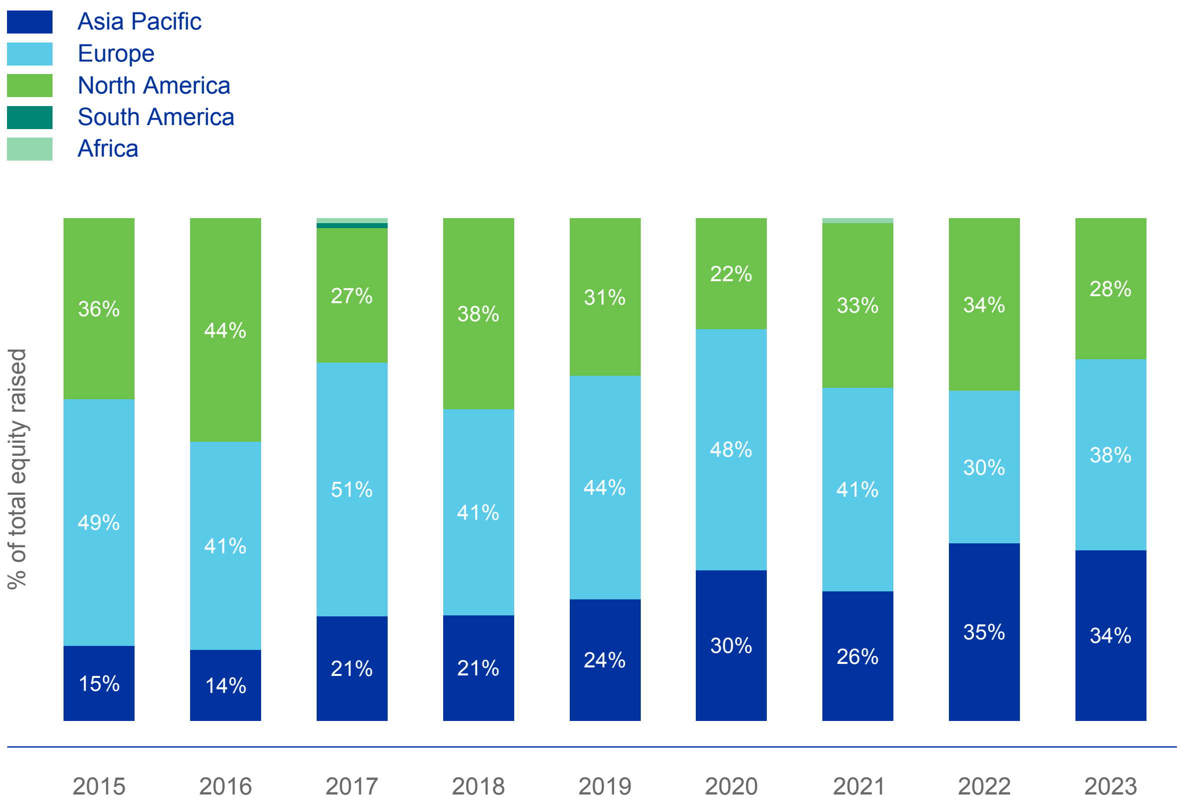
European investors regain the top spot as primary source of capital globally

The latest results reveal the return of European investors as the leading source of capital for real estate globally. In 2023, they accounted for 38% of the overall capital raised, recovering from the historic low 30% share in 2022 when Asian Pacific investors took over as a leading global capital source. The latest results are encouraging but still well below the European investors' long-term average share of 44%.

The return of European investors as the main source of capital globally is mainly because the absolute levels of activity from both Asian Pacific and North American investors were down more sharply year-on-year. This feels a little counterintuitive against the Investment Intentions narrative (see Figure 9) - investors from North America and Asia Pacific are still underallocated, both in 2023 and 2024, while European investors are overallocated, on average.

The fact that these are average figures goes a long way to explain, with notable variations in current and target allocations. In Europe, investors with higher real estate allocations are most bearish, while those with average allocations or below have seen less of an impact on the recent and near-term allocations (see p7-8 of the [2024 Investment Intentions Survey] for more details).

Figure 8: Capital raised globally by investor domicile



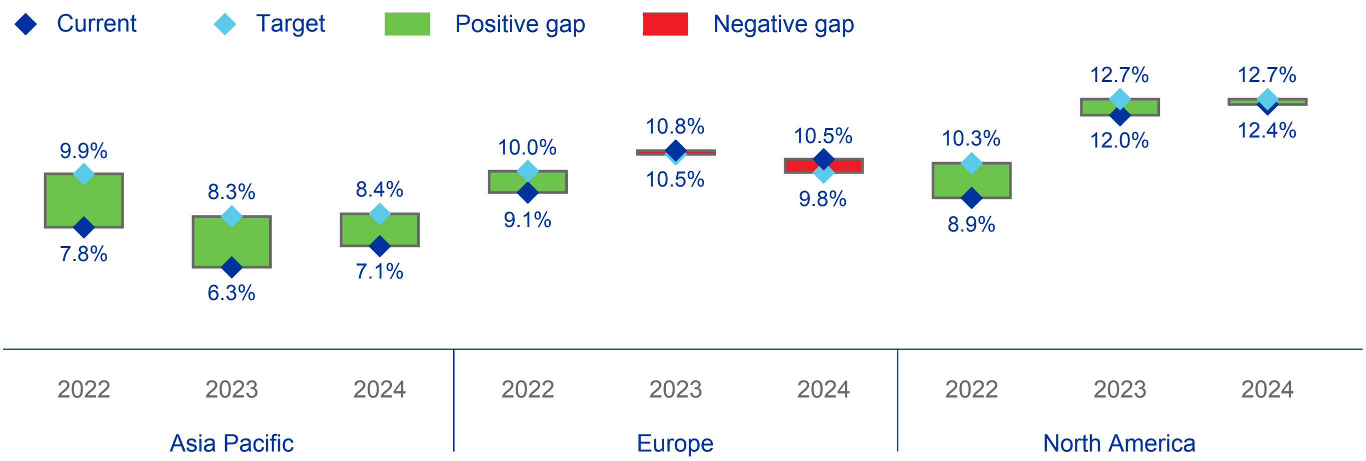
Chapter 2.1

Rebalancing of power

Sovereign wealth funds and government institutions, the two investor types that dominate Asia Pacific[4] have grown notably. Combined, they accounted for almost 20% of the total capital raised globally in 2023, the highest share since the inception of the survey. This reflects the fact that the gap between the average current and target allocations in the region is the largest and the steady influx of Asian Pacific capital is expected to continue benefiting the global real estate market.

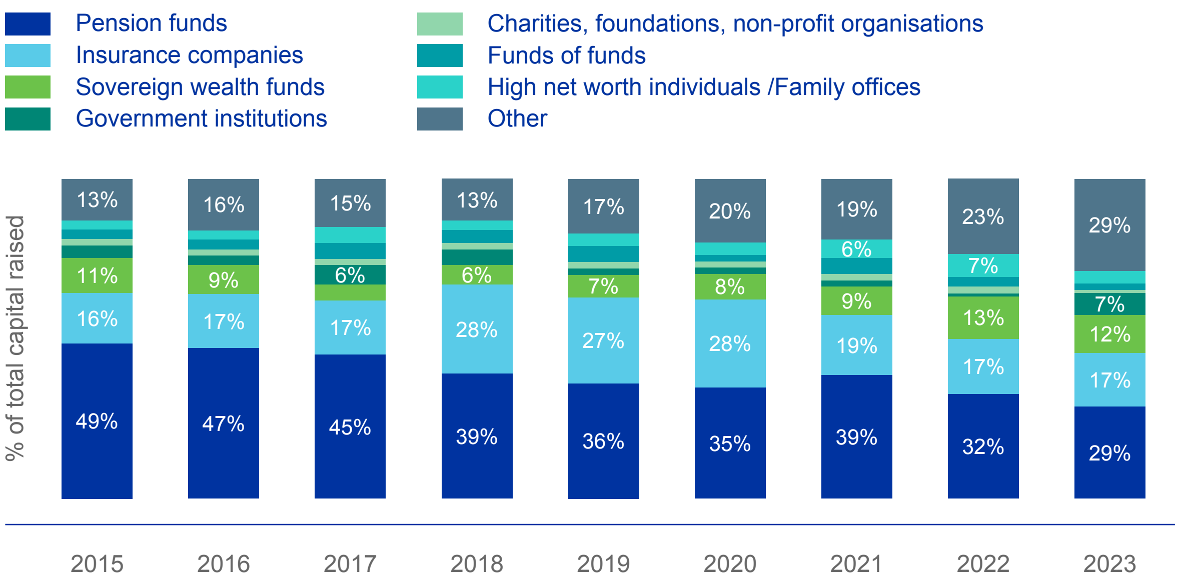
For the second consecutive year, the collective contributions of pension funds and insurance companies globally stood below 50% of the total capital raised. The gradual decline in combined contributions has been evident since 2021 and to a great extent can be explained by reduced activity from North American investors, in particular, home to many large pension funds.

Figure 9: Gap between average target and current allocations to global real estate by investor domicile in 2024 (weighted by total AUM)



Source: ANREV/INREV/PREA Investment Intentions Survey 2024

Figure 10: Capital raised globally by investor type



4 According to investor composition of ANREV/INREV/PREA Investment Intentions Survey

Chapter 2.2

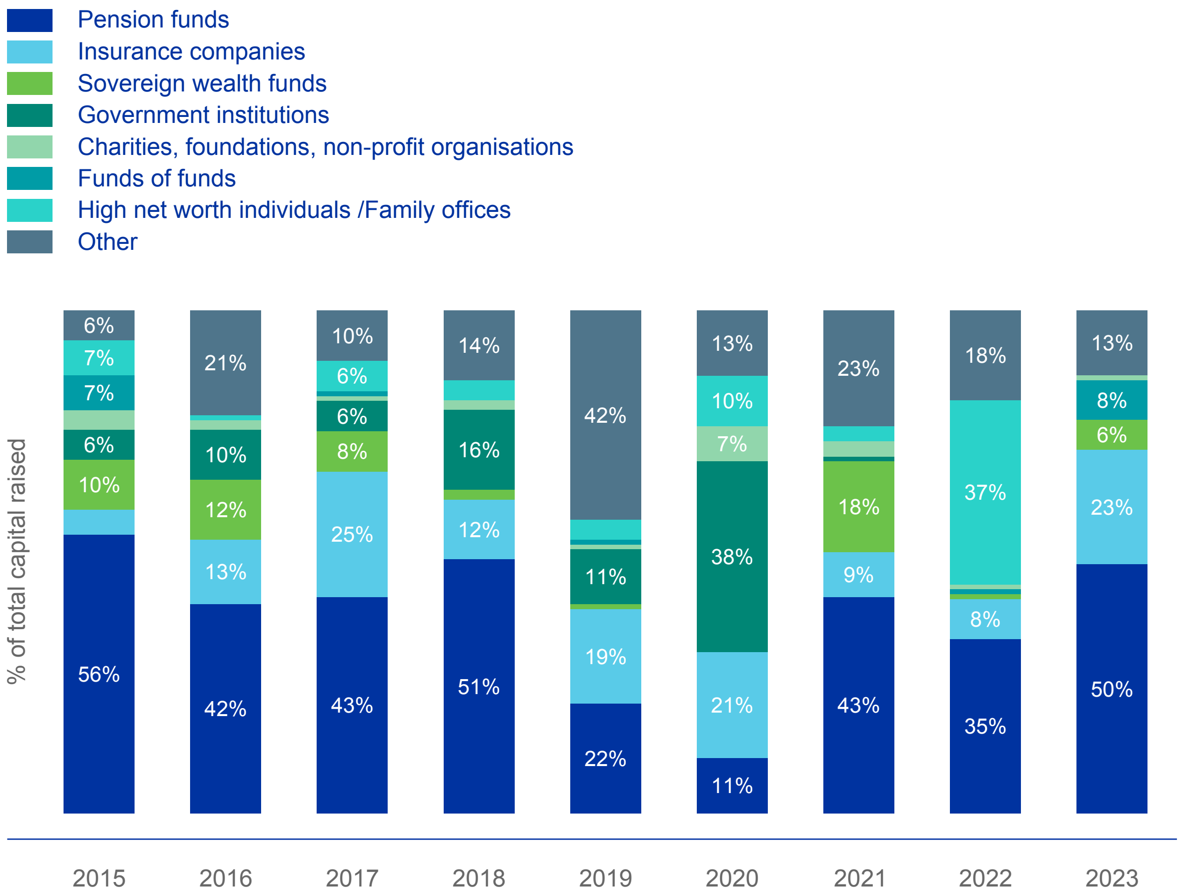
Pension funds and insurance companies dominate the investor landscape for global strategies

When looking specifically at global strategies, pension funds have reemerged as the primary source of capital. They accounted for 50% of total equity raised in 2023, overtaking high net worth individuals/family offices which featured prominently in 2022. This investor group is clearly attracted by diversification benefits when investing in a global strategy.

Notably, insurance companies have resurged as the second highest capital source for the first time since 2020, contributing 23% of the total equity raised towards global strategies, well above the long-term average of 15%.

Conversely, high net worth individuals/family offices saw their share decline from 37% in 2022 to only 0.2% in 2023. The high 2022 results are likely to have been more of an anomaly as their long-term average contribution to global strategies hoovers at around 8%.

Figure 11: Global strategy: capital raised by investor type

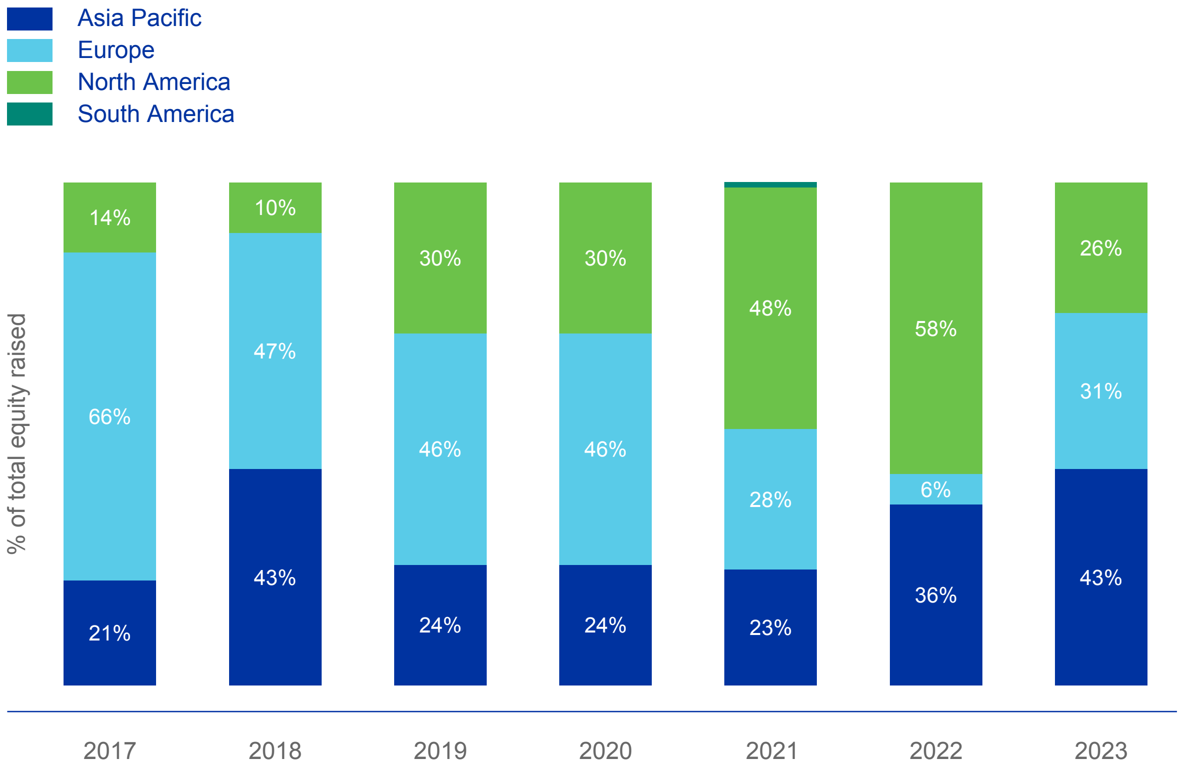


Keeping the focus on global strategies, a notable shift in investor domicile preferences is evident. Asia Pacific investors emerged as the leading source of capital for this strategy, accounting for 43% of the total equity raised in 2023. On the contrary, North American investors have experienced a 30% decrease in their respective share, leaving European investors representing 26% of all the capital raised for global strategies, as the second source of capital for this regional strategy.

This marked decrease in activity from North American investors may be reflective of retrenching back to their home market and existing portfolios, given North America was the worst performing global region last year. Currency risks and the expectation of further repricing in both Europe and Asia Pacific may have served as additional impediments at a time when adjusted risk returns might be more favourable on the home turf.

In 2023, European investors reclaimed their position as the second largest source of capital for global strategies, after losing it in 2022. The share of contribution from European investors increased significantly, from 6% in 2022 to 31% in 2023. It's worth noting that this represented a year-on-year increase of 98% in absolute terms.

Figure 12: Global strategy: capital raised by investor domicile



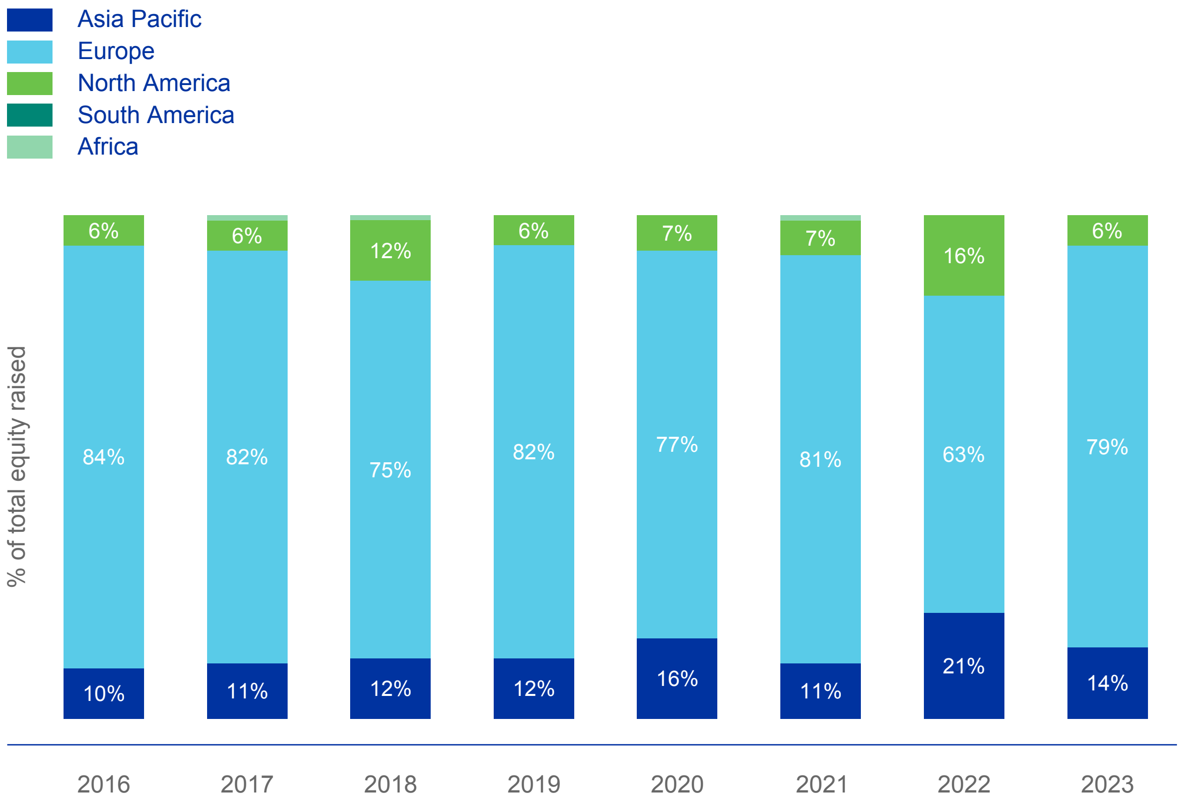
Chapter 2.3

European strategies - government institutions grow in importance

European investors continue to dominate European strategies, accounting for 79% of capital raised in 2023, up from 62% in 2022. The weak underlying market conditions and negative sentiment in the US may have led to an even greater focus on the home region. A deep understanding of their domestic market enhances their ability to mitigate risks associated with investing locally in evolving market dynamics as well as to identify mispricing opportunities.

Although Asia Pacific investors showed an increased interest in European strategies in 2022, reaching 21%, the highest level on record, their contribution fell to 14% in 2023. At 6%, North American investors have experienced the most substantial decline as a capital source for European strategies for the reasons discussed earlier (see p.12).

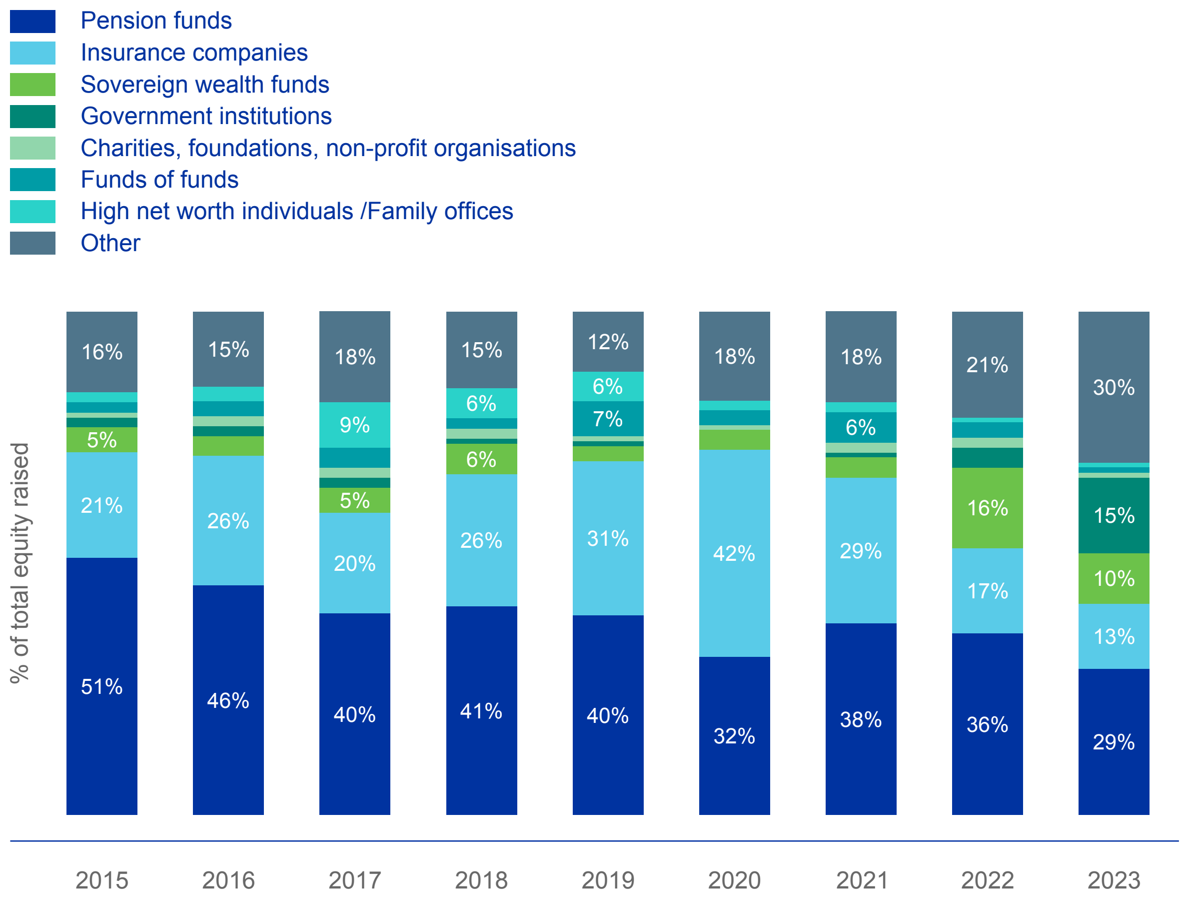
Figure 13: European strategy: capital raised by investor domicile



For the first time since the inception of the survey, the combined contributions of pension funds and insurance companies have fallen below the 50% mark as a source of capital for European strategies. This is much like in the overall global results and suggests some degree of shift towards global strategies.

Equally, this indicates that, amidst sparse capital raising activity, some investor types may be less prone to the denominator effect and/or still have a healthy capacity for new allocations. The rising share of government institutions stands out. With a 15% share, they became the third most prominent source of capital for European strategies in 2023. The notable increase in the 'other' category underscores capital raising has slowed down this year, as managers pivot towards niche investor types in their efforts to secure capital.

Figure 14: European strategy: capital raised by investor type



Chapter 3

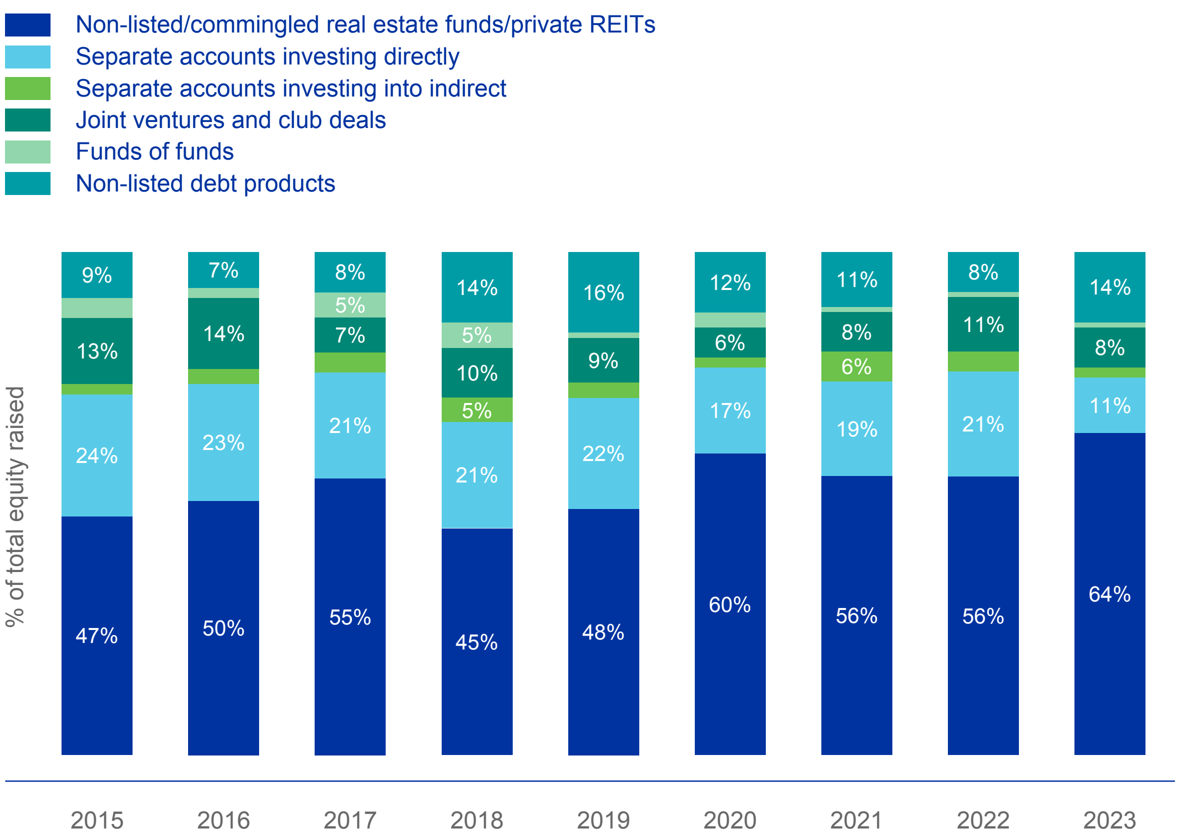
Non-listed funds retain the top spot as the preferred access route globally

Non-listed funds attracted 64% of the total equity raised in 2023, retaining the top spot as the preferred access route globally. This is not surprising as this is the most developed segment across geographies.

Non-listed debt products came second, representing 14% of all the capital raised by the industry globally in 2023. This is one of the highest shares since the start of the survey, as its risk-return profile and place in the capital stack continue to attract investor demand. Funds of funds was the third category to have grown market share in 2023.

On the other hand, separate accounts investing directly decreased the proportion of capital raised compared to 2022, reporting the lowest share (11%) since 2015. The decline in investors' interest in this vehicle likely stems from the persistent low levels of transactions seen during the H2 2022 and 2023. Consequently, a significant portion of the capital allocated to these vehicles remains uninvested, as investors await more favorable market conditions.

Figure 15: Capital raised for non-listed real estate globally by vehicle type

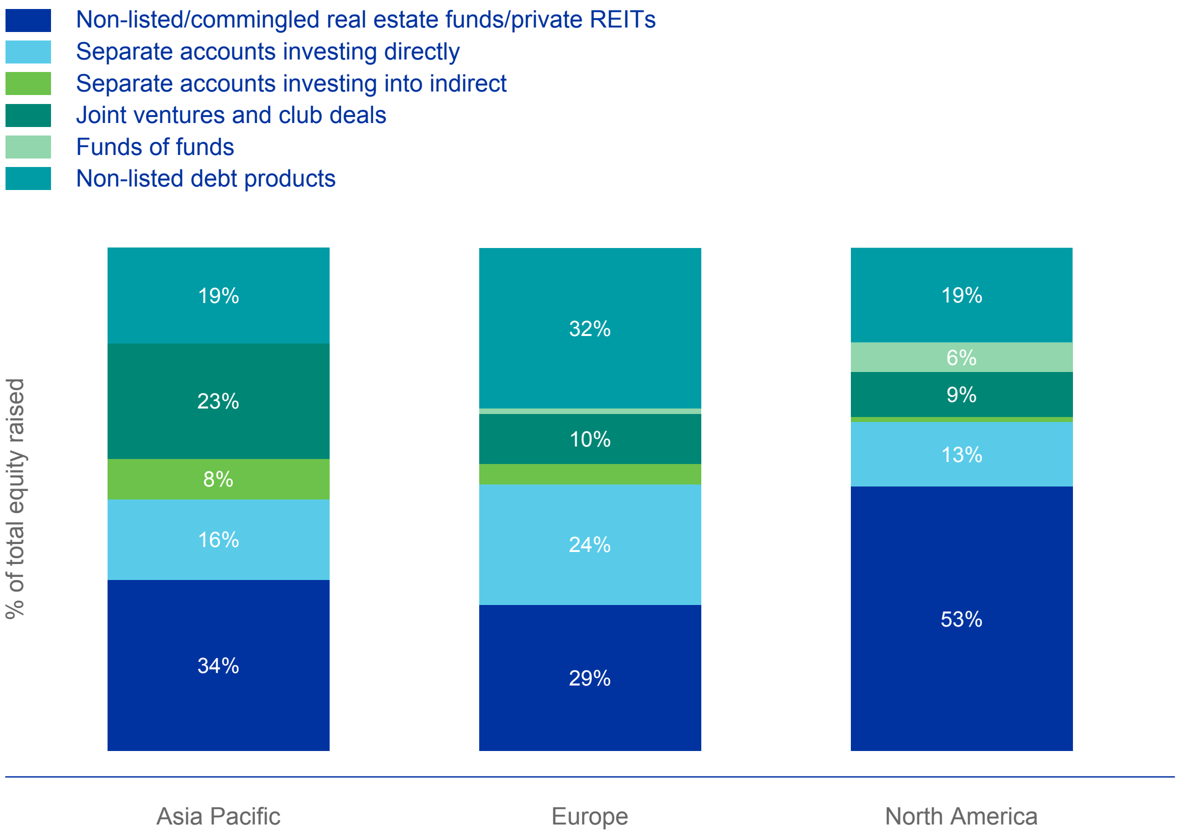


Preferred vehicles vary significantly depending on investor domicile (see Figure 16). Investors based in Asia Pacific and North America prefer non-listed funds, accounting for 34% and 53%, respectively. While European investors showed a strong preference for non-listed debt products during 2023, representing almost one third of the capital invested.

Capital raised for funds of funds and separate accounts investing indirectly revealed the greatest differences amongst investors. North American investors showed the highest interest in funds of funds, with around 6% of the total capital invested in real estate in 2023. This substantial allocation is likely due to the global diversification that this vehicle offers. On the other hand, the capital raised by funds of funds from European and Asia Pacific investors was less than 1% of the total capital committed by them to real estate in 2023. Their strong presence for global strategies is, therefore, likely to be executed predominantly via non-listed funds (see p 18).

Asia Pacific and European investors allocated a higher portion of their capital in separate accounts investing into indirect, with respective 8% and 4% of all their real estate investments in 2023. European investors were also keen on separate accounts investing directly, with a 24% share of their 2023 activity, well ahead of both North American and Asian Pacific peers.

Figure 16: Capital raised globally by investor domicile and vehicle type, 2023



Separate accounts preferred when going global

Separate accounts investing into indirect was the most preferred vehicle when allocating capital to global strategies during 2023, with a significant 44% share (see Figure 17). It was followed by non-listed funds and separate accounts investing directly at 22% and 11%, respectively. The uplift in interest from European and Asian Pacific investors in separate accounts investing into indirect when going global was the main driver behind the notable year-on-year increase.

As previously mentioned, the increase in capital raised by funds of funds with global strategies is driven mainly by the North American investors expanding or going global (see Figure 18). Debt vehicles increased in appeal among investors seeking global strategies. At 7%, its share of the capital raised in 2023 is notably higher than a year earlier, and just below the long-term average of 9%. The interest is almost exclusively driven by Asian Pacific investors, while their European and North American peers prefer to invest in debt vehicles with a regional strategy.

Figure 17: Global strategy: capital raised by vehicle type

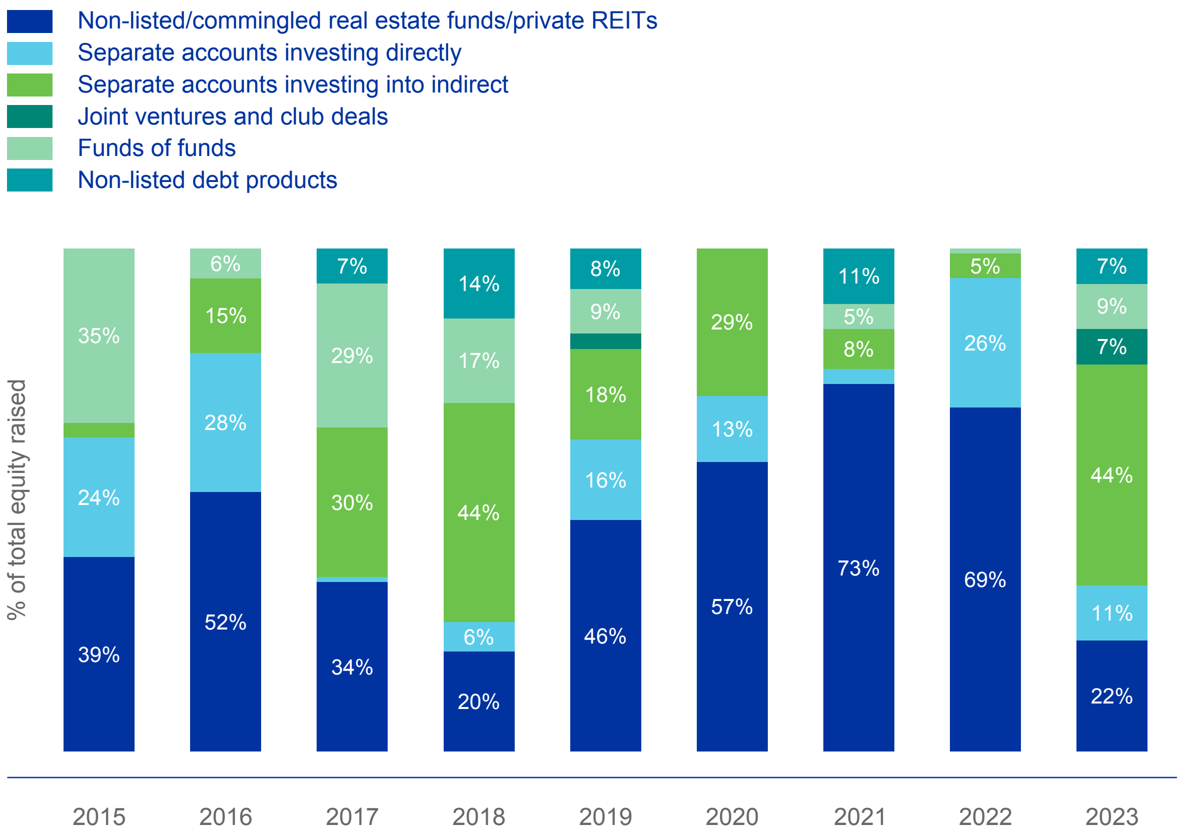
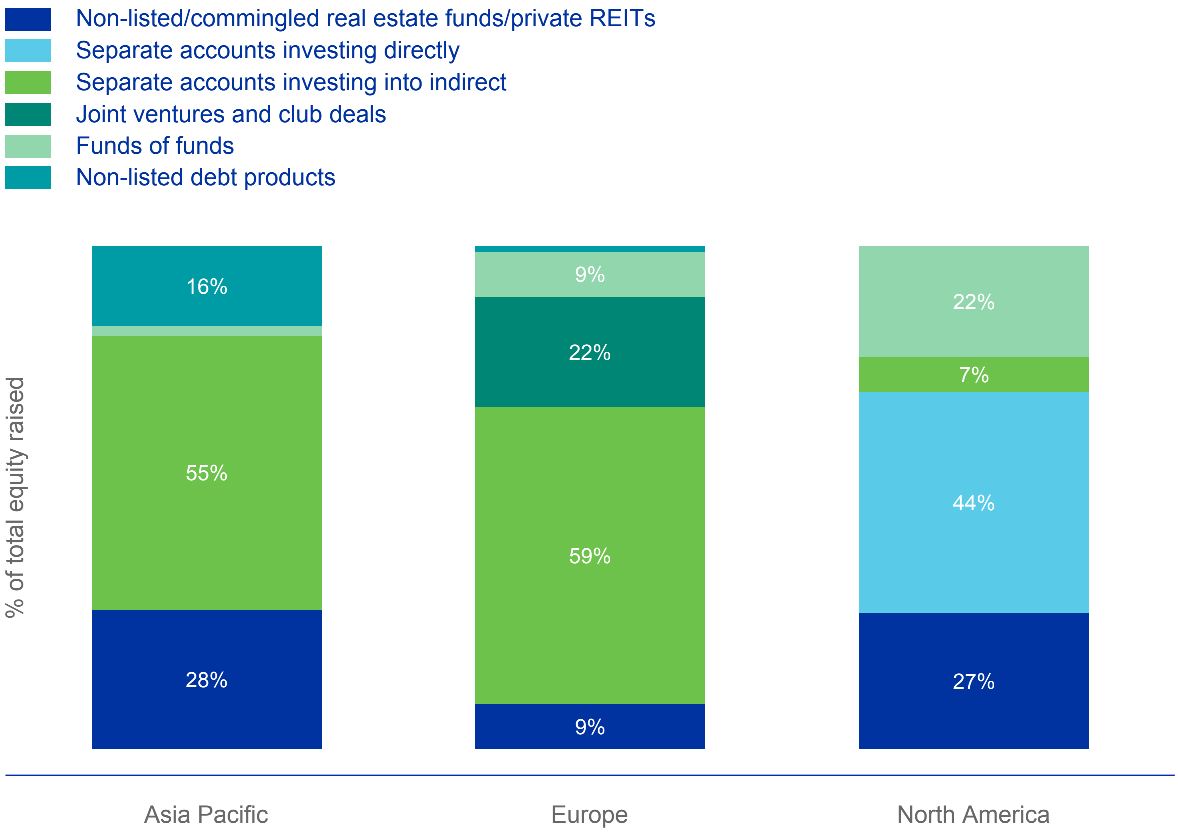


Figure 18: Global strategy: capital raised by vehicle type and investor domicile, 2023

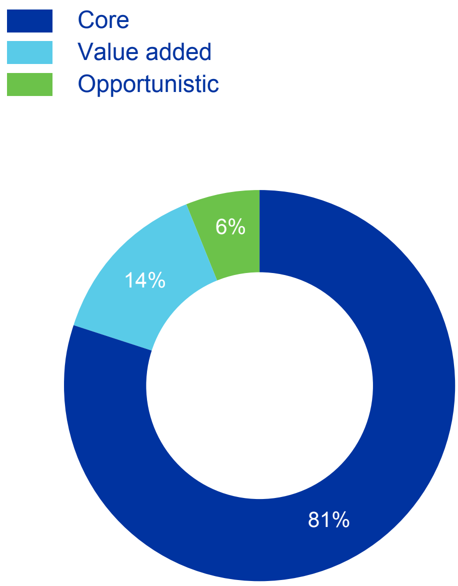


North American investors favoured separate accounts investing directly when making global allocations instead. This product type did not raise any capital from European or Asia Pacific investors for their global strategies in 2023.

The source of capital for global debt funds is the other big difference in capital allocation strategy across investor domiciles. Almost all capital raised for global debt funds during 2023 came from Asian Pacific investors.

With 81%, core dominated as the style of choice when investing in global vehicles in 2023 (see Figure 19), Value added and opportunistic styles were notably less popular, with 14% and 6%, respectively. This shows the two completely different approaches when investing globally. Invest into core and get the geographical diversification benefits while achieving less volatile returns or enter into higher risk strategies that offer global diversification but can potentially boost returns of investors' real estate portfolios, with the latter a notably less preferred choice.

Figure 19: Global strategy: capital raised by investment style*, 2023



**excluding debt*

Chapter 3.2

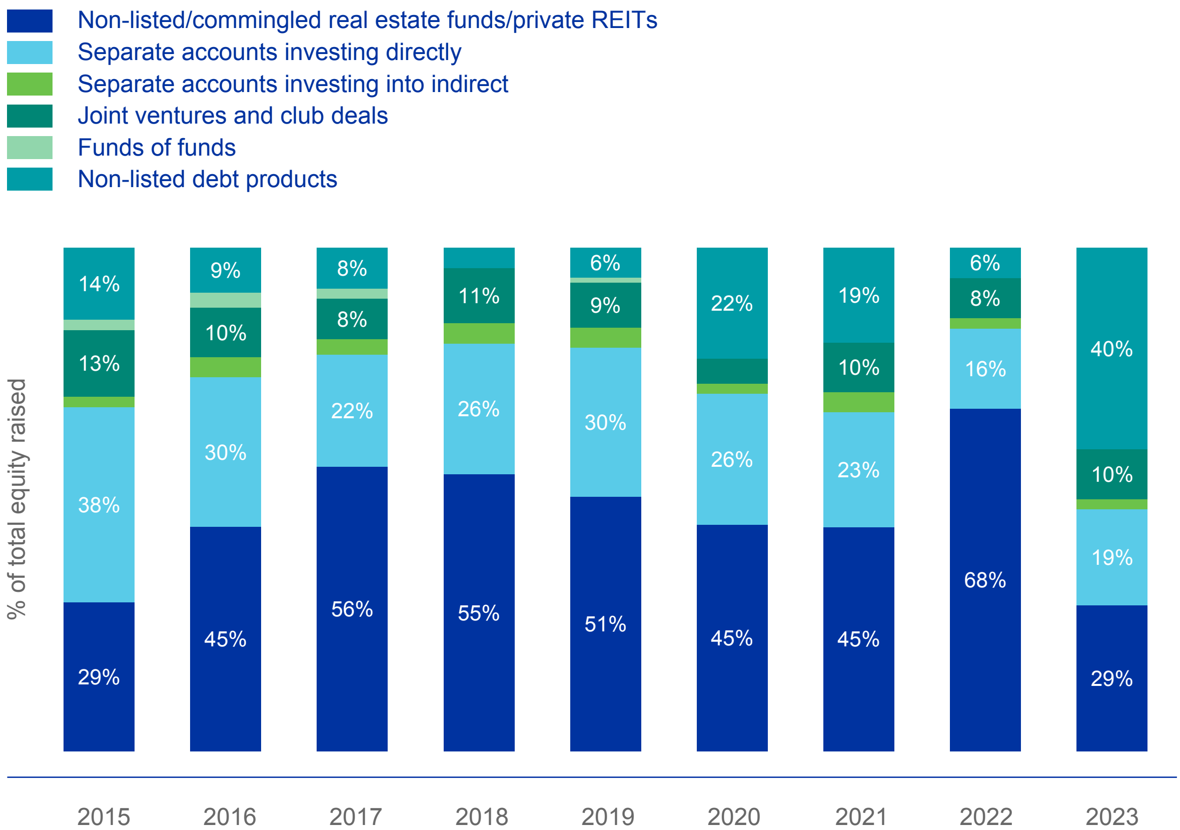
Debt products dominate European capital raising landscape

Last year marked a turning point for debt vehicles in Europe. With a 40% share of the total capital raised they became the most favoured choice for investment in Europe in 2023, leaving equity non-listed funds as a far second, with 29% (see Figure 20). High market uncertainty at the time when interest rates remained elevated, and the shortage of financing persisted was a large window of opportunity for European real estate private debt.

Separate accounts investing directly and joint ventures and club deals were the two other vehicle types that saw their relative market shares increase year-on-year. These vehicles provide access to direct co-investing deals with likeminded investors, which allows greater control of investment while sharing the risk instead of investing in a fund with a large pool of investors that could dilute the voice of the investors in the decision-making process.

Non-listed funds saw the sharpest decline in the proportion of capital raised for European strategies in 2023. At 29%, this is notably down from the long-term average of 47%. As discussed earlier, the accumulation of dry power yet to be invested from the previous year's capital raising activity would negatively impact non-listed funds' ability to raise capital.

Figure 20: European strategy: capital raised by vehicle type



Non-listed funds are the preferred vehicle when investing in multi country strategies, representing more than 50% of the capital raised in European strategies in 2023 (see Figure 21). With a 20% share, debt funds was the second most popular vehicle when investing in multi country strategies in 2023, even though, due to the different market, financing, and legal conditions across jurisdictions this type of vehicle is demanding to manage. Multi-country European debt funds are usually run by larger more sophisticated managers with a long track record of operating in the debt spectrum. This is also a reason why debt vehicles are the most popular amongst single country strategies, accounting for almost half (48%) of the capital allocated to this approach in European strategies in 2023.

Most of the capital raised towards European strategies in 2023 came from pension funds, government institutions and insurance companies. This is the first time since 2015 that insurance company dropped from its position as second source of capital, leaving its spot to government institutions.

Figure 21: European strategy: capital raised by vehicle type and country strategy, 2023

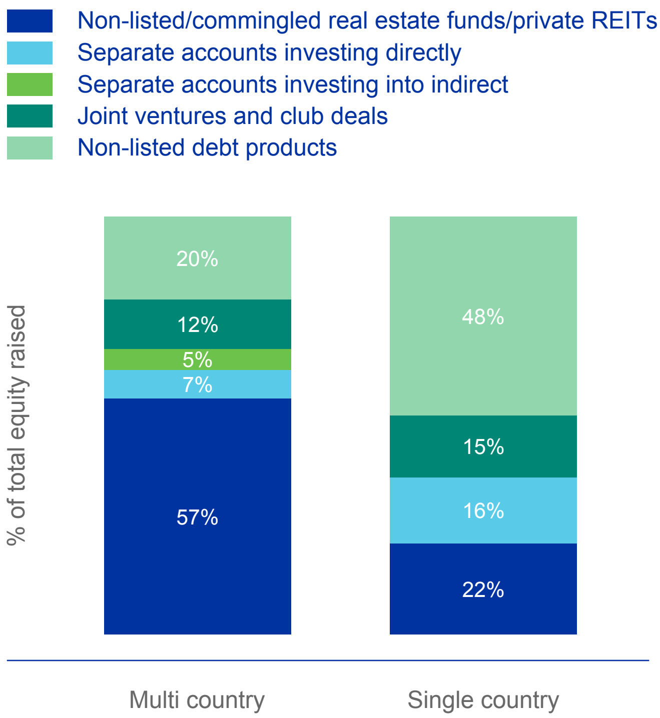
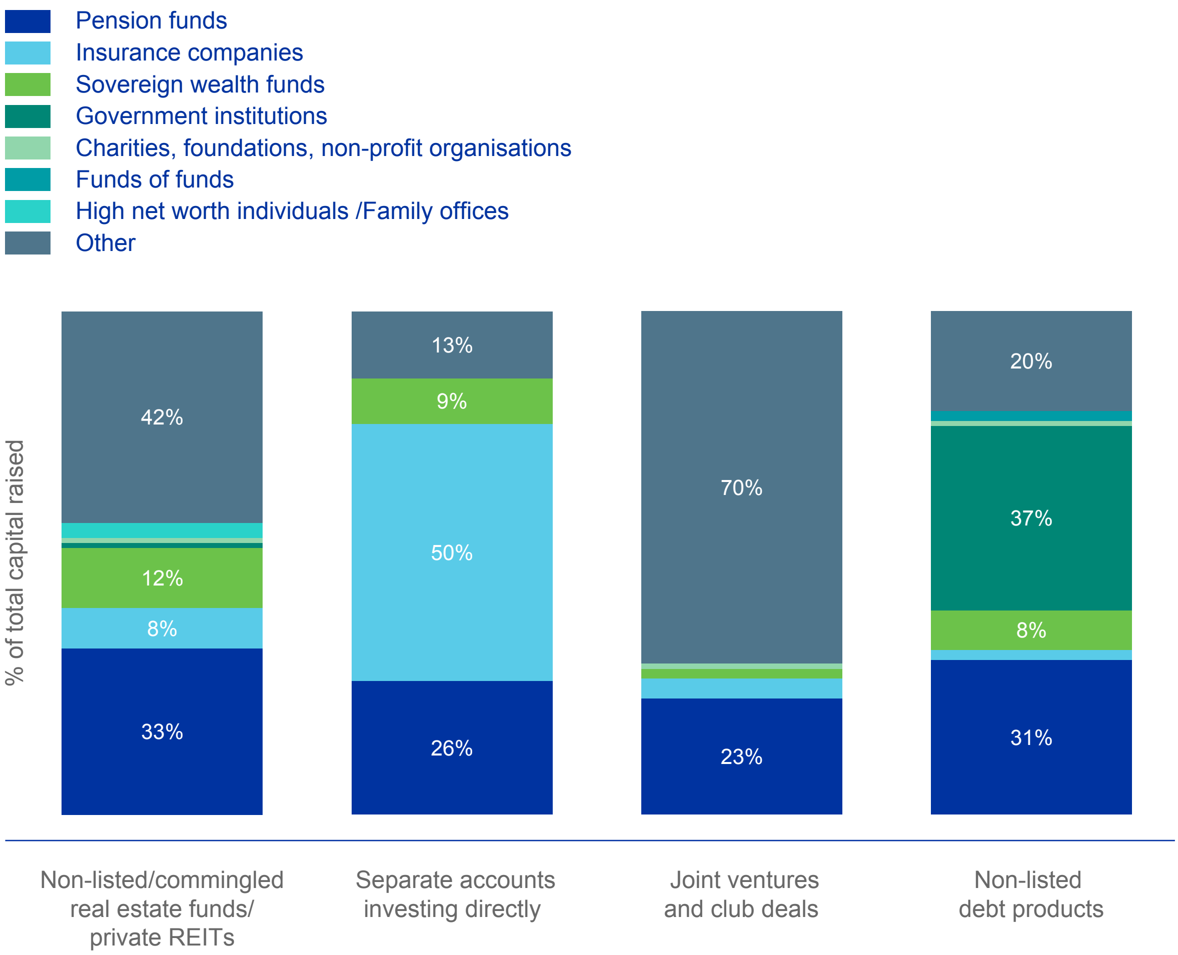


Figure 22: European strategy: capital raised by vehicle and investor type, 2023

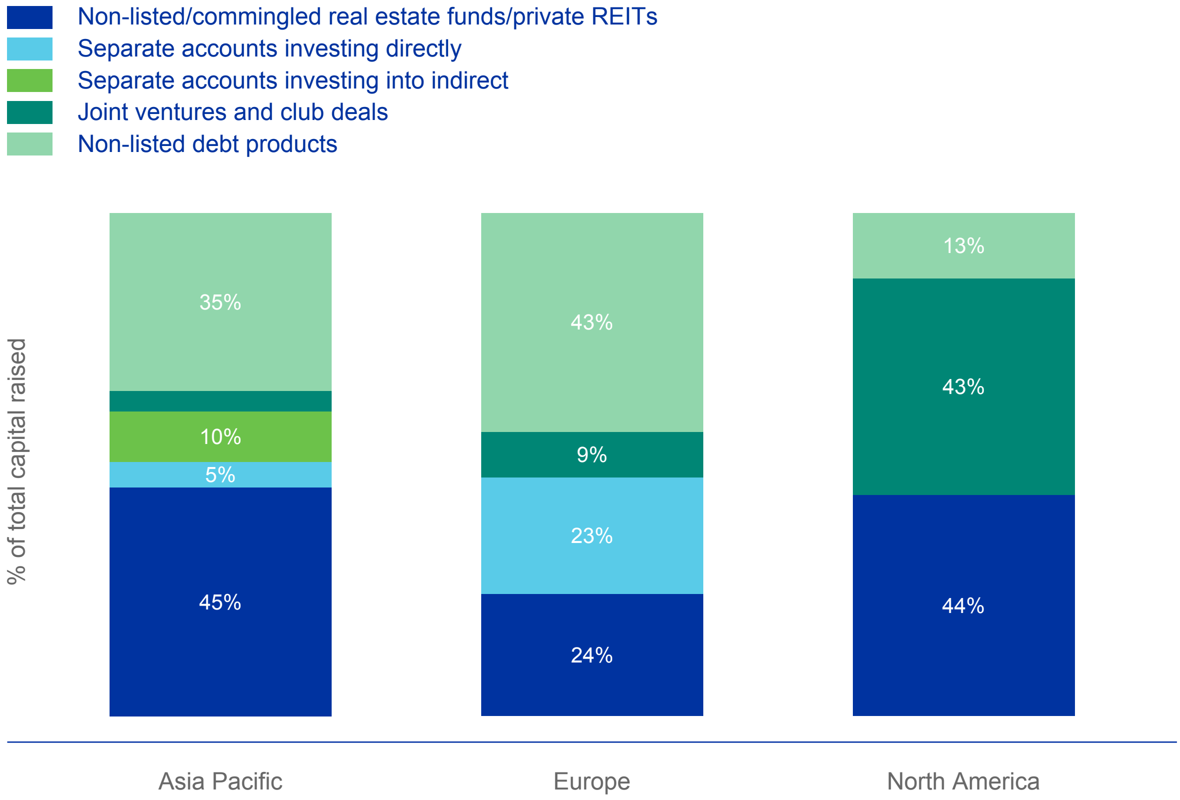


Non-listed funds and debt funds show the most diversified investor base for different reasons. Non-listed funds are the most established vehicle and the first option when investors start to think of deploying capital in the European non-listed real estate market. European non-listed debt funds draw interest from a wide range of investors, both in terms of type and origin.

By origin of capital, non-European investors have a clear preference for investing in funds, as they rely on the manager's local market knowledge and ability to identify the best investment opportunities.

In 2023 Asian Pacific investors selected debt funds as their second preferred option to invest in Europe (35%), while North American investors preferred joint ventures and club deals (43%). There is some logical reasoning behind these preferences. Asian Pacific investors prefer to invest in debt vehicles for their attractive risk return profile and given that the segment is largely undeveloped in their home region. While investors coming from North America prefer joint ventures and club deals to operate alongside likeminded investors with deep European market knowledge.

Figure 23: European strategy: capital raised for non-listed vehicles by investor domicile, 2023



Chapter 4

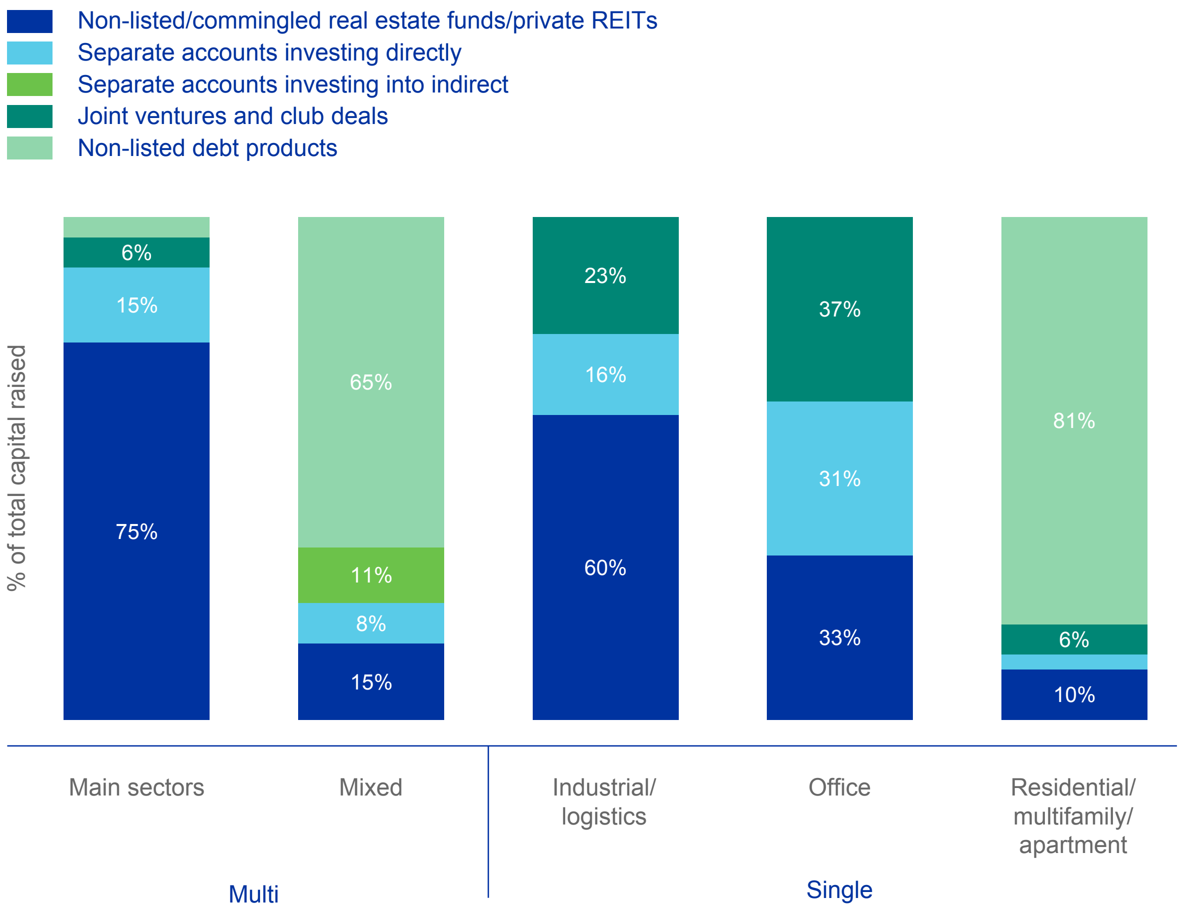
European debt vehicles focus on residential

Access route may vary depending on the sector that investors want to operate in, and in some cases, the preferred vehicle may differ materially. In the case of multi sector, especially if it is in traditional sectors, the majority of investors prefer non-listed funds as this vehicle type offers a diverse menu of choice of standardised products in Europe.

When targeting alternative sectors, on the other hand, access through debt vehicles is usually preferred.

The rationale underlying this stems from the complex operational nature of alternative sectors, as both managers and investors need to have very specific expertise. However, if they invest through debt, the expert skills required would be significantly lower than via the equity route. Equally, with greater likelihood of development needs or existing development exposure, the focus on the debt may help to offset some of the risk. In 2023, this was most prominent for the European residential segment.

Figure 24: European strategy: capital raised by vehicle type and sector strategy, 2023



Appendix 1

Survey composition, methodology and use

The ANREV / INREV / NCREIF Capital Raising Survey 2024 explores capital raising activities in the non-listed real estate industry in 2023. The survey provides insights by region, vehicle type, and investment strategy, where possible presenting a historical comparison with previous studies.

This global survey has been conducted every year since 2015.

The total sample for this year's survey includes 83 managers. The majority (35) were domiciled in Europe, followed by those in Asia Pacific (27) and North America (21).

The results presented in this study are based on the data provided directly by the managers. Only aggregated results are shown and are restricted to those categories with a minimum sample size of three. Furthermore, for some charts, unreported figures have been excluded so that percentages are based on the actual data reported by fund managers, in that case, the sample size is disclosed for each chart. When not stated, the percentages are based on the whole sample and the total capital raised.

ANREV, INREV and NCREIF do not use publicly available information and both members and non-members can provide data to the survey.

Use

The results of the Capital Raising Survey may be used for research and information purposes only. They may not be used for the following:

- To determine the value of a fund
- To determine the value of a financial instrument
- To determine the amount payable under a financial instrument
- To determine the amount payable under a financial contract
- To calculate performance fees
- To define the allocation of a portfolio

It is important to note that the sample size and composition of the survey vary by year. Therefore, historical comparisons should be treated with caution.

Figures are quoted as of 31 December 2023, unless otherwise stated. ANREV, INREV, and NCREIF would like to thank the managers for their participation in the Capital Raising Survey 2024.

Appendix 2

Participants

ANREV, INREV and PREA would like to thank all participants for contributing to the Capital Raising Survey 2024. Of the total of 83 participants in this year's survey 62 opted to have their names published and 21 chose to remain anonymous.

Achmea Real Estate
AEW
Amvest Management
Apleona Invest
Ardian
AXA IM Alts
Barings LLC
Blackstone
Bouwinvest Real Estate Investors
Caerus Debt Investments
CapitaLand
Castello
Charter Hall
Clarion Partners
CONREN Land Management
Dea Capital Real Estate
DEXUS Property Group
ECE Real Estate Partners
Edmond de Rothschild REIM
Equus Capital Partners
ESR Singapore Pte. Ltd.
GARBE
Gaw Capital Partners
Generali Real Estate
Goodman
Griffis Residential
Hearthstone Investments
Hines
HMC Capital
IndoSpace
Intercontinental Real Estate Corp.
Intermediate Capital Group
ISPT Pty. Ltd
JP Morgan Asset Management
LaSalle Global Partner Solutions
LGT Capital Partners
M&G Real Estate
Madigan
MaxCap Group
Mitsui Fudosan Investment Advisors, Inc.
Morgan Stanley Real Estate
Newport Capital Partners
NREP
Nuveen Real Estate
Pan Asia Realty Advisors (PARA)
PATRIZIA
PGIM Real Estate
Phoenix Property Investors
Primonial REIM
Prologis
Proprium Capital Partners, L.P.
Sarofim Realty Advisors
Scape
Sentinel Real Estate Corporation
Sonae Sierra
STAM Europe
Swiss Life Asset Managers
The GPT Group
Tishman Speyer
Tribeca AIFM
VinaCapital
White Peak

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