PERE FIFTY

At last the calm

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

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

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can be explained by the fact that the major banking franchises that used to rank so highly in this list have exited and been replaced by groups that have had the time to raise at least two significant funds since 2010 as the shakedown by investors has left the healthy apples on the trees, while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

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

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

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

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

Methodology

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

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

Legend: ▲ *Higher rank than 2014* ▼ *Lower rank than 2014* ◄► *Same rank as 2014*
★ *PERE 50 debut* ↩ *PERE 50 return*

19 GreenOak Real Estate

$3.121 billion

HQ: New York, London, Tokyo / **Founded:** 2010

GreenOak Real Estate has rocketed up the rankings by 24 spots. The private equity real estate firm run by former leaders of Morgan Stanley Real Estate Investing, has raised a variety of funds and co-investment vehicles in the past few years, the largest being GreenOak US Fund II which was closed on around $750 million in September 2014. Our records suggest it is currently in the market in Europe with a Spain real estate program and in Japan with its second fund. Set up in 2010, the firm founded by Sonny Kalsi, John Carrafiell and Fred Schmidt, with offices in New York, London and Tokyo has since added offices in Madrid and Seoul.

20 Northwood Investors

$3.102 billion

HQ: New York / **Founded:** 2006

John Kukral's Northwood Investors has moved up two places to 20th place. In each of the past four years the new York-based company has been in the market with its Northwood Real Estate Partners series. Northwood Real Estate Partners Series II closed in September 2011 on $1.11 billion, which has turned out to be the firm's single biggest raising to date. Since then it has raised varying sums of capital sometimes exceeding the target, sometimes not. The firm currently has around $5 billion of assets under management and employs 157 staff, some 54 of which are private real estate professionals.

21 Beacon Capital

$3.096 billion

HQ: Boston / **Founded:** 1998

Beacon Capital is back in the market with a fund – its first outing since raising $2.54 billion for a fund that was launched in April 2008 and closed in January 2010. Given the vintage, that fund will be excluded from the five-year tally used for the PERE 50 ranking, meaning success for the current fund in market is crucial if the firm is to have any chance of remaining on the list in 2016. Sources suggest that as of December last year Beacon had attracted around $520 million of commitments towards a $1.25 billion target. Given the cut off for the PERE 50 this year was $1.845 billion, it is a distinct possibility that it will fall outside the list for the first time.

23 Angelo Gordon & Co

$2.815 billion

HQ: New York / **Founded:** 1988

Angelo Gordon & Co is one of the most active of the firms in the top 50 in terms of raising capital for regional strategies, and is having some success in each area. Collectively, it has raised at least $780 million for an opportunistic fund in North America, an opportunity fund in Asia and its first vehicle in Europe – a value-add proposition. That adds to the recent previous funds such as its $1.265 billion AG Realty Fund VIII, for example, that was closed in February 2012 and Asia Realty Fund II, which was closed on $615 million in 2011. The firm has also found great success for a net lease strategy for which it has raised more than $1.5 billion in the past five years.

22 TA Realty

$3.054 billion

HQ: Boston / **Founded:** 1982

Big corporate change has come to this organization, but for now, TA Realty remains in the PERE 50 on the back of two large funds closed in 2010 and 2013. In 2010, the Boston-based group collected $1.4 billion for its North American value-add fund, The Realty Associates Fund IX. For the follow-on, The Realty Associates Fund X, it raised slightly more upon final close in April 2013 with capital commitments of $1.56 billion. But the big news was to arrive in October 2014 when it emerged that Japanese group, The Rockefeller Group, was to take it over. It follows on from a 2010 transaction when The Rockefeller Group became a strategic investor alongside management in London-based Europa Capital by acquiring a majority stake. Since then, Europa has raised its first funds since new ownership and has broadened its activities with the establishment of an income strategies business – a positive sign for TA perhaps.

28 State Street, Boston: TA Realty might have changed hands but it remains firmly in the top ranking