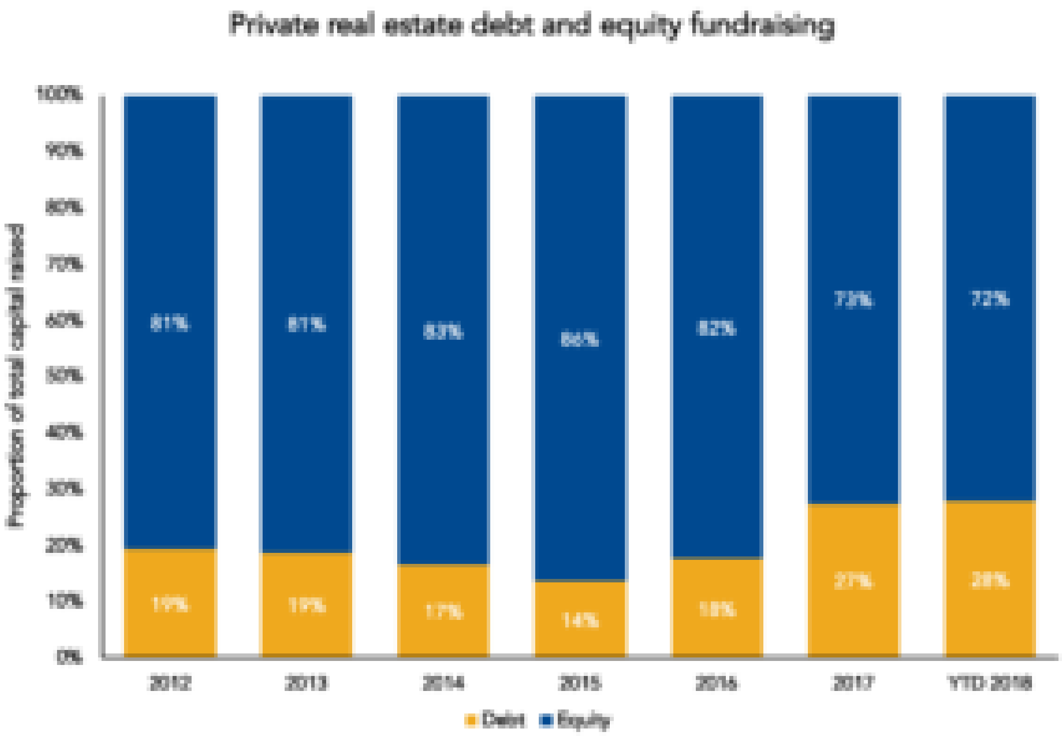
Let’s get real

Private Debt Investor | March 28, 2018

Let’s get real



Plenty of firms lend against cash flows. Isn’t it better to lend against something you can see and touch?

Fundraising for real estate as an asset class is falling. But fundraising for real estate debt is increasing, according to data from *Private Debt Investor* sister publication *PERE*. You can see it in the numbers and the news coverage.

The data show that in 2015, debt consisted of 14 percent of the total capital raised for real estate investing. In 2016, that number rose to 18 percent and last year it jumped to 27 percent. So far, it makes up 28 percent of 2018’s year-to-date real estate fundraising total.

Pension funds are awarding sizeable mandates, such as a $250 million separate account that PGIM Real Estate won from the Iowa Public Employees’ Retirement System in December.

Along with this increase in investor interest, publications from Reuters to those focused on real estate have all run stories on the growing prominence of real estate debt. Not least of all, *PERE* has upped its coverage of the strategy.

More than anything, it's a sign of private debt's maturation as an asset class. Real estate debt has grown from a niche strategy to one that attracts huge amounts of capital. For example, Brookfield Real Estate Finance Fund V collected $3 billion last year, the biggest such fund of 2017.

Market sources tell *PDI* that as limited partners have become more mature in their understanding of private debt, they are zeroing in on additional private credit opportunities beyond corporate mid-market finance.

Many LPs have their handful of favorite direct lenders, and now some are beginning to delve into wonkier strategies such as specialty finance and real asset lending. As additional strategies beyond bankrolling mid-market companies become popular, it isn't a sign of the waning of direct lending. It's a sign that private credit is coming of age.

Contact: Andrew Hedlund
andrew.h@peimedia.com