Real estate debt: a blossoming American tradition

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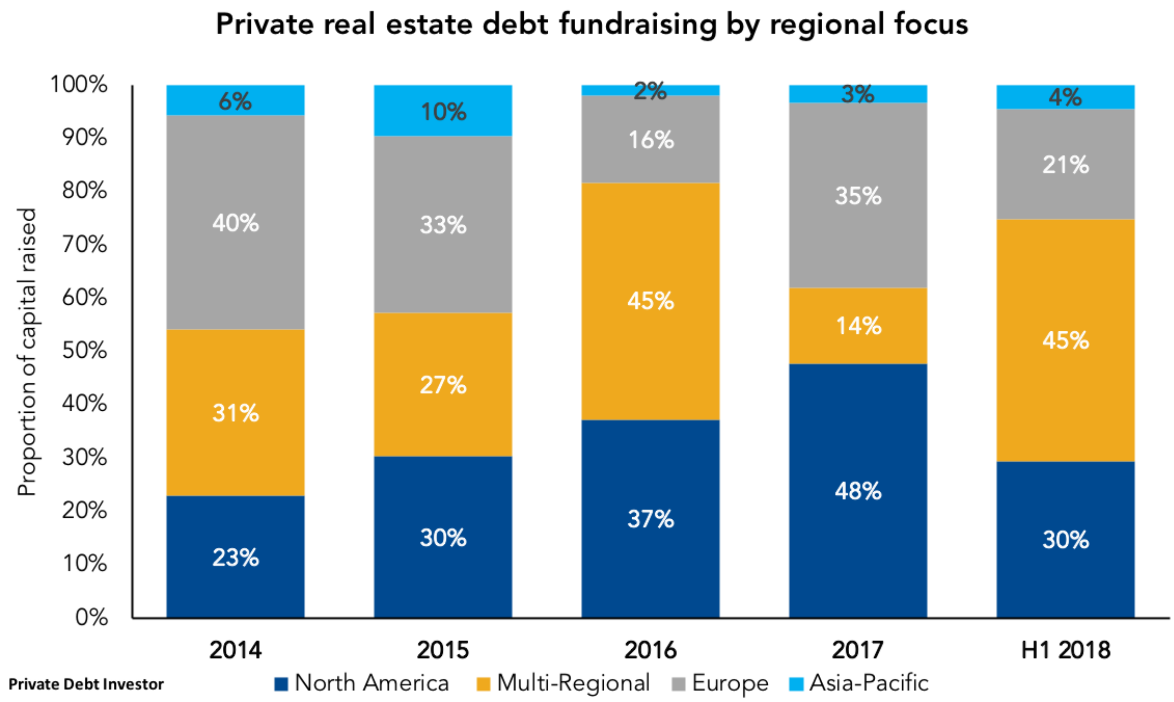

Investment opportunities for the sector in the US appear to remain strong.

Real estate debt fundraising by region – where a firm plans to deploy capital rather than where the vehicle's investors are – has fluctuated over the past four years, but one constant has been the rise of North America, according to *PDI* data.

The region accounted for slightly more than one-in-five dollars raised in real estate in 2014. By 2017, that figure had risen to nearly one-in-two dollars and represented a plurality of the total capital raised in the sector. Fundraising across other regions has fluctuated, with each geographic area posting a strong year followed by a muted year the next.

Though the North America-focused funds collected only 30 percent of the worldwide capital through the first six months of the year, a substantial amount – some $23.24 billion – is being sought for real estate debt that will invest mainly in the region. Several of the largest vehicles include Almanac Realty Securities VIII, Bridge Debt Strategies Fund III and Kayne Anderson Real Estate Debt III, which is seeking $1.5 billion.

In November, Brookfield Asset Management closed its mammoth $3 billion Brookfield Real Estate Finance Fund V – a vehicle that will be focused on the US. The opportunities within the country come in part from the risk retention rules for commercial mortgage-backed securities, according to an investor presentation circulated with the fund. Further giving North American real estate debt managers reason to be optimistic is a recent CBRE study that named New York and Los Angeles two of the three largest real estate markets in the world.

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