

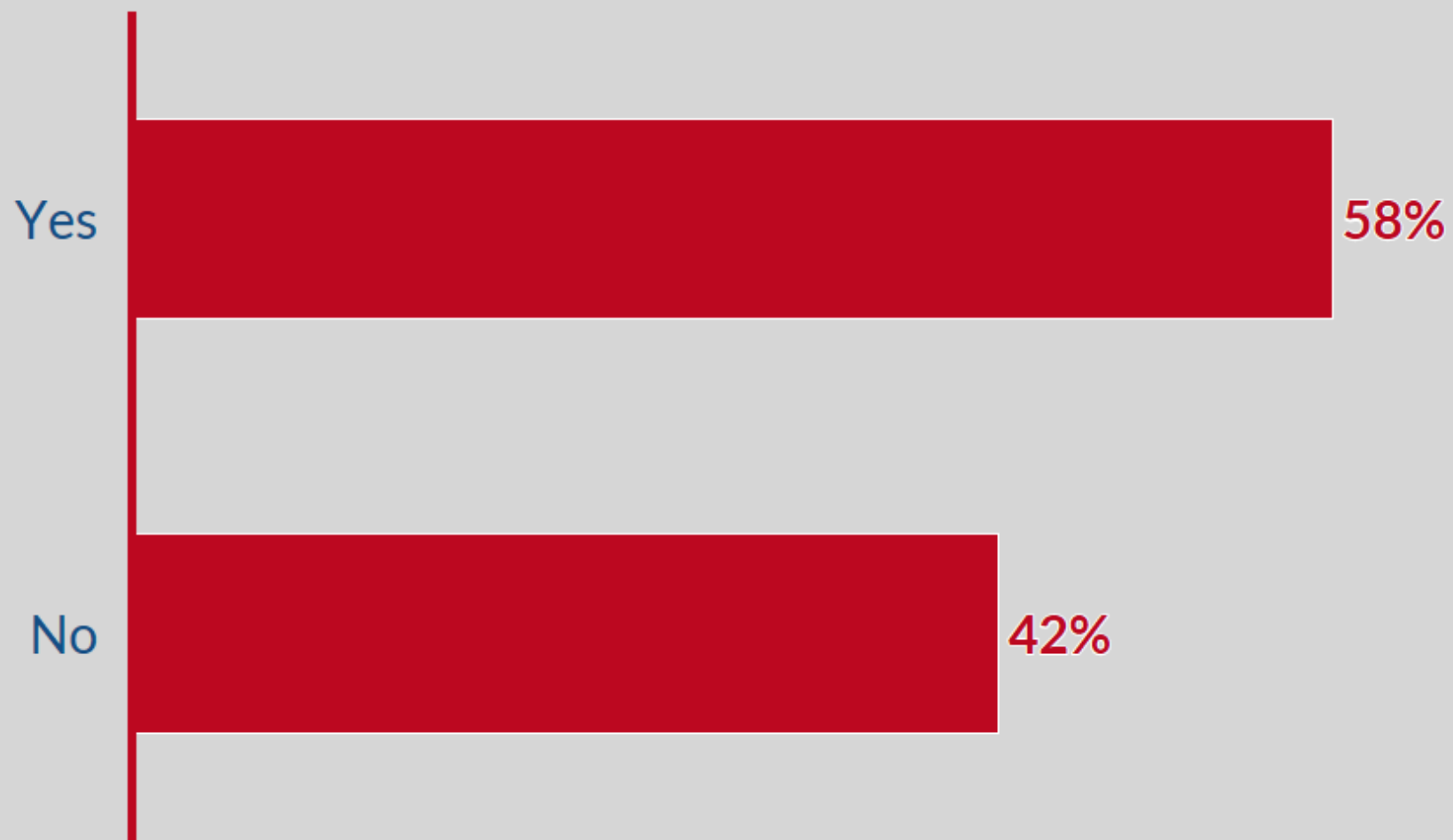
# The Debt (Funds) Train has Left the Station – Full Steam Ahead!

Moderator: Benay Kirk, Director, Alter Domus

Panelists: Lisa Pendergast, Executive Director, Commercial  
Real Estate Finance Council (CREFC)

Brian Heafey, Partner, PCCP

# Do you currently have Real Estate Debt Funds?

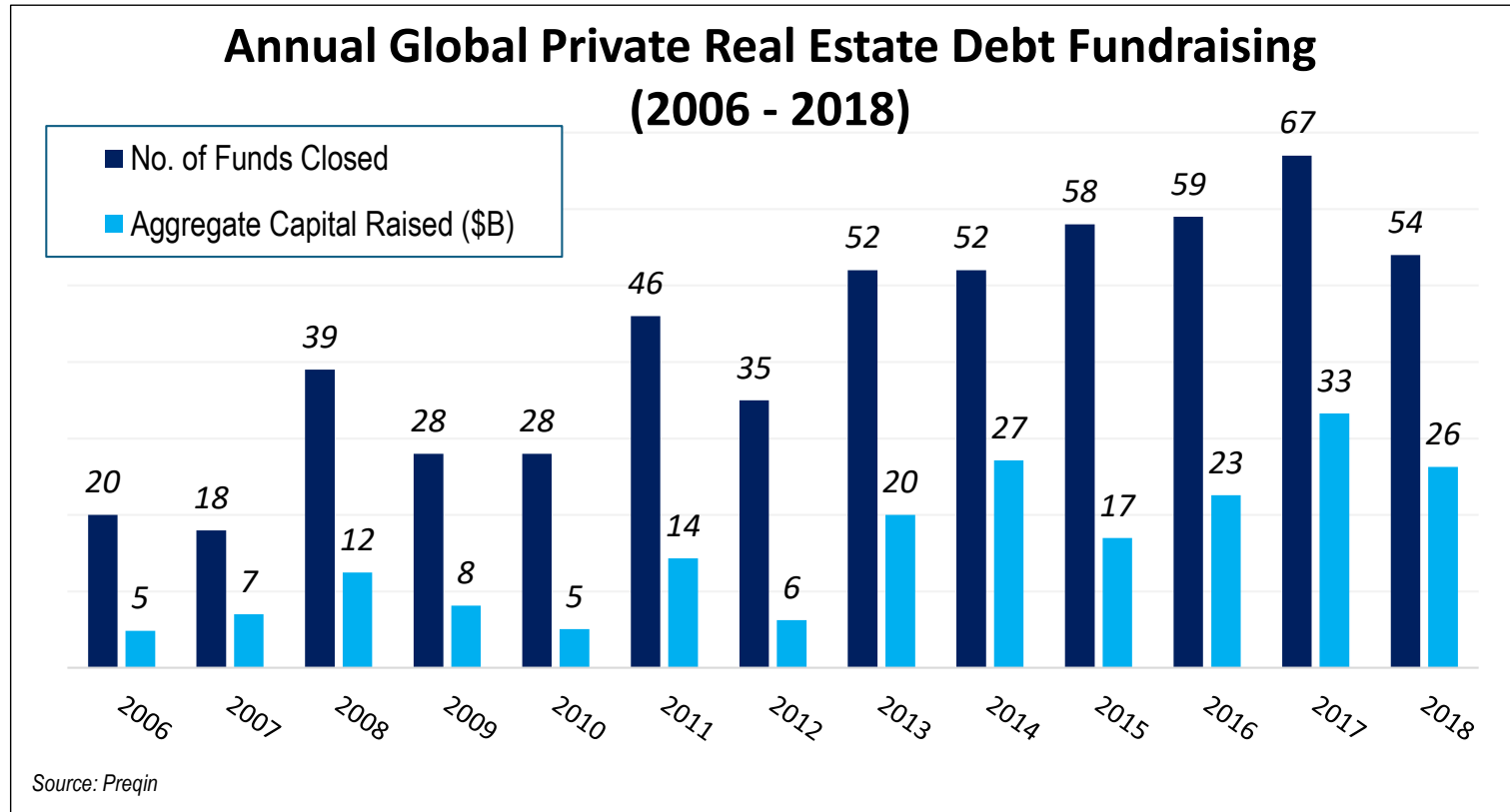


## Real Estate Debt Funds: Established Players Dominate

- Top real estate debt fund platforms are well-established real estate investors
- Blackstone & Lone Star among most successful fundraisers, final closes well ahead of targets
- Top-10 largest active and planned debt funds are highlighted below

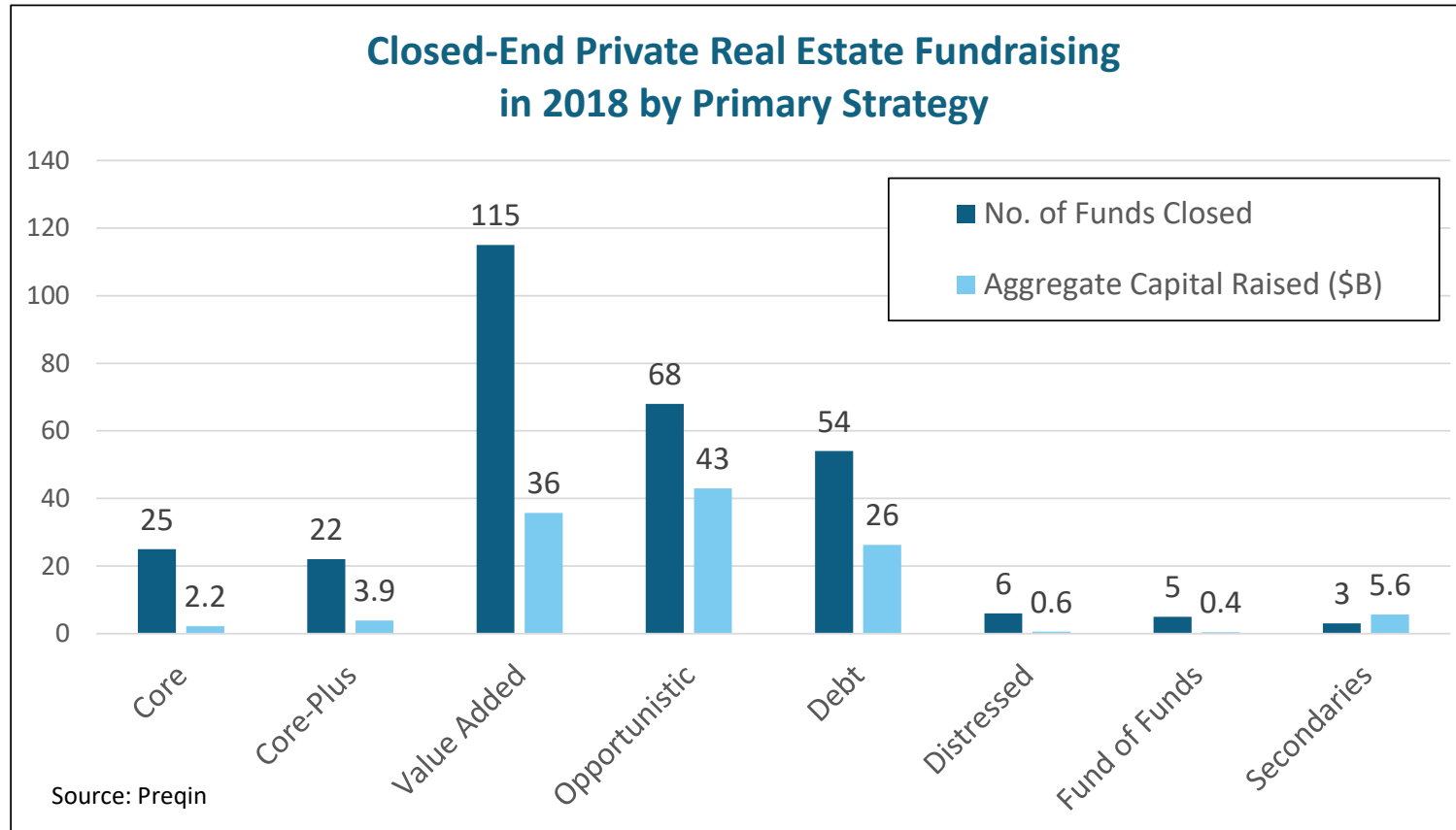
No.	Manager	Vehicle	Equity Goal (\$MM)	Equity Raised (\$MM)	Final Close
1	Lone Star Funds	Lone Star Real Estate Fund 5	5,000	5,900	2016
2	Blackstone	Blackstone Real Estate Debt Strategies 4	5,000	100	Pending
3	Lone Star Funds	Lone Star Real Estate Fund 6	4,500	3,700	Pending
4	Goldman Sachs	Broad Street Real Estate Credit Partners 3	4,200	4,200	2018
5	Blackstone	Blackstone Real Estate Debt Strategies 3	4,000	4,800	2016
6	PIMCO	PIMCO Bravo Fund 3	4,000	4,200	2017
7	TCI Real Estate	TCI Real Estate Partners Fund 3	3,000	2,100	Pending
8	Brookfield Asset Management	Brookfield Real Estate Finance 5	2,000	3,000	2017
9	Torchlight Investors	Torchlight Debt Opportunity Fund 4	1,500	800	Pending
10	PIMCO	PIMCO Commercial Real Estate Debt Fund	1,500	700	Pending
<b>Total</b>			<b>34,700</b>	<b>29,500</b>	

## Real Estate Debt Fundraising Declines Slightly in 2018



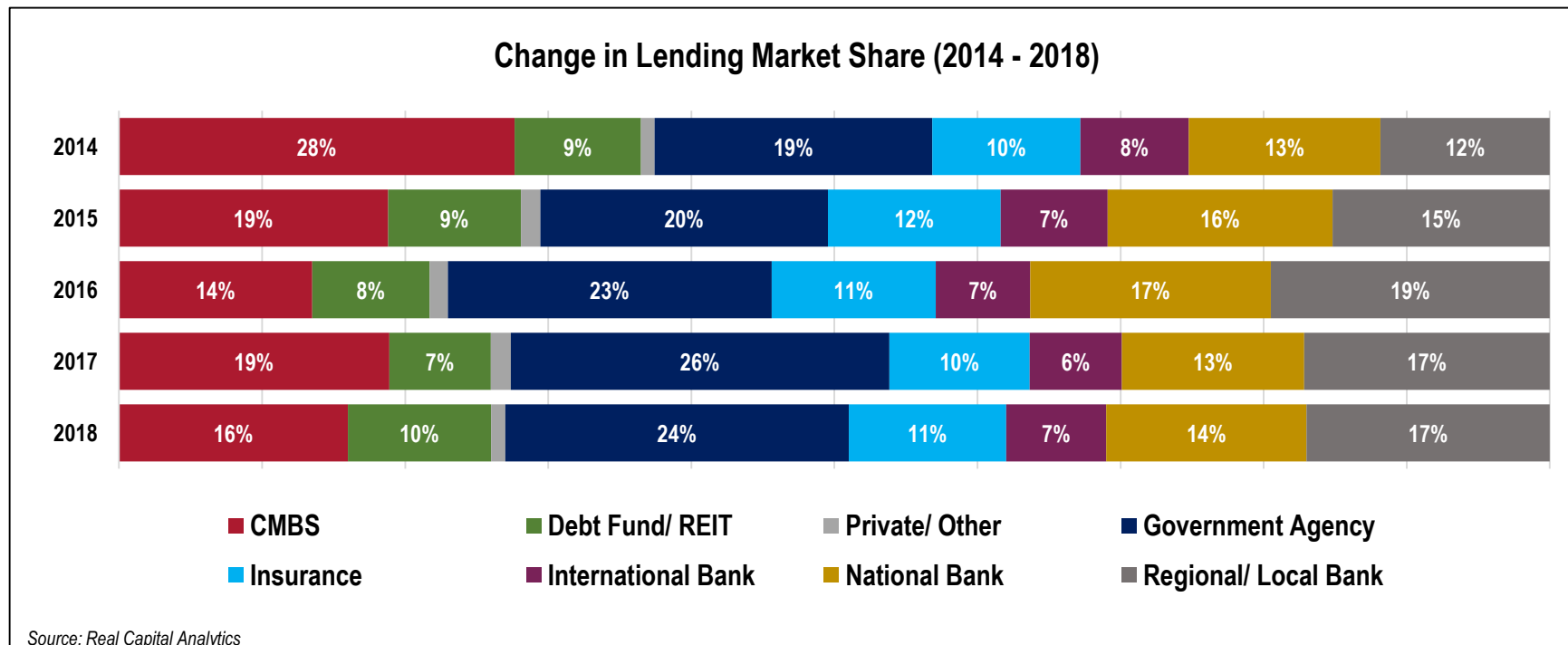
# Real Estate Debt Funds: Sustained Interest

- In 2018, \$26B raised by funds dedicated to real estate debt, lower than 2017's \$33b
- Roughly 40% of the assets in real estate debt vehicles have yet to be invested



## Real Estate Debt Funds: Expanding Market Share

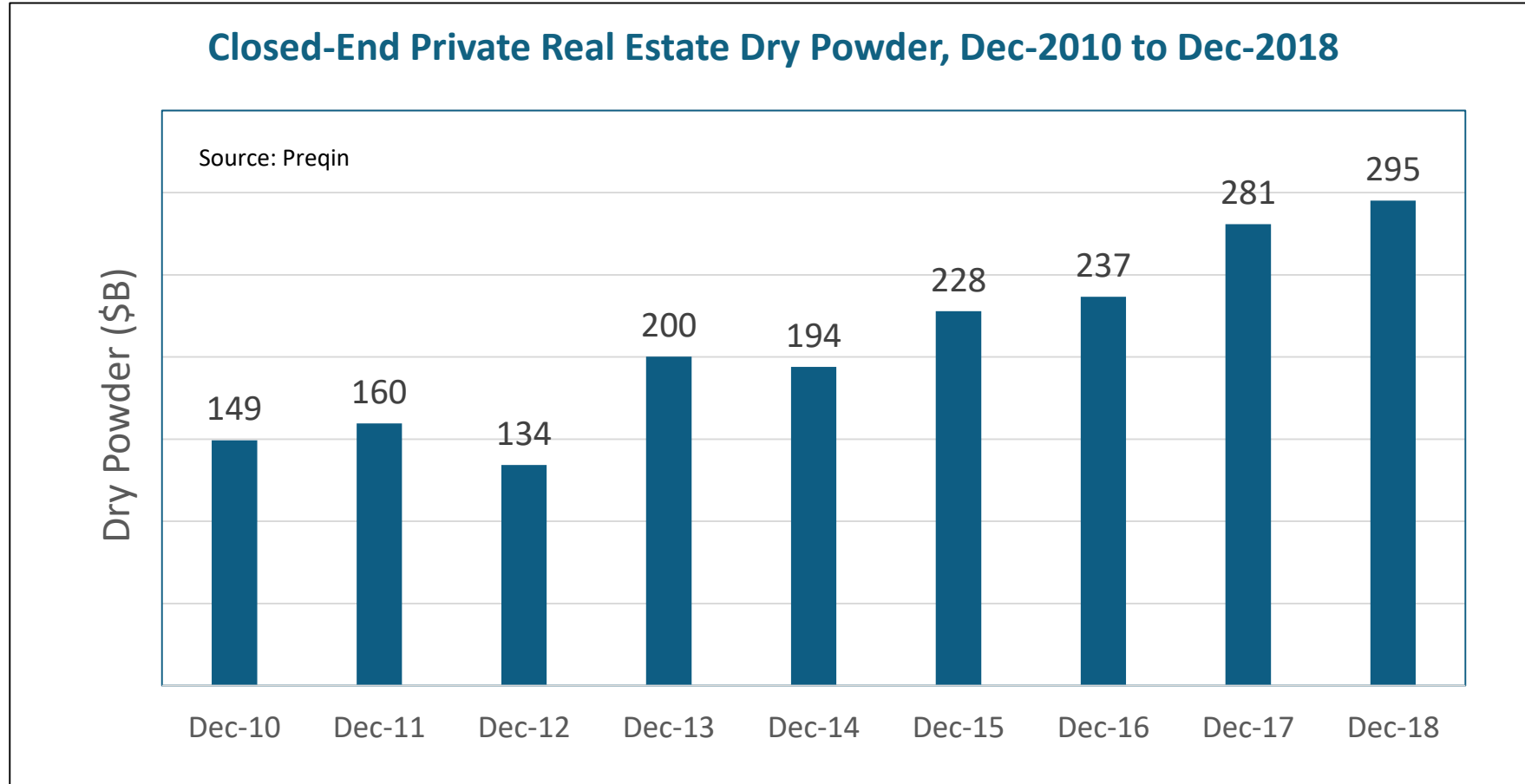
- Debt funds and mortgage REITs aggressively expanded market share to 10% in 2018 from 7% in 2017, capturing the largest gain among all lender types
- Expanded their presence in higher-yielding loans, becoming the largest participant in value-add loans, increasing share to 21% in 2018 from 15% in 2015.
- Also gained a sizable share in construction loans, at 18% in 2018 vs. 7% in 2015.



# Is Real Estate debt fundraising here to stay?



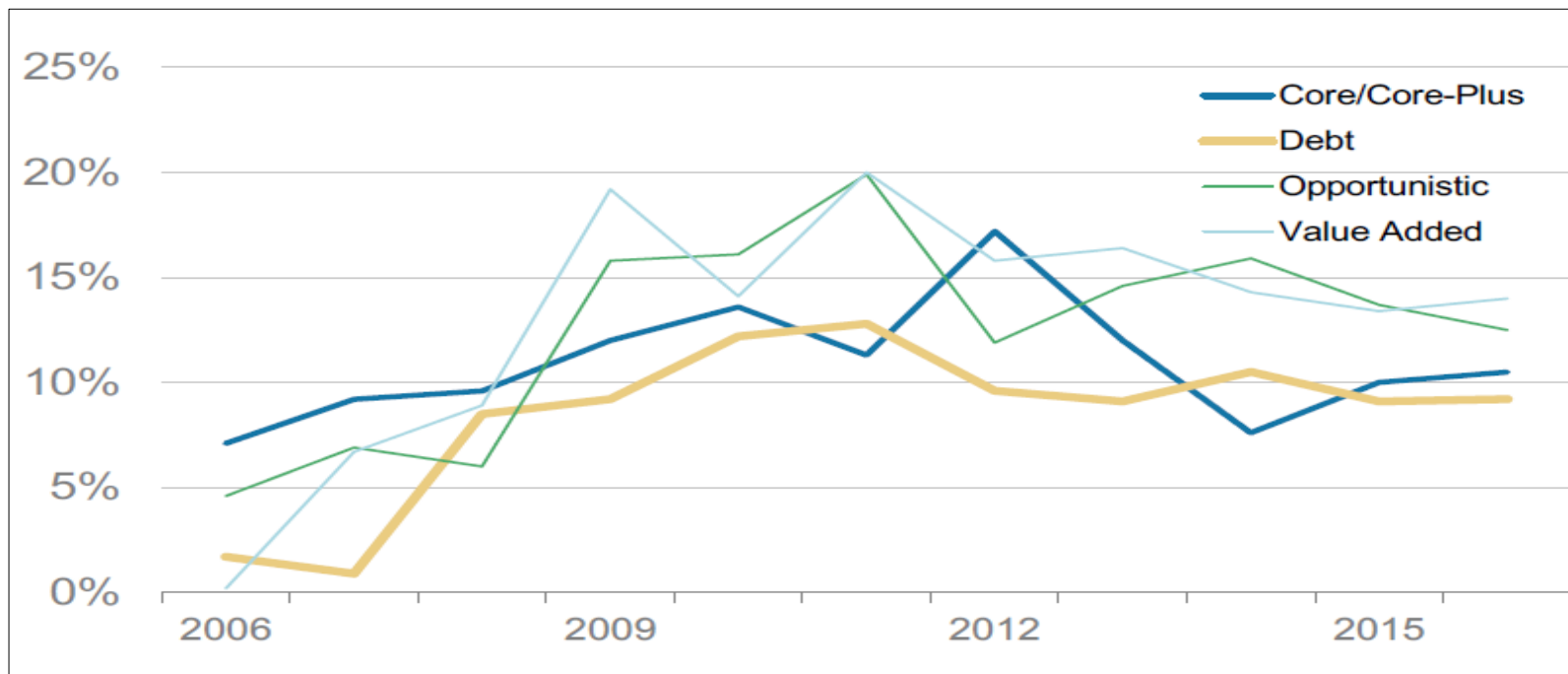
## Real Estate Debt Capital – Considerable Dry Powder





## Real Estate Debt Funds: Lower Returns but Less Volatility

- Private real estate debt vehicles produce lower and less volatile returns for investors relative to opportunistic/value-added funds, which display the greatest variation
- Given late stage of the cycle, debt funds attractive for investors seeking protection



# How do you treat exit fees in your valuation of debt investments?



# What benchmarks do you measure your debt fund performance against?

