PERE 50

The new world order

The elimination of the last remaining funds raised prior to the fall of Lehman has resulted in a complete makeover of the firms comprising the PERE 50 ranking

Over the past two years, the PERE 50 has experienced the most dramatic makeover of its composition in the history of the ranking. Much of this is due to the elimination of all funds raised prior to the fall of Lehman Brothers and the start of the global financial crisis, as those investment vehicles now fall outside the ranking's five-year fundraising window. However, the makeover also is due to the new realities of fundraising in a post-crisis world, including new regulations and restrictions, consolidation among fund managers, reduced investor interest in blind-pool structures and smaller fund sizes on average.

Among the casualties of this new world order are the real estate investment arms of investment banks Morgan Stanley and Goldman Sachs, both of which have completely fallen out of the ranking's top 50 firms. Indeed, Morgan Stanley has not closed on any significant equity since its seventh global opportunity fund, which closed in 2008, while Goldman has shifted its strategy to focus primarily on debt vehicles, which are not counted towards this ranking.

Other long-time industry stalwarts that have dropped out of the top 50 completely include AEW Global, Invesco Real Estate, Rockwood Capital and Lubert-Adler Partners. Shorenstein Properties also dropped out of the top 50, but at least that firm is in market with a sizable new fund, which should see it return to the middle of the pack next year.

The disappearance of these veteran organizations from the PERE 50 has allowed a number of newer firms to make their ranking debut over the past two years. In fact, there are 14 firms making their PERE 50 premiere this year, including such notable first-timers as Global Logistic Properties, Secured Capital, Gaw Capital Partners, Patron Capital and Related Companies. Those additions come on top of 15 new firms in last year's ranking, nine of which remain in the top 50 this year. In other words, nearly half of the firms in the PERE 50 this year have joined the ranking over the past two years.

Meanwhile, despite reduced investor interest in traditional funds and smaller fund sizes on average, several firms did find success with sizable new vehicles over the past five quarters. Oaktree Capital Management closed its latest opportunity fund on $2.68 billion, which propelled the firm some 12 spots in the ranking. Orion Capital Managers moved up 16 spots on the strength of €1.3 billion in equity raised for its fourth European fund, while Cerberus Capital Management jumped 21 places in the ranking on the back of $1.4 billion for its latest opportunity fund. Last but not least, GI Partners leapfrogged 26 spots – the biggest jump in the ranking this year – due to early fundraising success for its fourth fund, which has raised $1.66 billion so far.

Topping the PERE 50 ranking once again is The Blackstone Group, which far and away has been the biggest capital-raiser over the past five years. Its success this past year is thanks to a record $15.8 billion in new real estate capital raised in 2013, much of it coming from its new Asia- and Europe-focused funds. Since the global financial crisis, the firm has raised a total just north of $32 billion, which is nearly as much as the next four firms combined.

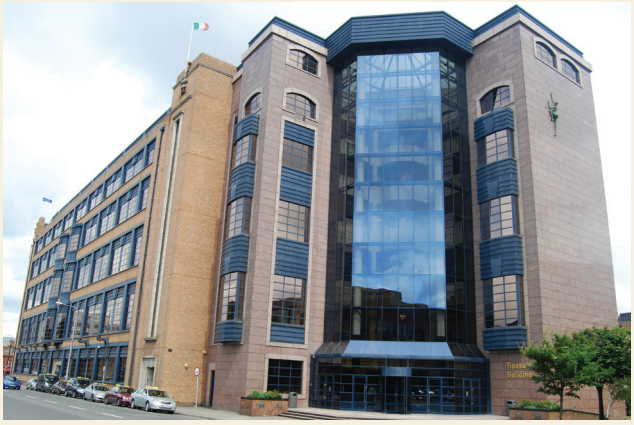
Looking at the PERE 50 as a whole, the cutoff for capital raised in order to make this year's ranking was just shy of $1.3 billion. That is down slightly from last year's cut-off of $1.37 billion, once again reflecting the tough fundraising environment and the generally smaller size of funds. Furthermore, there were six firms $100 million or less from making the PERE 50, including Kohlberg Kravis Roberts, CLSA Capital Partners, KTR Capital Partners and Exeter Property Group. With the disappearance of 2009 funds in next year's ranking, it is a good bet that some of these firms will make the cut in 2015.

18 Cerberus Capital Management *$2.65 billion*

HQ: New York / **Founded:** 1992

It is hard to ignore the success of Cerberus Capital Management over the past 12 months. Its impressive $1.4 billion haul for its third global distressed property fund ended up a comfortable margin above its $1 billion target and has allowed the firm to climb an impressive 21 spots in this year's ranking. It certainly was not a disappointing follow-on to the firm's $1.25 billion Cerberus Institutional Real Estate Partners II, which closed in 2010.

Given how active it has been in property this year, it is little wonder that Cerberus is able to attract so much capital from investors. The New York-based firm is said to have secured a portfolio of European commercial real estate loans from Lloyds Banking Group for €312 million this year and, last July, it acquired a portfolio of nine shopping centers in Germany, helping Wells Fargo clear up some of its $120 billion legacy nonperforming loan book. In February, the firm also made a ¥140 billion (€1 billion; $1.37 billion) exit in Japan and, just last month, it agreed to buy a loan portfolio with a book value of £4.5 billion (€5.4 billion; $7.5 billion) from Ireland's National Asset Management Agency, reportedly dishing out more than £1 billion to acquire it. Suddenly, $1.4 billion doesn't seem so hard to spend after all.



NAMA HQ: source of a recent purchase