Sales of non-traded REITs totaled more than $1.8 billion during the first quarter of 2019, up 30 percent compared to the fourth quarter of 2018, and 93 percent more than the first quarter of 2018, according to Robert A. Stanger & Co.

Fundraising has continued to climb each quarter after hitting a low of $794 million in the third quarter of 2017.

“Stanger remains very bullish on non-traded REIT capital formation. Quarterly fundraising is now at its highest level since the fourth quarter 2015, and we expect this trend to continue,” says Kevin T. Gannon, Stanger’s chairman and CEO. “Stanger projects that non-traded REITs will raise more than $7 billion in 2019, up from $4.6 billion in 2018.”

NAV REITs (perpetual entities that offer limited periodic liquidity at net asset value) accounted for almost $1.5 billion of sales during the first quarter of 2019, more than double their first quarter 2018 total.

Lifecyle REITs (entities anticipating a five to seven year holding cycle followed by a liquidity event) contributed $315 million, a 39 percent gain over the same quarter last year.
Blackstone Group continues to lead capital formation, raising more than $1.1 billion in the first quarter of 2019. Black Creek Group came in second, with $136 million, followed by Starwood ($128 million), Griffin Capital ($90 million), and Hines ($84 million).

Stanger noted that Blackstone’s success has led to the recent entry into the industry of other name-brand institutional money managers, including Starwood, Nuveen/TIAA and Clarion.

“Stanger expects these new entrants will propel the acceptance of real estate investment products structured as NAV REITs,” added Gannon.

Stanger also announced its first quarter 2019 survey of top sponsors of alternative investments, included in the March edition of The Stanger Market Pulse, and revealed $4.1 billion in funds were raised during the quarter through the retail pipeline.

Alternative investments included in the survey are publicly-registered non-traded REITs, non-traded business development companies, interval funds, non-traded preferred stock of traded REITs, as well as Delaware statutory trusts and private placement offerings. Stanger estimates that fundraising will exceed $16 billion across these alternative investments, up 24 percent over 2018 levels.

In addition to the $1.8 billion raised by non-traded REITs during the first quarter 2019, interval funds raised $912.2 million, DSTs raised $629.4 million, followed by non-traded preferred stock with $183.3 million, and non-traded BDCs with $139.5 million.

The top alternative investment sponsors identified by Stanger are as follows: Blackstone Group ($1.15 billion), Griffin Capital ($506 million), Bluerock Capital ($352.7 million), Inland Real Estate ($239.3 million), Owl Rock Capital ($200.1 million), Black Creek Group ($162.2 million), Starwood Capital ($127.6 million), Hines Interest ($120.7 million), and SmartStop Asset Management ($114.7 million).

Stanger attributes the growth in capital formation by alternative investments sponsors to the strong desire by retail and institutional investors to allocate capital to income-oriented real estate and investments that are not directly correlated to the public equity markets while investing under the direction of well-regarded institutional asset managers.

“Stanger expects this trend to continue for the foreseeable future,” said Gannon.

Robert A. Stanger & Co, founded in 1978, is a nationally recognized investment banking firm specializing in providing investment banking, financial advisory, fairness opinion and asset and securities valuation services to partnerships, real estate investment trusts and real estate advisory and management companies in support of strategic planning and execution, capital formation and financings, mergers, acquisitions, reorganizations and consolidations.

Stanger is also known for its flagship publication, The Stanger Report, a newsletter focused on direct participation program and non-traded REIT investing; The Stanger Market Pulse, focused on public DPP, non-traded REIT and
non-traded BDC sales; The IPA/Stanger Monitor, focusing on non-traded REIT performance, The Stanger Interval Fund Report, focusing on non-traded interval fund investing, and The Stanger Digest, a newsletter providing a weekly update on industry activities.

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