Non-Traded REITs Post Highest Monthly Fundraising in More Than Four Years

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Robert A. Stanger & Company reported that non-traded REIT sales totaled $916 million in April, their highest monthly total in more than four years. Additionally, year-to-date fundraising of $2.7 billion is more than double the same period 2018 total of $1.3 billion. 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. April fundraising represents the highest monthly total since March 2015, and we expect this trend to continue,” said Kevin 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 more than $2.3 billion of sales during the first four months of 2019, up 135 percent from the same period of 2018.

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Lifecyle REITs (entities anticipating a five- to seven-year holding cycle followed by a liquidity event) contributed $392 million, a 26 percent gain over the same period of 2018.

Blackstone Group (NYSE: BX) continues to lead capital formation, raising more than $1.8 billion in the first four months of 2019. Black Creek Group came in second with $179 million, followed by Starwood Capital with $158 million, Hines Interests with $121 million, and Griffin Capital with $91 million.

Stanger's survey of top sponsors of alternative investments revealed that nearly $5.9 billion was raised through April via the retail pipeline.

Alternative investments included in the survey include publicly-registered non-traded REITs ($2.7 billion), non-traded business development companies ($173.8 million), interval funds ($1.3 billion), non-traded preferred stock of traded REITs ($287.9 million), as well as Delaware statutory trusts ($797.4 million) and other private placement offerings ($516.2).

Stanger estimates that fundraising will exceed $16 billion across these alternative investments, up 24 percent over 2018 levels.

The top alternative investment sponsors identified by Stanger are as follows: Blackstone Group ($1.9 billion), Griffin Capital ($678 million), Bluerock Capital ($471 million), Inland Real Estate ($311 million), Owl Rock Capital ($284 million), Black Creek Group ($214 million), Hines Interest ($169 million), Starwood Capital ($158 million), and SmartStop Asset Management ($134 million).

Stanger said that it 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," added Gannon.

Robert A. Stanger & Co. is an investment banking firm specializing in providing strategic planning, 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's publications include The Stanger Report, a newsletter focused on direct participation programs and non-traded REIT investing; The Stanger Market Pulse, focused on public DPP, non-traded REIT and BDC sales; The Stanger Interval Fund Report, focused on non-traded interval fund investing, and the Stanger Digest, a newsletter providing a weekly update on industry activities.

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