Summit to Drop Broker-Dealer Status and Join Another Cetera Firm

Summit Brokerage, an independent broker-dealer within the Cetera Financial Group network, is dropping its broker-dealer status and will join another Cetera firm, Cetera Advisor Networks, as an independent advisor group and will retain its brand and current leadership.

Cetera claims the move "alleviates the operational and regulatory burdens of operating as an independent broker-dealer."

Summit, which has more than 450 financial advisors overseeing approximately $17.5 billion in client assets, will become one of the largest of Cetera' independent advisor group's this summer, pending FINRA approval.

Marshall Leeds will continue to serve as Summit's president, along with his existing management team.

"Removing the operational and regulatory challenges of operating a broker-dealer will allow the Summit region to be fully focused on enhancing the advisor experience, elevating our award-winning service model and recruiting new advisors," said Leeds. "We anticipate a seamless transition, and the initial sentiment with advisors and employees is high."

Cetera Financial Group is the second-largest independent financial advisor network in the nation by number of advisors, and includes Cetera Advisors, Cetera Advisor Networks, Cetera Investment Services (marketed as Cetera Financial Institutions), Cetera Financial Specialists, and First Allied Securities.

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LPL Financial Recruits Community First Investment Group

LPL Financial LLC, the nation's largest independent broker-dealer, has recruited Community First Investment Group, the investment program offered at Community First Bank of Indiana. The program joins from LaSalle Investment Management and manages approximately $75 million of client brokerage, advisory and retirement plan assets.

The program has aligned with Bankers' Bank Financial Services Network, an office of supervisory jurisdiction supported by LPL's broker-dealer and corporate registered investment advisor platforms.

Community First is based in Kokomo, Indiana, and the program is comprised of financial advisors Bart Erwin and Larry Rolland who provide wealth management services to professionals and small businesses in the local community.

In other LPL news, the firm recently added Team Preheim Advisory to its broker-dealer and corporate RIA platforms. Based in Fresno, California, the team joined from Wells Fargo Advisors and manages approximately $105 million of client assets.

LPL Financial provides service to approximately $628.1 billion in brokerage and advisory assets as of the fourth quarter of 2018. The company provides proprietary technology, comprehensive clearing services, practice management programs and training, and independent research to more than 16,000 financial advisors and 700 financial institutions.

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LPL Financial Adds Former Wells Fargo Firm to Platform

LPL Financial LLC, the nation's largest independent broker-dealer, has added Team Preheim Advisory to its broker-dealer and corporate registered investment advisor platforms.

Founded by Karl Preheim and based in Fresno, California, Team Preheim joins from Wells Fargo Advisors and manages approximately $105 million of client brokerage, advisory and retirement plan assets.

Last week, LPL recruited Patriot Wealth Management from Summit Brokerage Services, part of Cetera's network of broker-dealers. The Torrance, California-based firm oversees approximately $120 million of client brokerage and advisory assets.

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LPL Financial Adds Former Summit Brokerage Firm to Platform

LPL Financial LLC, the nation's largest independent broker-dealer, has added Patriot Wealth Management to its broker-dealer and corporate registered investment advisor platforms. Patriot joins from Summit Brokerage Services, part of Cetera's network of broker-dealers, and oversees approximately $120 million of client brokerage and advisory assets.

Based in Torrance, California, Patriot provides short- and long-term wealth management services to clients. The firm is led by E. Martin von Känel, founding partner and CEO, and also includes Monica Herrera, director of operations, and support staff members Elizabeth Martinez and Carly Shafik.

Von Känel was affiliated with LPL from 1994 to 2009 and said that LPL's new leadership and direction inspired his return to the firm.

"Transitioning a business is a big undertaking, but returning to LPL was the right decision for me, my family and my firm," he said. "I believe LPL has gone to great lengths to enhance their support to advisors. I've seen that no matter the size of your business, you are a part of the team, and we all work together to be successful."

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Summit: Non-Traded REITs Raised $1.2 Billion in Third Quarter 2018

Non-traded real estate investment trusts raised nearly $1.2 billion in investor capital in the third quarter of 2018, according to the latest Non-Listed REIT Market Snapshot issued by research and due diligence firm Summit Investment Research.

Summit noted that perpetual life REITs, a growing trend in the non-traded REIT space, raised approximately 79 percent of the total equity during the quarter, up 2 percent compared to last quarter.

So far in 2018, non-traded REITs have raised $3.3 billion in equity capital, which is on pace to exceed the record low $3.9 billion in 2017. Fundraising for non-traded REITs peaked in 2013 with $20 billion raised.

Blackstone Real Estate Income Trust, which broke escrow in January 2017, continued to dominate the space during the quarter with a 63 percent market share and $773 million raised. Without Blackstone REIT, non-traded REITs raised only $445 million during the third quarter.

Griffin-American Healthcare REIT IV was the second highest fundraiser during the third quarter with $67 million in investor equity, while Cole Real Estate Income Strategy (Daily NAV) and Black Creek Industrial REIT IV tied for third with

$50 million raised each.

Black Creek Diversified Property Fund was a close fourth with $49 million raised, while Carter Validus Mission Critical REIT II took the fifth spot with $40 million.

Summit noted that reinvested distributions represent a significant source of equity capital for non-traded REITs. In the third quarter, REITs raised $248 million through their distribution reinvestment programs, which is a sharp decline from $310 million last quarter due to several REITs suspending their DRIP programs.

Share redemptions have remained high over the last two years but declined slightly to $396 million during the quarter. Over the trailing four quarters, REITs redeemed $1.8 billion in equity. While most REITs cap annual share redemptions at 5 percent of outstanding shares, Summit said that many have closed their redemption programs or are hitting their quarterly limits.

Summit Investment Research covers non-traded REITs, business development companies, interval funds, and listed REITs (that acquired non-traded REITs or were once non-traded). The company's research is utilized by financial advisors, registered investment advisors, broker-dealers, sponsors, service providers such as law firms, due diligence firms, industry organizations, and news organizations, and institutions.

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Summit: Non-traded REIT Fundraising on Pace to Exceed 2017

Non-traded real estate investment trusts raised a total of $1.1 billion in investor capital in the second quarter of 2018, according to the latest Non-Listed REIT Market Snapshot issued by research and due diligence firm Summit Investment Research. Summit noted that perpetual life REITs, a growing trend in the non-traded REIT space, raised approximately 77 percent of the total equity during the quarter.

So far in 2018, non-traded REITs have raised $2 billion in equity capital, which is on pace to exceed the record low $3.9 billion in 2017, but is a far cry from the $20 billion fundraising peak of 2013. Blackstone Real Estate Income Trust, which broke escrow in January 2017, continues to dominate the space with a 68 percent market share and $772 million raised during the quarter.

Griffin-American Healthcare REIT IV and Cole Real Estate Income Strategy (Daily NAV) rounded out the top three fundraisers with $66 million and $57 million raised, respectively. Carter Validus Mission Critical REIT II took the fourth spot with $44 million and Black Creek Industrial REIT IV came in fifth with $37 million.

The second quarter saw cap rates decline from 6.6 percent to a record low 6.0 percent, a 29 percent decline from 2010. Summit pointed out that cap rate compression, which highlights commercial real estate price increases, was driven by interest rates on new debt. Average interest rates on new permanent debt increased from 3.9 percent to 4.2 percent during the quarter, and Summit noted that higher interest rates will continue to reduce leveraged equity yields.

Occupancies for non-traded REITs remained at 92 percent for the second quarter in a row, compared to 93 percent during the fourth quarter 2017. For retail, office, and industrial assets, average lease terms also decreased slightly to 7.4 years, compared to 7.6 years in the first quarter of 2018.

The leverage ratio for non-traded REITs remained at moderate 43 percent in the second quarter, which is comparable to traded REITs. With high commercial real estate prices, Summit said that non-traded REITs have utilized variable rate debt to boost their leveraged yields. Variable debt ratios have increased from 17 percent in 2012 to 34 percent in the second quarter of 2018. Non-traded REITs also have a high 35 percent short-term debt ratio.

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Summit: Non-Traded BDCs Raise $112 Million During First Quarter of 2018

Non-traded business development companies had a record low raise with $112 million during the first quarter of 2018, which is on pace for a 48 percent decline from 2017, according to the latest BDC Market Snapshot issued by research and due diligence firm Summit Investment Research. During the fourth quarter of 2017, non-traded BDCs raised a total of $215 million in investor equity bringing last year's total to $840 million. This is a far cry from the 2014 peak when fundraising topped $5.9 billion.

Summit points to several factors contributing to the decline, including regulatory changes regarding share valuation and disruptions in the high yield debt markets that led to declining NAVs in 2015 and early 2016. Rising credit risk is an important factor that Summit believes will have a greater impact in 2018.

Summit also noted that many sponsors are shifting away from BDCs to closed-end fund structures for private credit investing. FS Investments, formerly the leading BDC sponsor, has shifted its focus to credit closed-end funds. The sponsor closed its last two non-traded BDCs at the end of 2017.

Reinvested distributions are currently the primary source of equity capital for BDCs, and quarterly share redemptions remained high at $170 million during the first quarter. Quarterly redemptions nearly doubled gross equity raised in the first quarter.

During the first quarter, Owl Rock Capital II was the top fundraiser with $60 million raised, followed by CION Investment with $22 million. Terra Income Fund 6 came in third with $9 million in equity raised.

Secured debt ratios for non-traded BDCs increased from 77 percent in the fourth quarter of 2017 to 78 percent in the first quarter, while first lien debt ratios remained unchanged from last quarter at 58 percent.

With the decline in private debt market prices and higher market yields, Summit noted that non-traded BDCs have been able to obtain comparable secured debt at higher investment yields.

Gross investment yields among non-traded BDCs ended their recent decline. Gross investment yields increased from 8.8 percent in 2017 to 9.1 percent in the first quarter of 2018.

Distribution yields declined to 6.9 percent in the first quarter, as several non-traded BDCs cut their distributions. Summit noted that additional companies could face distribution cuts in the future.

BDCs continued their two-year return declines during the first quarter. Net asset values had a 2.1 percent decrease in the quarter, after a 4.7 percent NAV decrease in 2017. With lower NAVs and lower distribution rates in the first quarter, total returns were a negative 0.1 percent. Total returns peaked in 2016 at 16.5 percent. Non-traded BDCs had a 6.2 percent average annual return over the last five years.

Summit Investment Research has been active since April 2016 and covers non-traded REITs, business development companies, interval funds, and listed REITs (that acquired non-traded REITs or were once non-traded). The company's research is utilized by financial advisors, registered investment advisors, broker-dealers, sponsors, service providers such as law firms, due diligence firms, industry organizations, and news organizations, and institutions.

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Summit: Perpetual Life REITs

Raised 75% of Total Non-Traded REIT Equity in 1Q18

Non-traded real estate investment trusts raised a total of $919 million in capital in the first quarter of 2018, according to the latest Non-Listed REIT Market Snapshot issued by research and due diligence firm Summit Investment Research. Summit noted that perpetual life REITs, a growing trend in the non-traded REIT space, raised approximately 75 percent of the total equity during the first quarter.

Last year, non-traded REITs raised a total of $3.9 billion, a far cry from the $20 billion fundraising peak of 2013. Summit commented that “non-traded REIT sponsors will need to adapt to regulatory changes and a market transition with revised product structures and reduced fees to return to long-term equity growth.”

Blackstone Real Estate Income Trust, which broke escrow in January of last year, continues to dominate the space with a 66 percent market share and an impressive $602 million raised during the quarter.

Griffin-American Healthcare REIT IV and Carter Validus Mission Critical REIT II rounded out the top three fundraisers with $57 million and $44 million respectively. Cole Real Estate Income Strategy (Daily NAV) took the fourth spot with $36 million, and Black Creek Industrial REIT IV came in fifth with $28 million.

Summit notes that lease terms for retail, office, and industrial, occupancy are key metrics to assess performance trends and investment risk, and market occupancies have increased over the last five years with the broad market expansion.

Occupancies for non-traded REITs declined slightly to 92 percent in the first quarter 2018, compared to 93 percent last quarter. For retail, office, and industrial assets, average lease terms also decreased slightly to 7.6 years, compared to 7.8 years in the fourth quarter of 2017.

The leverage ratio for non-traded REITs increased from 42 percent in 2017 to a moderate 43 percent in the first quarter, which is comparable to traded REITs. With high commercial real estate prices, Summit said that non-traded REITs have utilized variable rate debt to boost their leveraged yields. Variable debt ratios have increased from 17 percent in 2012 to 31 percent in the first quarter of 0218. Non-traded REITs also have a high 40 percent short-term debt ratio.

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Summit: Non-Traded BDC Fundraising Declined 58% in 2017

Non-traded business development companies posted another fundraising decline in 2017 with $840 million equity raised, a 58 percent decline from $1.9 billion in 2016, according to the latest BDC Market Snapshot issued by research and due diligence firm Summit Investment Research. During the fourth quarter of 2017, non-traded BDCs raised a total of $215 million in investor equity.

Non-traded BDC fundraising in 2017 represents a nearly 86 percent drop from the 2014 peak when sponsors raised a whopping $5.9 billion. Summit points to a number of factors contributing to the drop, including changes to share valuation disclosures, high yield debt market disruption that led to declining NAVs in 2015 and early 2016, and rising credit risk.

Summit noted that many sponsors are shifting away from BDCs to closed-end fund structures for private credit investing.

FS Investments (formerly Franklin Square) led fourth quarter fundraising with a 46 percent market share for its two open BDCs in the top three fundraising spots. FS Investment III was the top lifecycle BDC fundraiser with $59 million raised during the quarter, followed by Owl Rock Capital II with $51 million. FS Investment IV took the third spot with $40 million, and Cion Investment Corporation came in fourth with $25 million raised.

Secured debt ratios for non-traded BDCs increased from 73 percent in the third quarter 2017 to 77 percent in the fourth quarter, while first lien debt ratios increased from 52 percent in the third quarter of 2017 to 58 percent in the fourth quarter.

With the decline in private debt market prices and higher market yields, Summit noted that non-traded BDCs have been able to obtain comparable secured debt at higher investment yields.

Gross investment yields have continued a steady decline among non-traded BDCs, from 9.4 percent in 2016 to 8.8 percent in

2017. Distribution yields declined from 7.8 percent in 2016 to 7.6 percent in 2017, as several BDCs cut their distributions. Summit noted that additional companies could face distribution cuts in the future.

For 2017, non-traded BDCs had lower positive returns after record highs in 2016. Net asset values had a 4.7 percent decrease in 2017, after a 6.3 percent NAV increase in 2016. With lower NAVs and high distribution rates in 2017, total returns were a moderate 3.5 percent in 2017, which is well below 16.5 percent in 2016. Over the last five years, non-traded BDCs had a 6.2 percent average annual return.

Non-traded BDC net asset values decreased 4.7 percent in 2017, after a 6.3 percent NAV increase in 2016. With lower NAVs and high distribution rates in 2017, total returns were a moderate 3.5 percent in 2017, which is well below 16.5 percent in 2016. Over the last five years, non-traded BDCs had a 6.2 percent average annual return.

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Summit: Non-Traded REITs End 2017 with Nearly $4 Billion Raised

Non-traded real estate investment trusts raised a total of $879 million in capital in the fourth quarter of 2017, bringing the total for the year to $3.9 billion, according to the latest Non-Listed REIT Market Snapshot issued by research and due diligence firm Summit Investment Research. During the third quarter, non-traded REITs raised just $782 million.

Fundraising in 2017 represents a 19 percent decrease from 2016's total of $4.8 billion and 81 percent decline from the $20 billion peak in 2013.

Blackstone Real Estate Income Trust, the non-traded REIT sponsored by private equity behemoth The Blackstone Group (NYSE: BX), continued to dominate the space with $473 million in equity raised during the fourth quarter and a staggering $1.4 billion for the year. Blackstone REIT broke escrow in January 2017 and held a 54 percent share of the market during the quarter.

Carter Validus Mission Critical REIT II was the second highest fundraiser in the fourth quarter with $126 million raised, followed by Griffin-American Healthcare REIT IV with $60 million raised. Cole Real Estate Income Strategy (Daily NAV) was not far behind with a $49 million equity raise during the quarter.

Cap rate compression, which highlights commercial real estate price increases, is driven by interest rates on new debt. Cap rates ticked up from 6.3 percent in 2016 to 6.6 percent in 2017 after a steady 8-year decline. Average interest rates on new permanent debt increased from 3.7 percent to 3.9 percent year-over-year.

Occupancies for non-listed REITs remained unchanged at 93 percent during the fourth quarter, while average lease terms for retail, office, and industrial properties decreased slightly to 7.8 years from 7.9 years last quarter.

Summit reported that the leverage ratio for non-traded REITs increased to a moderate 42 percent from 38 percent in 2016, which is comparable to publicly traded REITs. Variable debt ratios dropped slightly to 33 percent in the fourth quarter of 2017, the lowest level since 2013. However, this is nearly double the 17 percent variable debt ratio in 2012.

Non-traded REITs raised $365 million through their distribution reinvestment programs in the fourth quarter, a slight increase from last quarter's raise of $354 million. Summit noted that reinvested distributions will continue to provide significant capital for redemptions and new investments by non-listed REITs, as only a few large REITs are currently liquidating assets.

Share redemptions remained high over the last two years and were $453 million during the fourth quarter, compared to $319 million last quarter. Most non-traded REITs cap annual share redemptions at 5 percent of outstanding shares, and Summit noted that some closed programs have terminated their share redemption programs or are hitting their quarterly share redemption limits. Non-traded REITs have redeemed a record $1.5 billion in equity over the trailing four quarters.

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MacKenzie Launches Tender Offer for Summit Healthcare REIT Shares

MacKenzie Realty Capital Inc., a publicly registered non-traded business development company, has commenced an unsolicited tender offer to purchase 900,000 shares of Summit Healthcare REIT common stock for $1.42 each. The offer, which expires on February 28, 2018, constitutes 3.9 percent of the outstanding shares.

Summit Healthcare REIT is a non-traded real estate investment trust that invests in assisted living, memory care and skilled nursing facilities. The company's most recent net asset value per share is $2.53.

MacKenzie currently owns approximately 1.4 million shares of the REIT, or 5.9 percent of those outstanding, and would pay nearly $1.3 million if all shares in the current offer are tendered.

Summit Healthcare's board is urging shareholders to reject the offer, believing that it is not in their best due to its "very low price," which is an approximately 44 percent discount to the REIT's NAV per share.

Summit Healthcare closed its offering in November 2010 after raising $172 million in investor equity, and as of the third quarter of 2017, manages a portfolio of 10 properties with a total investment cost of $161.3 million, according to unaffiliated research firm Summit Investment Research.

In other MacKenzie news, The DI Wire reported earlier this week that the company declared a $0.075 per share special distribution to shareholders, in addition to its regular quarterly distribution.

MacKenzie Realty Capital launched in August 2013 and has raised $71 million in investor equity, as of the third quarter of 2017. The company's portfolio includes 59 investments totaling $59 million, according to Summit Investment Research.

For more MacKenzie related news, visit their directory listing here.