The real estate market is currently witnessing rising interest rates, high asset valuations and pressure on returns. This environment, coupled with the continued narrative around a potential change in cycle phase, has caused concern among real estate investors around future property valuations.

But what does that mean for fund managers in the industry?

In partnership with Preqin, the EisnerAmper 2019 Private Equity Real Estate Market Outlook report provides an overview of activity in the private real estate market in 2018, with focus on key growth areas and an outlook on the real estate market in 2019.

Using Preqin’s award-winning data, the report will showcase key trends in the market and highlight the challenges facing fund managers.

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2018 has proven a difficult fundraising year with increased competition and market uncertainty cultivating a tough environment in which to reach that final close.

The number of private equity real estate funds closed and amount of aggregate capital secured has decreased for three successive quarters to Q3 2018. This being said, a greater amount of capital ($97bn) has been secured in 2018 YTD (as at end of Q3) than in the same period in 2017 ($84bn) and 2016 ($92bn). With fewer funds raising more capital, capital concentration in the market continues, in part driven by investor allocations to the larger brands amid concerns over high valuations and the level of uncertainty in the market.

While 2018 fundraising levels look set to pass the $100bn landmark for the sixth consecutive year, the activity in the final months of 2018 will determine whether the annual total will surpass that of 2017, following two years of decreasing fundraising totals.

Sixty-one percent of fund managers surveyed by Preqin in November 2018 believe the interest rate environment will be key a challenge in 2019, swiftly followed by asset valuations as cited by 54%. Many are concerned that the rise will impact total returns. However, historical results show that rising interest rates have not consistently resulted in lower real estate values but correspond with improving long-term economic conditions that in turn can lead to strong real estate performance.

EisnerAmper LLP’s dedicated real estate fund practice supports real estate private equity, qualified opportunity funds, private REITS and property level JV funds. Our advisors address complex matters, such as navigating operating agreements, waterfall provisions and specific investor-ownership issues.

EisnerAmper LLP, one of the largest professional services firms in the world, is a premier accounting and business advisory services firm with 180 partners and principals and 1,500 professionals. The firm provides audit, accounting and tax services; valuation, due diligence, internal audit and risk management, litigation consulting and forensic accounting; as well as technology, compliance and regulatory, operational consulting and other professional services to a broad range of clients.

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