Quick Stats

Private Real Estate Investing: A Look at Current Market Rates for Real Estate Syndications

Realty Mogul is a marketplace for accredited investors to pool money online and buy shares of pre-vetted real estate investments; it is crowdfunding for real estate. After review of over $1 billion of real property across 73 unique private placements, we have begun to see common themes and seek to provide data on such themes as well as current market rates for private real estate placements.

MACRO STATS¹

- Over the four year period from 2009–2012, aggregate capital raised for real estate private placements accounted for $63 billion, excluding capital raised under private equity and hedge fund indicators.
- In the same four year period, there were 5,617 separate Reg D offerings for real estate. In 2012, there were 1,900 separate Reg D offerings for real estate.
- The median offering size for real estate offerings was $2.3 million while the average was $15 million.
- Over 47,000 investors participated in private real estate placements in 2012. The average number of investors in a real estate syndication was 25 in 2012, compared to a median of 7 investors.

SURVEY SPECIFIC STATS

- Almost two-thirds of the transactions surveyed (47 out of 73 or 64%) were structured as preferred equity.
- In the data surveyed, the average preferred return to investors is 8.35% and ranges from 7.0% on the low end to 12.0% on the high end.
- The most commonly found preferred return is 8.0%, which we found in 27 of the 47 transactions (57%) with preferred returns.
- Of the transactions surveyed, the most favorable promote to investors was 80/20 (80% to investor, 20% to sponsor) while the least favorable promote to investors was 50/50.
- 85% (62 out of 73) of the transactions provide for a promote structure.
- The average promote across all transactions was 72/28 (72% to investors, 28% to sponsor).
- 68% of transactions (42 out 62) had promotes between 70/30 and 80/20.
- Over three-fourths of the transactions surveyed (61 out of 73 or 84%) were structured with an acquisition fee.
- In the data we surveyed, the acquisition fee ranged from 0.59% to 5.00% and averaged 1.73%. The most common acquisition fee is 1.00%, which we found in approximately one third of those transactions (20 out of 61 or 33%).
- Less than half of the total transactions surveyed (32 out of 73 or 44%) were structured with an asset management fee.
- In the data we surveyed, asset management fees ranged from 0.50% to 5.00% and averaged 1.88%.
- Property management fees are standard in almost every private real estate transaction and range from 1.25% on the low end to 8.5% on the high end, with an average slightly below 4.0%.
- A disposition fee was present in more than one-fourth of the transactions surveyed (21 out of 73 or 29%). This fee averaged 2.05% and ranged from 0.5% to 6.0%.


About the Survey Data: In total, 73 different real estate private placements were surveyed from 60 disparate privately held real estate investment companies. The average total property capitalization was $14.2 million. All of the transactions were actively raising capital in the 12-month period from January 2013 to December 2013.

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Analyzing Private Real Estate Placements in 2013

Transactions Reviewed and Analyzed during the Year

- $1B in transactions
- 73 private placements
- 60 unique private real estate sponsors

Transactions by Property Type

- Multifamily: $542,329,837 (2% of transaction amounts)
- Office: $317,687,804 (13% of transaction amounts)
- Retail: $136,595,782 (31% of transaction amounts)
- Self Storage: $22,038,102 (13% of transaction amounts)
- Industrial: $15,330,000 (3% of transaction amounts)
- Student Housing: $0 (1% of transaction amounts)

- Multifamily: 42 transactions (52% of total transactions)
- Office: 14 transactions (19% of total transactions)
- Retail: 12 transactions (16% of total transactions)
- Self Storage: 4 transactions (5% of total transactions)
- Industrial: 1 transaction (1% of total transactions)
- Student Housing: 0 transactions (1% of total transactions)
Transactions by State

Overall Stats

- **8.35%** average preferred return
- **1.73%** average acquisition fee
- **72/28** average promote (72% to investors, 28% to sponsors)
- **2.05%** average disposition fee
- **1.88%** average asset management fee

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