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## Markets

# Morgan Stanley Raises \$3.1 Billion for **Global Real Estate Bets**

By <u>Gillian Tan</u>

September 8, 2021, 9:01 PM PDT

- Fundraising eclipsed an original target of \$3 billion
- Firm has been investing in residential, industrial properties

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Morgan Stanley has raised \$3.1 billion for a new fund dedicated to global real estate bets, eclipsing the \$2.7 billion it raised for a predecessor vehicle in 2018.

The vehicle, known as North Haven Real Estate Fund X Global LP, or 'G10,'

garnered backing from investors including sovereign wealth funds, U.S. and

international pension funds, insurers, high-net-worth individuals and family

offices, John Klopp, head of global real assets for Morgan Stanley Investment

Management, said in an interview. Maryland State Retirement and Pension

System is among the fund's investors, according to data compiled by

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"We're playing the same tailwind sectors as the vast majority of others," Klopp said, citing the firm's bets on warehouse and multifamily properties. "The fundamentals are extremely strong and have been exacerbated by Covid. There's an enormous opportunity that's going to continue for a while in these two areas."

Morgan Stanley has sought to develop and renovate residential and industrial properties, in part because high demand for so-called stabilized assets has resulted in elevated pricing. The firm is "very interested" in the hospitality sector including hotels, and is watching the office sector while the bar remains high for retail real estate bets, Klopp said.

"In addition to finding off-market opportunities, we're trying to create or reposition core assets, then sell them," he said.

The new vehicle kicked off its investment period on Jan. 1 and focuses on single properties and smaller portfolios involving an average equity investment of \$60 million. The fund, which has four years to spend its capital, employs maximum leverage of 65%.



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"We're unconstrained as to where we can go and what we can do," Klopp said, acknowledging that the U.S. market has snapped back faster than Asia and Europe. "We're not trying to make our money from financial engineering, but are looking to find assets that we think we can transform and create value in through relentless asset management."

Previous iterations of the vehicle, such as 'G8,' which was deployed in 2014 through 2016, had realized annualized net returns of 18% through June 30, according to materials seen by Bloomberg. 'G9,' a fund invested between 2016 and 2020, is in the early stages of selling its holdings, having already divested a portfolio of Las Vegas multifamily units operated by Tower 16 Capital Partners, U.K. logistics assets, an office building in Tokyo and grocery stores on the U.S. East Coast.

The vehicle is the latest addition to Morgan Stanley's alternatives platform, which has over \$100 billion in assets under management including \$52 billion in real assets, Dan Simkowitz, head of Morgan Stanley Investment Management, said in a statement.



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"There's an enormous amount of capital sloshing around the system today and a lot of it wants to be in real assets," Klopp said, referencing favorable diversification, returns, and inflation protection provided by infrastructure and real estate.

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