Private Debt Intelligence – 6/25/2018

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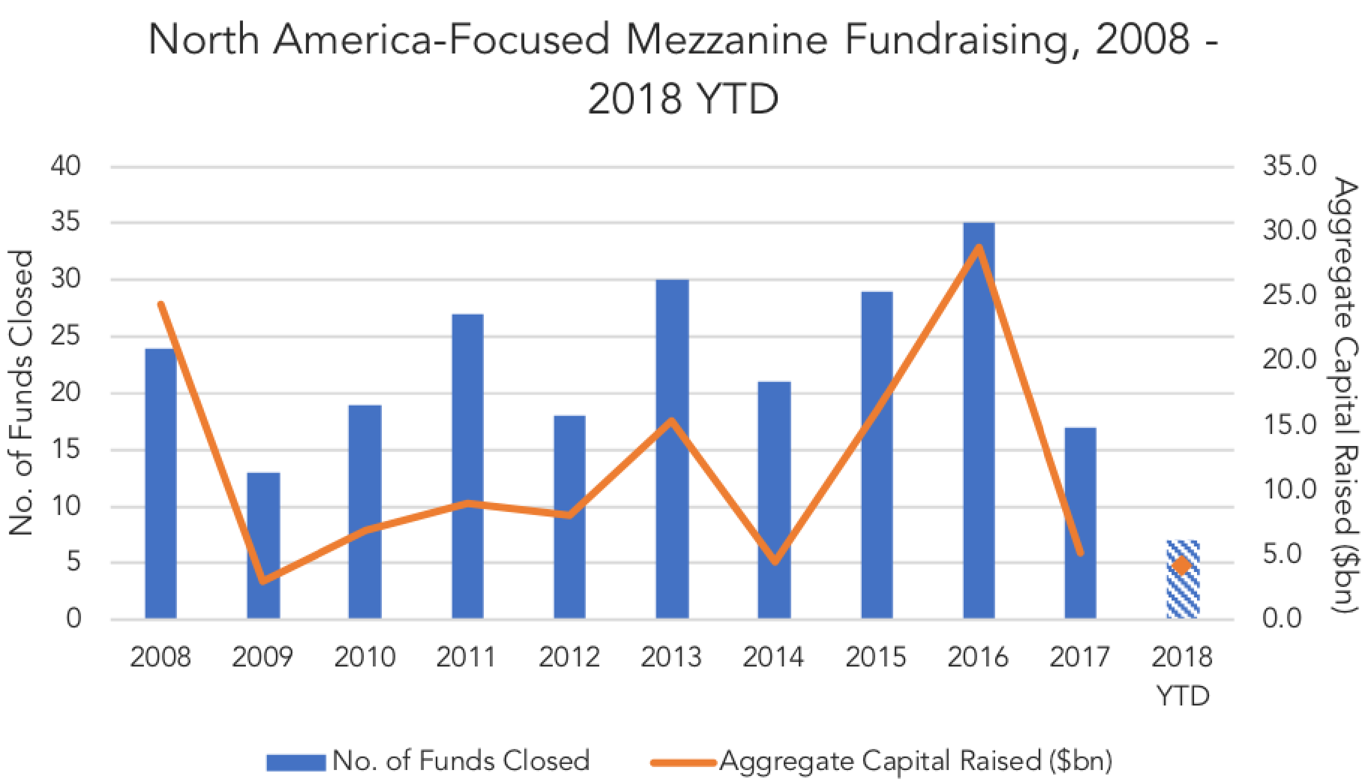
North America-Focused Mezzanine Fundraising: Off to a Strong Start

Chart



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As at May 2018, seven North America-focused mezzanine funds have held a final close, securing a total $4.1bn in capital. These fundraising levels put 2018 on path to exceed 2017 activity: in 2017, 17 North America-focused mezzanine funds closed and raised an aggregate $5.2bn. This represented a drop from 2016 when 35 funds secured a record $29bn, surpassing the previous record set in 2008 when 24 North America-focused mezzanine funds raised $24bn.

Average fund size for North America-focused mezzanine vehicles has fluctuated greatly over the past decade. In 2008, average fund size stood at a high of $1.0bn. During the Global Financial Crisis, average fund size took a dive and North America-focused mezzanine funds recorded an average size of $231mn in 2009. In 2016 – a record year for the fund type – average fund size was $823mn. As of May 2018, average fund size stands at $586mn, a significant increase from $306mn in 2017.

The largest North America-focused mezzanine fund to hold a final close in 2018 so far has been KKR's Private Credit Opportunities Partners II which secured $2.2mn. This was close to twice the size of the fund's initial target size of $1.2mn. In fact, four out of the five largest North America-focused mezzanine funds closed above their initial target size. This follows the trend seen in private debt overall in which greater proportion of funds are meeting or exceeding their initial targets than in years before.

The largest North America-focused mezzanine fund in market is Goldman Sachs' Mezzanine Partners VII. If the vehicle achieves its target size of $10bn, it will become the largest mezzanine fund to close since the Global Financial Crisis. The largest mezzanine fund ever was the North America-focused GS Mezzanine Partners V which held a final close in 2008 and raised $13bn.

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