

DD Update: Bluerock Total Income+ Real Estate Update on Impact From BREIT News



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Backdrop

- The largest real estate fund, Blackstone Real Estate Income Trust ("BREIT") recently announced that share repurchase requests, or redemption requests, had exceeded limits and as a result has been forced to gate investors.
- In addition to speaking with Blackstone, the diligence team has reached out to Bluerock and other peers to further assess the current situation of how individual managers are managing liquidity and the overall climate of the real estate market.
- While the other market participants CAPTRUST contacted have not enacted a gate, with each of them still maintaining meaningful room under the 5% of NAV limit, issues at BREIT can be construed as a leading indicator and even a driver of events for these peers. This has been noted by these managers, and each of them is intently monitoring the situation.

Key Takeaways

- From a flow perspective, Bluerock has seen strong positive inflows in each month this year. In November's quarterly repurchase window, the fund saw a small rise in repurchase requests of 4% of NAV (compared to an average of 2.6% of NAV), still maintaining room under the 5% limit. 100% of redemption requests were paid out in November.
- Bluerock sites rebalancing programs as the main driver for elevated requests this quarter, as opposed to concerns related to fundamentals, with the fund up 14.5% year-to-date.
- Unlike Blackstone, Bluerock does not have an international investor base. A majority of the recent redemption requests in BREIT came from international investors with margin pressure driving redemptions.

- Bluerock owns funds without using leverage as opposed to leveraging individual properties. Further, there are no underlying properties in the portfolio that are development deals (except IQHQ in San Diego). The portfolio is overweight multifamily apartments and industrial buildings which have strong tailwinds and believe can generate the highest Net Operating Income (NOI). The Fund currently has no exposure to resorts or casinos.
- The Fund was recently down a few cents in NAV due to a temporary adjustment to the risk-free rate.
- NOI is increasing in the fund and overall is higher in 2022.
- Pending an unanticipated shock to the market stemming from the Blackstone news, Bluerock is not expecting a higher level of redemption requests in the next quarterly window (February).

Today we see these fund structures functioning the way they are designed, to protect investors from managers being forced sellers of assets at discounted prices due to investor redemptions. Despite this meaningful development, CAPTRUST remains comfortable with the asset class but acknowledges the potential headline risks and continues to follow the situation closely.

*The diligence team has a call with the PM scheduled for 12/9 to gain further information surrounding the current situation.