

# DD Update: Versus Capital Multi-Manager Real Estate Income 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 Versus 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

- Overall, the BREIT news is not a major concern for Versus, and as they noted, the structure is functioning as it was designed, to protect investors. However, they continue to monitor the situation closely.
- The BREIT news comes in the wake of a unique market environment combined with significant investment from retail channels over the past 5 years. It is also likely the right thing to do given the current pause in the transaction markets.
- Given some of the recent news around ODCE Fund gates, there is currently around \$30B in redemption queues with ~30% of this to potentially be rescinded when the time comes which is common in these types of environments. Many of the gates appear to be linked to larger funds. Funds like JPM, MSIM, UBS, that have some heavy Office property exposure, as well as

people rotating out of some of the underperforming funds. Also, redemptions are being driven by the denominator effect and rebalancing due to stocks/bonds are down so much this year.

- On redemption levels in the fund, the VCMIX redemption estimate process will not begin until later in December for the January redemption period. The last quarter the Fund had to gate investors was January 2021 where the proration amount was 85%.
- The private assets in VCMIX were revalued last week given new data coming in that was not related to BREIT.
- Versus has had lots of meetings with their underlying managers recently and will be adding some detail/commentary in the upcoming monthly update (12/8).

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.

\*Versus is hosting an intra-quarter conference call on 12/8 to provide further color on the market and updates on VCMIX.