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Blackstone Limits Investor Withdrawals From $145 Billion REIT As Economic Concerns Grow

Requests Jump for Redemptions From Its Nontraded Real Estate Investment Trust

Blackstone is seeking to limit the outflow of funds from its nontraded real estate investment trust. (CoStar)

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Blackstone has limited withdrawals from its nontraded real estate investment trust after large numbers of investors sought redemptions, making it the latest firm to take such a step as global economic concerns grow.

Blackstone Real Estate Income Trust, also known as BREIT, allowed investors to withdraw $1.3 billion in November. That represented about 43% of the redemption requests it received, according to a report by the Financial Times citing a notice the private REIT sent to investors on Thursday. BREIT had nearly $145 billion in total assets as of Sept. 30.

Investors can redeem up to 5% of their holdings in a quarter, at which point Blackstone can limit withdrawal requests to prevent a forced sale of its real estate holdings.

The move comes as real estate investors express concern about how rising interest rates and an economic slowdown would affect the commercial property market. The Federal Reserve has raised interest rates to record highs this year as inflation remains at relatively high levels.

In response to increased requests from investors to take some of their cash out of the fund, Blackstone said BREIT has had a strong performance and large investments in multifamily and industrial real estate, two of the industry's strongest sectors for several years running.

“Our business is built on performance, not fund flows, and performance is rock solid,” according to a Blackstone statement emailed to CoStar News. “BREIT has delivered extraordinary returns to investors since inception nearly six years ago and is well positioned for the future given its concentration in rental housing and logistics in the Sun Belt and its long-term fixed rate debt structure.”

Latest Redemption Halt

Other firms limiting redemptions from funds include London-based asset manager M&G, which restricted institutional investor redemptions from a U.K. property fund. The moves follow Schroders and BlackRock, along with Columbia Threadneedle's, imposing redemption limits on some property funds open to institutional investors.

BREIT has delivered a 9.3% net return so far this year for its Class I shares, its largest class of shares, with a net asset value of nearly $36 billion, according to BREIT's latest monthly NAV report filed with the U.S. Securities & Exchange Commission.

BREIT's portfolio is approximately 80% concentrated in rental housing and industrial. Plus, 71% of its holdings is in the Sun Belt, which is experiencing an eight times higher job growth and a five times higher population increase than the national average, according to BREIT.

Its sector and market selection has powered BREIT's 13% increase in same-property net operating income growth for the nine months that ended Sept. 30, according to BREIT.

However, given increased calls for redemption from investors, BREIT is showing a willingness to sell properties. On Thursday, BREIT announced that it is selling its 49.9% interest in the MGM Grand Las Vegas and Mandalay Bay Resort and Casino real estate to its partner Vici Properties for $5.5 billion.

BREIT is not the only Blackstone fund seeing an increase in redemptions, according to Blackstone's third-quarter report. The private equity giant reported $8.85 billion in outflows in the quarter compared with only $822 million in the same quarter a year ago.