

Domestic Firms Drive Asia-Focused Private Equity Real Estate Market

Asia-based fund managers represent 92% of 2016 YTD fundraising focused on the region, and 17 of the 20 largest deals since 2015

Preqin research into the Asian private equity real estate industry finds that managers located in the region are driving fundraising and transaction activity, despite some of the largest global firms launching Asia-focused funds. In the period 2006-2008, international firms were a significant component of the Asia-focused real estate fundraising market, securing between 33% and 48% of the aggregate annual capital raised. However, as managers headquartered in Asia have developed proven track records, investors have allocated increasing proportions of capital to these domestic firms; such managers accounted for 90% of capital raised by funds closed in 2015, and 92% in 2016 YTD.

Asia-based fund managers also account for the bulk of private real estate deal activity in the region; 17 of the top 20 deals to be concluded since 2015, including the three biggest, involved domestic fund managers. The assets involved in these deals also show a broad range of risk/return profiles; the less developed, higher yield market in India represents a quarter of transactions announced since the start of 2015, while assets in the well-developed, lower yield landscape of Singapore account for the largest proportion (38%) of aggregate deal value in the same period. This includes the notable \$2.5bn acquisition of Asia Square Tower I, the largest deal recorded in the region since 2015.

Other Key Real Estate in Asia Facts:

- **Deals by Size:** In the Asian real estate deal market, **larger assets (over 500,000ft²) account for more than three-quarters (76%) of the aggregate value**, and 42% of all deals. Properties less than 100,000ft² account for 21% of all transactions, and just 5% of the aggregate deal value since the start of 2015.
- **Largest International Deals:** Blackstone Group oversaw the largest Asian real estate deal involving a foreign fund manager. **The \$854mn acquisition of L'Avenue, a mixed-use property located in Shanghai**, is the fifth-largest deal overall recorded in the region since 2015.
- **Riskier Strategies:** The majority of the Asia-focused real estate funds closed since 2015 operate strategies higher up the risk/return curve; **23 opportunistic funds have secured \$11bn of investor capital, while eight value added vehicles have raised \$2.9bn**. Only seven core and core-plus vehicles have reached a final close, raising a combined \$2.6bn.
- **Funds in Market:** There are currently **56 Asia-focused private real estate funds in market, targeting a combined \$18bn**. This marks a decrease in the number of funds but an increase in target capital compared to 12 months ago. Opportunistic strategies account for half of both the number of funds in market and aggregate target capital.
- **Time on the Road:** **Nearly one-third (31%) of all Asia-focused funds closed since 2010 spent less than six months raising investor capital**, a significantly larger proportion than vehicles focused on either Europe (16%) or North America (15%). However, funds closed in 2016 YTD have taken longer than average compared to funds focused on other regions, a trend not seen before.

To access further information and analysis, please see the full report below:

<https://www.preqin.com/docs/newsletters/re/Preqin-Real-Estate-Spotlight-September-2016.pdf>

Comment:

“The Asian private equity real estate marketplace is coming to be dominated more and more by domestic fund managers, indicative of the growth of the industry in the region. A diverse market, Asia provides opportunities to invest in highly-developed, lower yield markets such as Hong Kong and Taipei, as well as higher yield regions such as Mumbai and Delhi.

However, deal prices and valuations remain a major concern for fund managers globally, and therefore the expansion of the Asian market may attract a growing pool of international firms. Asia-based managers will hope that their greater knowledge and understanding of real estate in the region will continue to attract investor capital, and that fundraising can once again approach the levels seen before the Global Financial Crisis.”

Andrew Moylan – Head of Real Estate Products, Preqin

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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