

Private Equity Real Estate Deal Flow Decelerates in Q1 2017

After healthy deal activity in 2016, both the number and aggregate value of private equity real estate-backed transactions suffer sharp decline in Q1 2017

Private equity real estate managers reduced their investment activity in Q1 2017 with both the number and aggregate value of transactions showing a decline. In total, 568 deals were completed for a combined \$38bn although Preqin expects these figures to rise by up to 10% as more information becomes available. This marks a 33% decrease in the number of deals completed compared to Q4 2016 and represents the lowest aggregate deal value since Q1 2014, as the amount of capital deployed by fund managers declined from the level seen in recent quarters.

For more information and analysis, see the full Preqin Real Estate Q1 2017 Update here:

<https://www.preqin.com/docs/quarterly/re/Preqin-Quarterly-Real-Estate-Update-Q1-2017.pdf>

Other Key Q1 2017 Real Estate Deals Facts:

- Through Q1 2017, **568 private equity real estate deals were completed for a combined \$38bn**, down from the previous quarter when 853 transactions were worth a total of \$57bn.
- In surveys conducted by Preqin at the end of 2016, **two-thirds of real estate firms stated that they intend to deploy more capital over the next 12 months** than the previous year.
- **Deal flow in Europe was robust over Q1 with 205 transactions worth a combined \$15bn**, the highest aggregate total since Q1 2016. There were 346 deals in North America for \$20bn, eight deals in Asia for \$1.6bn and 17 transactions in all other regions worth a total of \$1.3bn.
- The largest amount of capital was invested in office assets, which **accounted for 39% of aggregate deal value in Q1 2017**, in line with recent quarters.
- **The proportion of capital committed to residential properties halved to 10% in Q1 2017**, down from 20% in Q4 2016, with industrial and retail both increasing over the period.
- **The ten largest private equity real estate deals completed in Q1 2017 were worth \$8.6bn** and accounted for 22% of the aggregate deal value.
- **Fund managers currently hold a record \$247bn of capital available to invest in real estate assets**, up \$10bn from the end of 2016.

Andy Moylan, Head of Real Estate Products:

“Despite holding record levels of dry powder, private equity real estate fund managers reduced their deal activity in Q1 2017 in comparison with recent quarters. The number of completed transactions was around a third lower than the previous quarter while North America suffered a notable downtick in deals completed.

Competition for assets and high valuations are not creating a conducive market for fund managers to deploy capital, with firms having to work harder to find attractive opportunities that offer the prospect of generating attractive returns. Fund managers stated at the end of 2016 that they intended to ramp up their investment over the course of 2017, so we may see deal activity pick up over the remainder of the year despite the challenges fund managers face finding value today.”

Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.

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