

Private Equity Real Estate Deals Rebound in Q2 2017

Deal volume and aggregate value both rise from sluggish Q1, as large assets drive activity

The private equity real estate industry saw 887 deals recorded in the second quarter of 2017, worth a combined \$63bn. Preqin expects these figures to rise by up to 10% as more information becomes available, but Q2 already represents a significant uptick from the slow activity recorded in the previous quarter. Larger assets drove activity: PERE deals for assets of half a million square feet or more accounted for almost one in five transactions in Q2, and more than half of total deal value.

For more information and analysis, see the full *Preqin Quarterly Update: Real Estate Q2 2017* here: <https://www.preqin.com/docs/quarterly/re/Preqin-Quarterly-Real-Estate-Update-Q2-2017.pdf>

Key Private Equity Real Estate Deal Facts:

- Q2 2017 saw **887 PERE deals worth a total of \$63bn**. This marks a 15% increase in deal flow and a 36% increase in deal value compared to Q1 2017.
- Despite increased levels of dealmaking, **dry powder available to PERE fund managers has continued to climb in Q2, reaching \$246bn as of the end of June**.
- Deals worth \$50mn or less accounted for 52% of deal volume, the lowest quarterly proportion tracked by Preqin.
- **Office assets represented 32% of deals and 34% of deal value**, the largest proportions. Land assets account for just 5% of deal flow, but almost a fifth (19%) of total value, the second-highest proportion.
- **The majority (55%) of deal value was for assets totalling 500,000 ft² or more**, and these assets represent 19% of the number of transactions. This is up sharply from the 13% of the number of deals they accounted for in Q4 2016.
- Sixteen percent of Q2 deals were portfolio transactions, in line with previous quarters. However, the proportional value of these deals is accelerating, from 28% in Q2 2016 to 34% in Q4 and a high of 44% in Q2 2017.
- The largest PERE deal recorded in Q2 for a single asset was the **HKD 8.3bn sale of the Kam Sheung Road Station Site** in Hong Kong. The largest portfolio deal of the quarter was **CNY 55.1bn acquisition of a number of development sites in Guangzhou, China**.

Andrew Moylan, Head of Real Estate Products:

“The private equity real estate deal market saw a slow start to 2017, with deal volume and value both falling sharply from levels seen in 2016. Q2, however, has seen the industry rebound, with both volume and value climbing. Although the number of deals does not match activity seen last year, aggregate value reached the highest quarterly total recorded since Q4 2015. Considering that dry powder for the industry is approaching a quarter of a trillion dollars, it is encouraging to see fund managers putting more capital to work.

Over the longer term, it is notable that an increasing proportion of activity is being concentrated around fewer, larger transactions. Portfolio deals have been a relatively static portion of the market in terms of the number of deals over recent quarters, but account for an accelerating proportion of deal value. Similarly, the largest class of assets is growing as a share of deal activity, indicating that more fund managers are looking to acquire larger assets or bundles of assets in an effort to effectively deploy their available capital into attractive opportunities.”

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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