

Private Equity Real Estate Managers Look to Ramp up Investment in 2017

Two-thirds of real estate firms plan to deploy more capital in 2017, but face a tough market

A Preqin survey of over 180 real estate fund managers finds that two-thirds of firms intend to deploy more capital over the next 12 months compared to the previous year, and almost half are planning to invest significantly more. Fund managers have record amounts of uncalled capital (or dry powder) at their disposal, but this has led to increased levels of competition, and placed pressure on asset pricing. Managers see valuations as a key concern for the year ahead, and many have reduced their performance objectives as a result.

For more information and analysis, see the full March Real Estate Spotlight here:

<https://www.preqin.com/docs/newsletters/re/Preqin-Real-Estate-Spotlight-March-2017.pdf>

Other Key Real Estate Fund Manager Outlook Facts:

- Private equity real estate firms have increased their investment activity notably in the past two years, with **the aggregate value of deals by these firms reaching \$242bn in 2015 and \$220bn in 2016.**
- Despite this, managers hold a record amount of **capital ready for deployment: \$250bn** as of February 2017.
- This influx of capital has driven increased competition, and **54% of managers believe there is more competition** for investment opportunities compared to a year ago.
- **Managers have seen the greatest uptick in competition for lower-risk assets**, with 55% of firms stating that competition has increased, compared to 41% that say the same of opportunistic assets.
- This competition is putting upwards pressure on asset pricing, and **52% of managers now say that valuations are the key challenge facing them in 2017.**
- These concerns have led 47% of managers with a fund in market to **lower their performance expectations.**

Andy Moylan, Head of Real Estate Products:

“Recent years have seen real estate fund managers generate the strongest returns of any private capital asset class, and distribute record levels of capital to investors. Deal flow has accelerated in the past few years, and fundraising remains robust. Furthermore, investor sentiment remains high in the longer term, and many are looking to expand their real estate investment portfolios.

While concerns are growing in the real estate industry around the pricing and availability of assets, and the record levels of dry powder fund managers have available, most firms remain confident they can find value in the current market. The majority of fund managers expect to put more capital to work in 2017 in order to capitalize on this, even if they have to adapt their strategies or lower their return expectations as a result of current challenges.”

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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