

Private Equity Real Estate Deals Reach Five-Year High in Q1

Deal market diversifies and turns more to portfolio transactions in opening quarter of 2018

A total of 1,403 private equity real estate deals were announced globally in Q1 2018, worth an aggregate \$67bn. This marks a decrease from Q4 2017 – which saw 1,612 deals announced worth \$101bn – but is an increase from Q1 2017, when 1,244 deals were announced for \$56bn. In fact, Q1 2018 represented a five-year high for deal activity in an opening quarter, both in terms of the number of deals and their aggregate value. Encouragingly, the PERE deal market is also seeing signs of diversification: office assets remained the most sought-after property, but represented just 29% of total deal value in the quarter, down from 40% in the corresponding quarter a year prior. Firms also seem to be turning increasingly to portfolio transactions – although these deals represented just 15% of the number of transactions in Q1 2018, unchanged from the year before, their share of total deal value increased five percentage points to 35%.

For more information and analysis, see the full *Preqin Quarterly Real Estate Update: Q1 2018* here:

<http://docs.preqin.com/quarterly/re/Preqin-Quarterly-Real-Estate-Update-Q1-2018.pdf>

Key Private Equity Real Estate Deals Facts:

- **In Q1 2018, 1,403 private equity real estate deals were announced for \$67bn.** This represents a five-year high for first quarter deal activity, an increase from Q1 2017 when 1,244 deals were announced for \$56bn.
- **North America accounted for two-thirds (67%) of the number of deals**, while Europe made up a further 30%. Asia accounted for just 1% of the number of real estate deals announced in the quarter.
- **Office assets accounted for the largest proportion of deal value (29%).** This is down from the 40% they accounted for in Q1 2017.
- Portfolio transactions accounted for 15% of the number of deals, on par with Q1 2017. However, **their share of deal value rose to 35%**, up from 30% a year prior.
- **Deals made for assets less than 100,000ft² accounted for an increased proportion of deal value** from Q1 2017 to Q1 2018, rising from 10% to 15%.
- The largest single-asset transaction was the \$1.5bn acquisition of 701 Seventh Avenue by Fortress Investment Group and Maefield Development.
- The largest portfolio private equity real estate deal was the acquisition of Canyon Industrial Portfolio by Blackstone Group for \$1.8bn.

Oliver Senchal, Head of Real Estate Products:

“The real estate industry saw a banner quarter in Q1 2018, both in terms of fundraising and deal activity. Transactions reached a five-year high for any opening quarter, both in terms of the number of deals announced, and their total value. This shows the PERE deal market is going from strength to strength, as this comes on the heels of a record year in 2017. If this pace continues, we could see 2018 surpass its predecessor as the biggest year ever for PERE transactions.

Beyond the gains in overall number and value, it is interesting to see that the industry is putting increasing emphasis on portfolio transactions, and is diversifying away from a traditional focus on landmark office buildings. An increasing amount of value going to hotels, residential properties and operating companies speaks to a market that is maturing, and potentially one that is looking to diversify holdings in anticipation of a market correction in the coming years.”

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