

## Private Real Estate Sticks with Retail Investments

### Deal volumes and fundraising activity remain steady despite challenges facing sector

Bricks-and-mortar retailers are facing notably challenging times, with online retailers taking an ever-larger share of consumer spending. Institutional real estate investors are taking note, and just 13% of those surveyed at the end of 2017 indicated that they thought retail assets presented the best opportunity in the current market. Despite these circumstances, private equity real estate (PERE) deal makers have continued acquiring retail assets in recent years. Total deal value for retail assets was \$45bn in 2015, almost double the \$23bn recorded in 2013, and since then has stayed strong, totalling \$38bn in 2016 and \$43bn in 2017. Fundraising for vehicles including retail in their remit has also stayed steady in recent years, and in 2017 funds raised \$42bn – their highest total since 2008. In fact, a third of funds closed in each year since 2013 includes some retail property within its mandate, indicating the abiding appeal these investments have within the industry.

**For more information and analysis, see the full *May 2018 Real Estate Spotlight* here:**

<http://docs.preqin.com/newsletters/re/Preqin-Real-Estate-Spotlight-May-2018.pdf>

#### Key Retail Private Equity Real Estate Facts:

- **Retail assets are not currently favoured by investors**, with just 13% saying at the end of 2017 that they thought retail presented the best opportunities in 2018.
- However, **deal making in the sector has been strong in recent years**: 2015-2017 saw an annual average of 896 deals worth \$42bn.
- In fact, **retail deal activity almost doubled** from 632 deals worth \$23bn in 2013 to 905 deals worth \$45bn in 2015.
- **A large proportion of these deals (41%) have been portfolio transactions**, a higher share than for residential (29%) or office (22%) assets.
- Despite strong activity, **retail assets represent a shrinking share of the overall deals market**, down from 19% of the number of deals announced in 2013 to 14% in 2018 YTD.
- Retail-focused private real estate **fundraising has also been steady since 2012**, surpassing \$30bn annually. 2017 was a post-Global Financial Crisis record, as 79 vehicles secured \$42bn, and 2018 YTD has already seen funds secure \$19bn.
- Funds wholly or partially focused on **retail assets have represented around a third of fund closures in each year since 2013**, and account for 56% of funds closed in 2018 YTD.

#### Oliver Senchal, Head of Real Estate Products:

“The retail industry is facing a combination of several serious challenges. Wage stagnation and inflation have squeezed disposable incomes in many developed economies. When they do shop, consumers are increasingly drifting online, and are spending less in bricks-and-mortar stores. At the same time, minimum wage increases and rising rents are increasing overheads for many retailers. Investors have taken note of these trends, and just 13% told Preqin that they thought retail assets would present the best opportunities in 2018. However, private equity real estate deal makers are keeping faith with the sector, and both fundraising and deal making levels have stayed strong in recent years.

This may be partly due to anticipation on the part of fund managers. Although they currently are facing challenges, many retail assets occupy prime locations in expanding cities, and with their long timeframes PERE managers can afford to wait out short-term difficulties for the sector. It may also be that some of these assets, especially the largest single assets, are shopping centres that have value as flagship locations and so are somewhat insulated from high street challenges. Overall, a lot has been said predicting the imminent demise of the physical retail sector, but the challenges faced by operating companies may not impact, and may even enhance, the opportunities available to fund managers seeking to acquire their physical premises.”

---

*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.*

**For more information, contact our dedicated press team at [press@preqin.com](mailto:press@preqin.com) or call (+44) 20 3207 0265.**

New York	London	Singapore	San Francisco	Hong Kong	Manila	Guangzhou
+1 212 350 0100	+44 20 3207 0200	+65 6305 2200	+1 415 316 0580	+852 3892 0200		

[www.preqin.com](http://www.preqin.com) / [info@preqin.com](mailto:info@preqin.com)