

Will 2018 Be a Record Year for Real Estate Deals?

2018 YTD has seen deal activity on par with the record levels recorded in Q1-Q3 2017

Private equity real estate (PERE) deal activity in Q3 picked up slightly, with 1,804 deals completed worth a combined \$103bn. This is a slight increase from the 1,830 deals worth \$91bn that were recorded in Q2. Preqin expects Q3 totals to rise further as more information becomes available, but this already brings total activity in Q1-Q3 2018 to 5,838 deals worth a total of \$301bn. This is on par with activity seen in Q1-Q3 2017, when 5,994 transactions were made for a total of \$320bn – raising the possibility that 2018 could go on to match and even surpass 2017's record totals if Q4 shows strong levels of activity.

Q3 also saw aggregate value attributed to non-core property types decrease, as market share for hotel, industrial and mixed-used assets fell in comparison to a year ago. However, core assets like office and retail properties are representing an increasing proportion of deal value, collectively representing two-thirds (67%) of transaction value this quarter.

For more information and analysis, see the full *Preqin Quarterly Real Estate Update: Q3 2018* here:
<https://www.preqin.com/insights/quarterly-updates/preqin-quarterly-update-real-estate-q3-2018/24089>

Key Q3 Private Equity Real Estate Deals Facts:

- **Q3 2018 recorded 1,804 deals worth \$103bn**, bringing total 2018 YTD activity to 5,838 deals worth \$301bn. This is on par with Q1-Q3 2017, which saw 5,994 deals worth \$320bn.
- **Core property types made up the majority of deal value in Q3**, with offices accounting for 29% of transactions and 43% of value, and retail properties accounting for 14% of transactions and 24% of deal value.
- **North America saw the greatest deal activity**, with 1,253 deals made in the region. A further 488 deals were made in Europe and 13 deals were completed in Asia.
- Although the proportion of portfolio deals completed rose just three percentage points from 13% in Q3 2017 to 16% in Q3 2018, **deal value for portfolio deals rose significantly**, from accounting for 25% of value to 38%.
- The proportion of aggregate value for deals for assets smaller than 100,000ft² in size has increased from a year ago, up from 12% in Q3 2017 to 15% in Q3 2018.
- **The largest deal completed this quarter** was a portfolio of offices in Spain bought by Cerberus Real Estate Capital Management and Deutsche Bank for €17bn (\$14bn).

Tom Carr, Head of Real Estate:

“The PERE deal market has seen nine consecutive record-breaking years, and 2018 might become the tenth– it’s all down to whether Q4 will see a spike in investments on par with what we saw in Q4 2017. It is interesting to note, though, that core assets like offices and retail properties were most sought-after in the quarter. Given that both investors and fund managers are concerned about the possibility of a downturn on public markets in the next 36 months, we may be seeing some fund managers seeking out core assets as a form of diversification and inflation hedging.”

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