

## Where Next for Private Equity Real Estate?

### Industry grows from strength to strength, but faces challenges in the months ahead

The private equity real estate (PERE) industry reached a record \$900bn in assets under management as of June 2018, marking a new high for a sector that has grown from strength to strength in recent years. Fundraising has remained strong, deal making is at record levels and investor appetite is high. Looking ahead, fund managers are optimistic about the future of the industry, and there are a record number of funds seeking capital. But there are serious challenges ahead: high asset pricing is putting pressure on future return prospects, and both fund managers and investors foresee a market correction in the coming months. This suggests that the months ahead will be turbulent for PERE fund managers, and may help explain why investors are increasingly looking to commit to large, established fund managers over smaller firms. As the fundraising and deals markets continue to bifurcate, the industry is likely to become even more difficult to navigate for both parties.

**For more information and analysis, see the full 2019 Private Equity Real Estate Market Outlook here:**  
<https://docs.preqin.com/reports/2019-EisnerAmper-Private-Equity-Real-Estate-Market-Outlook.pdf>

#### Tom Carr, Head of Real Estate:

*“Private real estate is in a period of adjustment. High valuations and rising interest rates will continue to be key challenges for the industry in 2019. While investors generally plan to allocate more capital than ever before, it seems likely that fundraising will become an even more challenging prospect for many managers as competition continues to intensify. In response to this, many fund managers are looking to adapt their approach by changing their risk/return profile, expanding into different markets or offering alternative structures to investors. Private real estate will have a changing market to which investors and managers have to acclimatize to perform well.”*

#### Key Real Estate Outlook Facts:

- Private real estate **assets under management reached \$909bn** as of the end of June 2018.
- Fundraising was strong in 2018, as **300 funds raised an aggregate \$124bn**. This is the sixth consecutive year in which fundraising exceeded \$100bn.
- A record **6,418 private real estate deals were announced in 2018, worth a record \$325bn**.
- For 2019, **91% of real estate investors plan to maintain or increase their investments**, including 26% that will invest more this year than in 2018. By comparison, just 9% plan to invest less in 2019 than in the year before.
- Fund managers plan to offer more co-investment (46%) and separate account (45%) solutions in 2019 than they did in 2018.
- There were a record number of funds on the road as at January 2019 – **670 funds were targeting an aggregate \$244bn**.
- The majority of investors (64%) and fund managers (71%) surveyed by Preqin at the end of 2018 **believe the market cycle is currently at its peak**. A significant 40% of fund managers expect a market correction in 2019.

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*Preqin’s data and analysis is frequently presented at industry conferences, and is used in the global financial press and academic journals & white papers. We are always happy to support journalists by providing reports, custom data and one-on-one interviews.*

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