



EY publishes new report: Global market outlook: trends in real estate private equity

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Having emerged from the global recession and its aftermath, the real estate private equity sector is finally positioned for growth in 2014, according to Global market outlook: trends in real estate private equity, published by EY.

"Five years on, and following a long recovery, global real estate is now entering a broad up-cycle and, having learned some important lessons during the downturn, private equity funds are heading down a path toward growth. What remains to be seen is if they are in for a brisk morning walk or just a Sunday stroll," said Mark Grinis, EY's Global Real Estate Fund Services Leader.

The strategies being deployed to take advantage of this growth opportunity differ, as fund managers seek to differentiate themselves in a hotly competitive fundraising environment. Investors also learned hard lessons during the downturn and are coming to the table with very specific conditions and ideas about how and where to deploy their capital.

EY estimates that 425 funds are in the market on a regular basis, and the top 10 funds attract roughly 50 percent of all investment capital, leaving over 400 funds to fight for the remaining 50 percent. "Investors are very much in the driver's seat when it comes to new allocations," said Grinis. "Today's successful funds broaden their offerings and react to investors' desires for acceptable fees, proven deal flow, superior performance and a strategic approach."

The report suggests that there will be fewer opportunities in the future for fund managers to capitalize purely from the financial structuring side of their investments. "The funds that come out ahead of the competition in this next phase of growth will have one thing in common: an old school asset management approach that realizes maximum investment value by working closely with the real estate," said Howard Roth, EY's Global Real Estate Leader.

"Funds that show a willingness to get their hands dirty with the real estate and which have a well developed operating strategy are also benefitting from investors' desire to locate the next major global fund manager," added Roth. "There are essentially 'emerging manager programs' in place today that are geared not towards elevating first-time fund managers, but rather supporting those mid level funds that wish to become tomorrow's global managers. We see this as a trend that is likely to continue and deepen as investors seek out solid real estate operators to whom they can allocate capital," he concluded.

In addition to providing insight into the future shape of the global real estate private equity sector, the EY report discusses current trends such as the shift in investment among funds away from more expensive gateway cities such as London, New York and Hong Kong and into more secondary markets like Austin, TX and Denver, CO; Copenhagen, Denmark; Taipei, Taiwan and Jakarta, Indonesia. "Increasingly, funds with high-return strategies are having to look outside the core gateway markets for assets, and this is pushing up competition in outlying suburbs as well as

secondary markets," said Grinis.

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