PERE

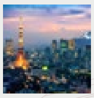
Investor Forum
Tokyo 2019

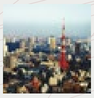
17 October
Shangri-La Hotel

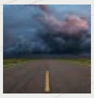
Global private real estate fundraising whitepaper H1 2019

A comprehensive review of the H1 2019 global and APAC fundraising environment.

Japanese outbound investment market trends


GPIF's $500m RE buying part of broader Japanese outbound push


JLL adds industry veterans to Japan capital markets team – Exclusive


Asia's core investors face more headwinds

Global private real estate fundraising report H1 2019


Global private real estate fundraising report H1 2019

- Number of funds closed and average time on the road
- Close-ended fundraising sector and geographic region breakdowns
- Asia Pacific fundraising analysis
- Top 10 APAC-focused funds closed from 2015 to H1 2019
- Target capital breakdown by region & significant FIM

GPIF's $500m RE buying part of broader Japanese outbound push

The world's largest pension fund is expected to engage in overseas real estate through more investment strategies and structures.

By Christie Ou | 11 July 2019

Japan's ¥158.6 trillion ($1.4 trillion; €1.2 trillion) Government Pension Investment Fund (GPIF) allocated ¥54.5 billion in overseas real estate investments in the fiscal year 2018, according to its latest annual report, kickstarting its global real estate deployment drive.

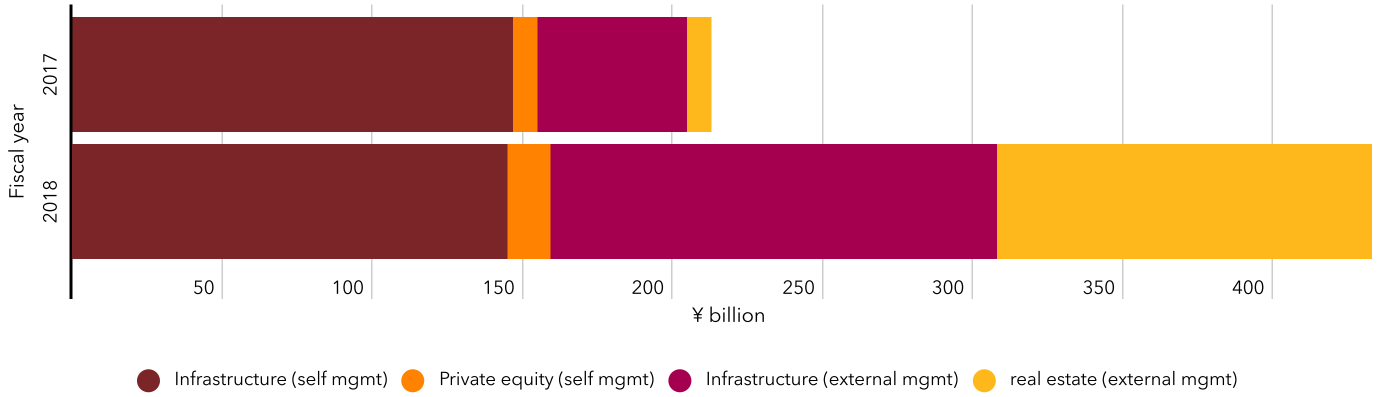
The pension fund's overseas real estate investments were done through CBRE Global Investors, the Los Angeles-based investment firm hired to manage GPIF's global core real estate investing mandate in September 2018.

In total, GPIF made $1 billion in real estate investments in the fiscal year 2018, a 15-fold increase from the investor's 2017 real estate investment volumes, according to a report by Japanese placement agent Asterisk Realty & Placement Agency. Of this, ¥70.4 billion was invested in domestic real estate. Mitsubishi UFJ Trust and Banking Corporation has been GPIF's domestic real estate investment manager since end 2017.

Given the size of GPIF's portfolio, Asterisk expects GPIF to accelerate its speed of overseas real estate deployment through more investment strategies and structures. GPIF is also currently undergoing an investment regulation reform, which would allow the investor to invest in limited partnerships. Once the regulation is approved, the pension fund will be able to do more JV investments instead of being limited to indirect fund investing through a gatekeeper.

CLOSER LOOK AT THE SLEEPING GIANT

Investment volume in real estate grew 15 times in a year



Source: GPIF

A Knight Frank report published last month estimates total outbound capital from Japan touched $4 billion in the year ending March 31, 2019, a 51 percent increase from $2.6 billion a year before. This includes capital invested by Japanese institutional investors, including GPIF, as well as corporates.

"Japanese investors primarily invested in Japan over the last 20 years, but yields have become so low that they need to look overseas to meet their return obligations," said Neil Brookes, head of Asia-Pacific capital market at Knight Frank.

Brookes told *PERE* that the latest wave of outbound investments, however, is being led by Japanese developers, including Mori Trust, Mitsubishi Estate and Mitsui Fudosan. In recent years, all these developers announced plans to build a global portfolio, with the US being the first port of entry.

"The first wave of outbound capital is coming from these Japanese developers, but I think the next wave would be coming from the institutional capital, so that is groups like GPIF and Japan Post. We have been seeing enquiries from those groups to invest in US and Australia at the moment," said Brookes.

For example, Japanese developer Mori Trust made headlines in March when it acquired a three-building office campus in San Jose, California, for $429 million, making it the biggest ever real estate investment by a Japanese corporation in the Silicon Valley area. With ¥100 billion in estimated investments in US real estate, Mori Trust is planning to further increase its overseas real estate portfolio to ¥200 billion, according to a press release.

Discussing the investment strategy of institutional investors and developers, Yukihiko Ito, managing director at Asterisk, told *PERE* there is a difference in the way both groups are approaching overseas investments. Japanese developers are comparatively bigger risk takers, since their main profit comes from taking risk in real estate. In Ito's view, they also face less restriction while making investments overseas. On the other hand, institutional investors, such as insurance companies and pensions, are looking for a stable cashflow income to pay their beneficiaries, so their risk appetite is lower. Institutional investors also need more time to make sensible investment decisions.

Ito also added that the movement of GPIF will indicate how other public pensions go about building their global real estate portfolio. ■

JLL adds industry veterans to Japan capital markets team – Exclusive

JLL's latest appointments come at a time when the firm expects Japanese inbound and outbound real estate investments to grow in volume.

By Christie Ou | 10 April 2019

Real estate services firm JLL has boosted its capital markets team in Japan with the addition of two senior executives, in part to meet the growing demand for Japanese cross-border investments, *PERE* has learned.

The firm has appointed Kenichi Negishi to replace his predecessor Akihiko Mizuno as the new head of capital markets in Japan. Arthur de Haast, chairman of JLL's capital market board, will also join the firm's Tokyo office from the UK.

"This is part of our ongoing strategy of expanding our team in Japan to provide a broader range of services, combing Arthur's vast experience with Kenichi's commercial property expertise, to meet a growing demand for cross-border deals," said Stuart Crow, chief executive officer of capital market Asia Pacific at JLL.

PERE understands that Negishi joined the firm in June 2018 as the deputy head of capital markets in Japan. Prior to that, he led the real estate lending business in Japan for Dekabank, a German financial services provider. At Deka, he helped to set up its representative office in Japan in 2008. With over 25 years of experience in real estate financing, Negishi also worked at Merrill Lynch Japan Securities, JP Morgan Securities Asia and Nomura Real Estate Development.

In his new role, Negishi will lead the real estate brokerage's advisory service business in Japan to grow and maintain the network of global and local institutional clients. Meanwhile, his predecessor Akihiko Mizuno will continue to support the team until his departure in June.

de Haast's relocation is understood to be driven by a wider push by JLL to support outbound real estate investments by the firm's Japanese institutional investor base, in addition to his original role of developing global strategies. Over the past few years, Japanese institutional investors have been gradually increasing their overseas alternatives allocation. In 2018, for instance, total overseas real estate investments by Japanese investors was $1.52 billion, according a JLL report.

JLL also estimates inbound investments into Japan real estate markets to grow. According to a recent report, Tokyo's investment volumes rose from $15.4 billion (€13.7 billion) in 2017 to $17.9 billion (€15.9 billion) in 2018.

Globally, JLL has been taking an active role to engage institutional investors looking to deploy capital into different real estate markets. To fully leverage its resources as a global real estate brokerage firm, it started its fund advisory service in 2017 to provide advisory and capital raising services for funds. The unit has grown to a team of 24 people within two years. ■

Asia's core investors face more headwinds

Declining investing volumes in Japan demonstrate a further challenge for those with aspirations to build a lower risk and return portfolio in Asia.

By Arshiya Khullar | 28 February 2019

Real estate transactions research firm Real Capital Analytics' latest data on Asia-Pacific volumes in 2018 does not look promising for those wanting to deploy capital into one of the region's most important markets: Japan.

Annual transactions for income-producing properties in Japan dropped 26 percent last year to $28.8 billion, the biggest year-on-year decline seen among the region's 10 most active countries. According to RCA, Tokyo experienced the slowest activity since the global financial crisis, with a 10 percent year-on-year drop in transaction volumes. And with only four cross-border transactions completed in Tokyo, 2018 was also the year that recorded the lowest international deal count since 2009.

As Asia has evolved from being largely perceived as an opportunistic investing region to one presenting a variety of lower-risk strategies, Japan and Australia have arguably been the two countries global investors have consistently felt most comfortable when locating core assets. The fact both these markets face headwinds in today's late-cycle environment will therefore register high on their radar.

In Japan, many sectors are yielding record low yields. According to research by global advisor CBRE, the average expected yield for office, retail and industrial in Tokyo was as low as 3.43 percent, 3.4 percent and 4.49 percent, respectively, as of Q4 2018. Dovetailing with high asset prices, investors also have to deal with a pullback in lending by Japanese banks. The property lending-to-GDP ratio in Japan was reportedly 14.18 percent at the end of 2018, higher than the long-term trend, raising questions about whether the market has overheated. According to a Nikkei report, outstanding real estate financing from Japanese banks was 78.9 trillion yen ($710 billion; €620 billion) at the end of 2018, the highest on record.

Meanwhile, commercial office property values in both Sydney and Melbourne have already surpassed the previous cyclical peak of 2008. According to CBRE's estimates, the values in Sydney for instance are 50 percent higher than 2008. This, coupled with slow rental growth and conservative property lending by banks, has made office investments a tough bet in these two prime Australian cities. Office investment volumes touched $19.5 billion in 2018, as per JLL's estimates, but the real estate services firm expects a 10-20 percent drop in volumes this year. Some investors have already hit pause in Australia: Allianz Real Estate, for instance, did not invest in the country's offices in 2018. The investor continues to be selective about the sector this year as well, as *PERE* reported late last year.

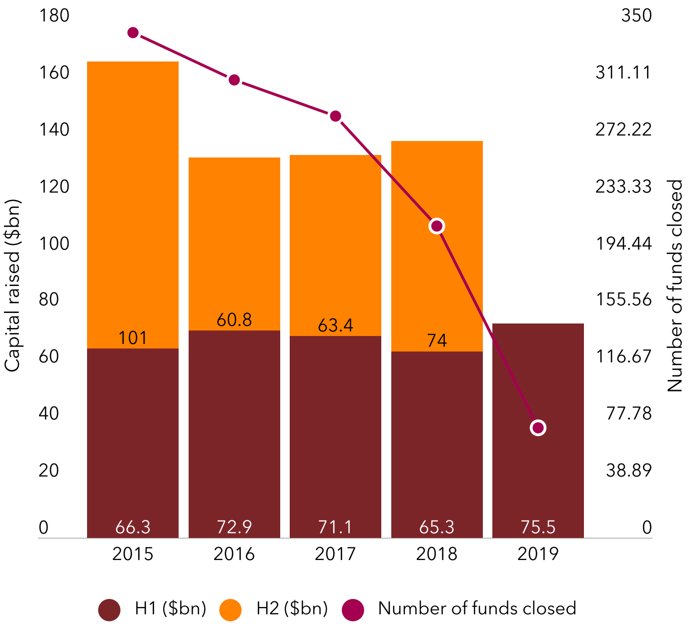
While it is getting harder to find assets within a price range to satisfy the lower risk and return requirements of classic core investing in these markets, it is not that hard to raise core capital. Asian core strategies have returned satisfactory numbers too. In Q2 2018, core funds outperformed value-add and opportunistic funds, returning 2.62 percent, compared with 2.28 percent and -1 percent respectively, ANREV's data shows.

Indeed, core continues to be a preferred strategy in the region. According to the latest *Investment Intentions Survey* published by industry bodies ANREV, INREV and PREA, 54.1 percent of the global investors surveyed said they plan to invest in core, versus 44.3 percent for value-add and 27.9 percent for opportunistic. The percentage is even higher for Asia-Pacific investors, with an overwhelming 81.3 percent advocating for core.

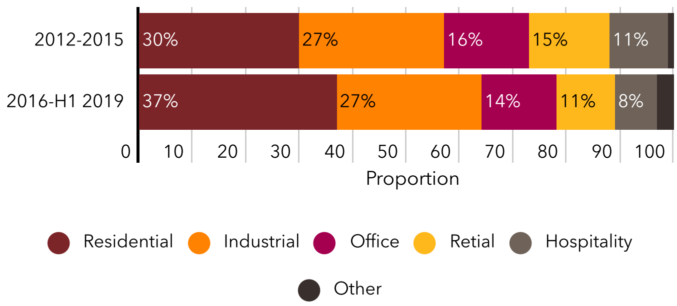
To meet this demand, some investors are letting managers be creative: build-to-core strategies in cities such as Seoul have been qualified as core, for example. Others have stretched the core definition in other ways, including secondary Japanese or Australian cities in the thesis or even adding alternative assets like student accommodation into the mix. But if the markets best expected to provide core real estate become prohibitively difficult to engage, it would not be a leap to imagine investors which have been including Asian core in their property portfolios putting these plans on ice until that situation changes. ■

Global private real estate fundraising report H1 2019

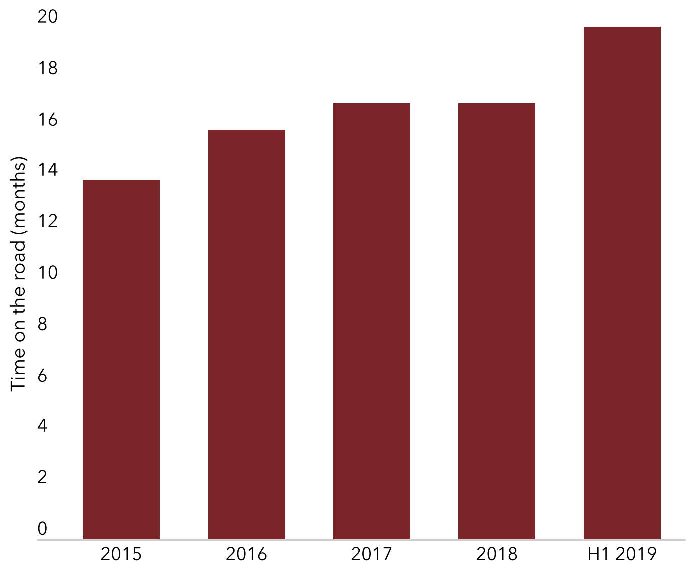
GLOBAL PRIVATE REAL ESTATE FUNDRAISING 2015- H1 2019



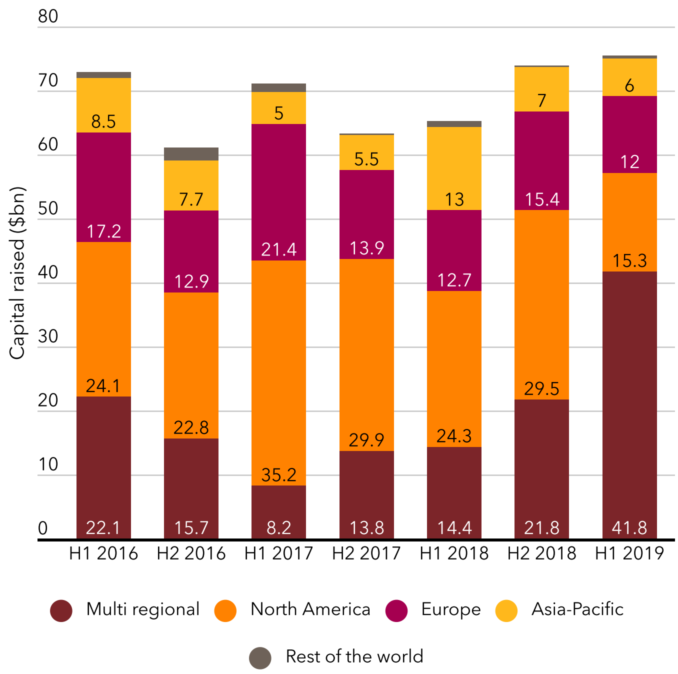
GLOBAL CLOSE-ENDED PRIVATE REAL ESTATE FUNDRAISING – SECTOR BREAKDOWNS 2012-2015 VS 2016-H1 2019 VER.3



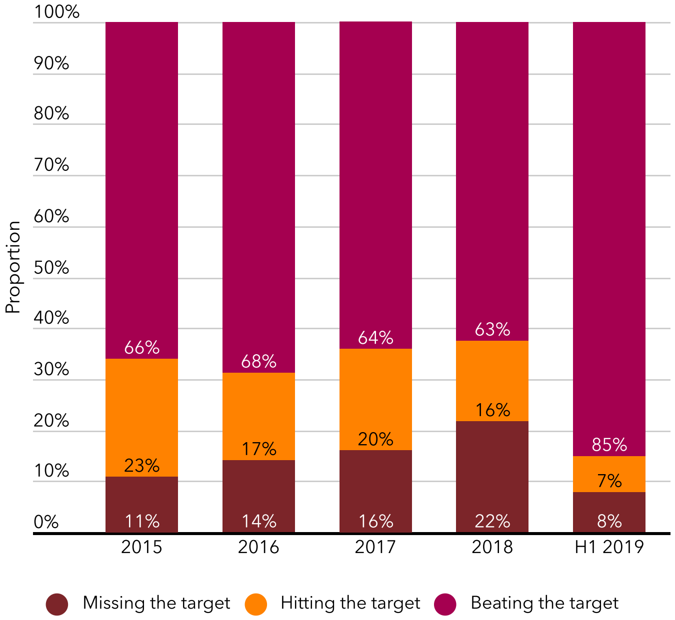
GLOBAL CLOSE-ENDED PRIVATE REAL ESTATE FUNDRAISING – AVERAGE TIME ON THE ROAD



GLOBAL PRIVATE REAL ESTATE FUNDRAISING 2016- H1 2019 – GEOGRAPHIC REGION BREAKDOWNS



GLOBAL PRIVATE REAL ESTATE FUNDRAISING 2015- H1 2019 – FUNDRAISING TARGET

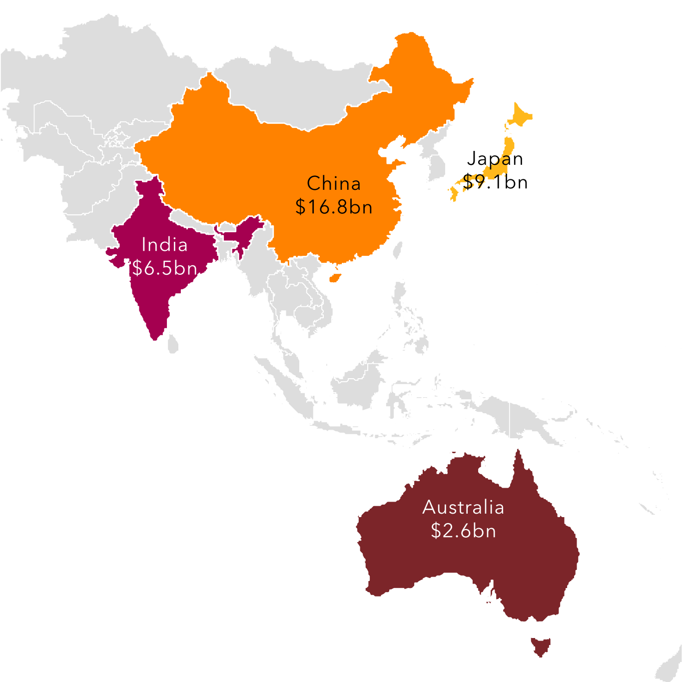


ASIA PACIFIC REAL ESTATE FUNDRAISING 2015-H1 2019 – GEOGRAPHIC REGION BREAKDOWNS

Aggregate capital raised 2015-H1 2019

Pan Asia

$32.5bn



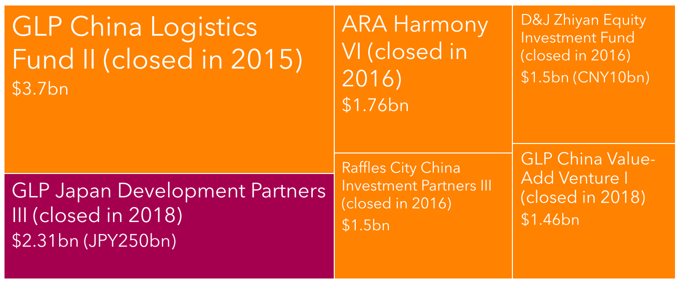
Largest fund closed for the region 2015-H1 2019

	Country	Largest fund closed
	Pan Asia	Blackstone Real Estate Partners Asia II USD7.07bn
	Australia	Lendlease Sub-Regional Retail Fund A$614.7m
	China	GLP China Logistics Fund II USD3.7bn
	India	IndoSpace Logistics Parks III USD580m
	Japan	GLP Japan Development Partners III JPY250bn

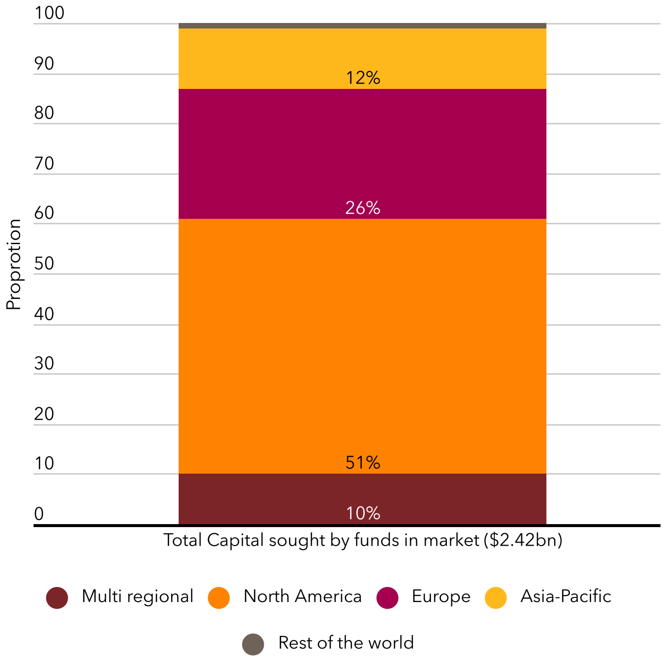
ASIA PACIFIC REAL ESTATE FUNDRAISING –10 BIGGEST APAC-FOCUSED FUNDS CLOSED IN 2015-H1 2019

Pan-Asia

China and Japan focused



GLOBAL PRIVATE REAL ESTATE FUNDS IN MARKET – TARGET CAPITAL BREAKDOWN BY REGION & SIGNIFICANT FIM

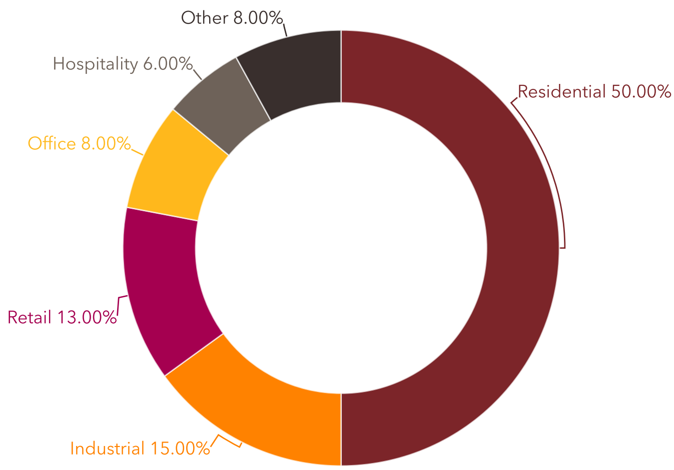


Largest funds in market in the region

Region	Largest funds in market in the region	Focus	Target capital
Muiti regional	Nuveen Global Cities	Residential-focused	$2bn
North America	CIM Opportunity Zone Fund	Multi-sector focused	$5bn
Europe	Blackstone Real Estate Partners Europe VI	Multi-sector focused	€10bn
Asia-Pacific	PAG Real Estate Partners II	Office & residential focused	$2bn

GLOBAL PRIVATE REAL ESTATE FUNDS IN MARKET – CAPITAL SOUGHT BY SECTOR

Capital sought by sector-specific funds $64.1bn



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Connecting Japanese capital with global private real estate

2019 confirmed LP attendees include:

- Advantest Corporation
- AISIN Employees' Pension Fund
- Aozora Bank
- CalSTRS
- CPPIB Asia
- DENSO Pension Fund
- Development Bank of Japan
- Farmers' Pension Fund
- Fuji Xerox Pension Fund
- Gibraltar Life Insurance
- Government Pension Investment Fund (GPIF)
- Hulic
- Idemitsu Pension Fund
- Ivanhoe Cambridge
- Japan Co-Op Insurance Consumers' Co-Operative Federation
- Japan Post Insurance
- Manulife Life Insurance
- Mizuho Trust & Banking
- National Federation of Mutual Aid Associations for Municipal Personnel
- National Kyosai Federation of Japan Agricultural Cooperatives (ZENKYOREN)
- NBRE Management Japan Advisors KK
- Nippon Life Insurance
- Nomura Asset Management
- Nomura Funds Research and Technologies
- Norinchukin Bank
- Orix Life Insurance Corporation
- Osaka Shoko Shinkin Bank
- Pension Fund Association
- Resona Bank
- Shimizu Corporation
- Shinsei Bank
- Sumitomo Life Insurance
- Sumitomo Mitsui DS Asset Management
- Sumitomo Mitsui Trust Bank
- The Norinchukin Bank
- Tokio Marine & Nichido Fire Insurance
- Tokio Marine Asset Management
- Tokyo Star Bank
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