

Big Managers Post 2nd-Quarter Gains

Four of the biggest public real estate managers reported positive gross returns in the second quarter.

Results ranged from 1.4% to 4.4%, according to a review by **Hodes Weill & Associates**. The results were unexpected given the crushing impact of the coronavirus pandemic on property trades and downward pressure on valuations. Plus, the four firms – **Apollo Global, Ares Management, Blackstone** and **KKR** – all reported first-quarter write-downs of 1% to 8.8%.

Still, Blackstone president **Jon Gray**, in his firm's second-quarter earnings call, said the first-quarter write-downs across real estate vehicles were "temporary, reflecting a moment of great dislocation and . . . should reverse given time. You can see that recovery underway in our second-quarter returns."

Gray attributed the positive returns to Blackstone's investments in "sectors that are resilient to Covid-related headwinds," including industrial and life-science properties.

Doug Weill, co-founder of New York-based Hodes Weill, said the positive returns indicate that some of the biggest real estate owners feel operating fundamentals are stronger than many believe.

Property listings have picked up in the past few months, and many industry observers are looking ahead to see how third-quarter returns fare.

"When we speak to managers and others in the industry, the fall is a pivotal moment for the industry," Weill said. "Everyone is watching the next 60 days."

The biggest return was on Ares' \$4 billion European real es-

tate portfolio, which gained 4.4% in the second quarter, compared with minus-3.5% in the first quarter. The portfolio was up 12.7% in 2019.

Ares' \$3.5 billion U.S. portfolio reported the second-highest return, at 3.4%, up from minus-4.2% in the first quarter. It posted a 16.8% return last year.

Blackstone reported a 3% gain on its global core-plus properties, which total \$38 billion. That portfolio generated a 3.9% loss from January to March and a 9.2% return last year.

Hodes Weill's review is limited to the publicly announced commercial real estate returns of large managers. Many large public firms don't disclose those returns in filings, including **Brookfield, Carlyle Group** and **Colony Capital**. ❖

Real Estate Fund Performance

	AUM (\$Bil.)	Gross Return (%)	
		1Q-20	2Q-20
Apollo Global Real Assets	\$31.6	-6.5	1.4
Ares European Real Estate Equity	4.0	-3.5	4.4
Ares U.S. Real Estate Equity	3.5	-4.2	3.4
Blackstone Global Core+	38.0	-3.9	3.0
Blackstone Global Opportunistic	52.7	-8.8	1.6
KKR Global Opportunistic	7.7	-1.0	2.0
MSCI/PREA U.S. Core OEF Index	234.7	1.2	-1.5

Source: Hodes Weill & Associates

REAL ESTATE ALERT: September 23, 2020

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