

Secondaries Investor

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PUBLISHED: 4 March 2021

NEWS & ANALYSIS

Brookfield inks second RE secondaries deal with stapled restructuring close

The asset management giant has backed a process involving a core-plus portfolio in the Greater Boston area and has infrastructure and private equity secondaries in its sights.

Brookfield Asset Management has made a swift entry into real estate secondaries with the close of its second deal since the business launched last June.

The Toronto-headquartered firm was the sole backer of a process involving NorthBridge Partners' last-mile industrial portfolio, according to a statement seen by Secondaries Investor. The stapled restructuring deal, involving \$360 million of gross asset value held in NB Partners II, resulted in 21 assets being moved into a continuation fund.

"Boston is one of the tightest industrial markets in the country and has seen a lot of rent growth over the last few years with limited supply," Fabian Neuenschwander, a managing director at Brookfield, told Secondaries Investor. Because of this, NorthBridge wanted to explore a recapitalisation process and stay involved in the portfolio, he added. "This is not just at take out, it's a partnership where we want to realise additional value over the next few years, so it was a perfect match."

The core-plus portfolio contains 2.3 million square feet and is 96 percent occupied with "quality tenants and assets located in high barrier to entry locations across the East Coast", according to the statement. NorthBridge will maintain an

interest in the portfolio and will continue to manage the day-to-day operations.

The continuation fund is set up as a five-year vehicle, and LPs were offered the chance to sell or roll over their exposure, with all selling, said Neuenschwander. The transaction also involves follow-on capital and there is some expansion and development potential on a number of the assets, he added.

Neuenschwander declined to comment on pricing in the transaction. Brookfield did not comment on whether LPs were given a status quo option.

As part of the process, Brookfield has also made a primary commitment to NorthBridge's latest fund, NB Partners III, which is in market.

Brookfield's wider real estate team was able to help with underwriting the deal, and was involved in financing the portfolio. This allowed NorthBridge to get "attractive" financing terms, Neuenschwander said.

Park Madison Partners, who is NorthBridge's placement agent, advised on the secondaries transaction.

NB Partners II closed on \$114 million in 2019, according to Park Madison Partners' website.

Last October, Brookfield chief executive Bruce Flatt said that secondaries could

grow into a \$50 billion business for the firm as rising levels of exposure to alternatives made portfolio management increasingly important. In July, the firm hired Partners Group's Neuenschwander and Marcus Day to assist in developing its real estate strategy.

The opportunity for real estate secondaries amid the pandemic is split according to strategy, according to Chris Reilly, a managing partner leading the firm's secondaries effort.

"Anything in logistics, the multi-family space, some of the alternative asset classes such as self storage or manufactured housing – those asset classes have not felt as much of a hit as others such as hospitality or retail," Reilly said. The dynamics of the market are a tale of two cities depending on the asset class within real estate, he added.

There are between \$11 billion and \$14 billion-worth of real estate secondaries opportunities each week – something that isn't showing any sign of slowing down, Reilly said.

"The market's quite large, and it's significantly larger than a lot of the statistics show, given what's tracked and what isn't." ■