

# Real Assets Quarterly: Fundraising trends in real estate and infrastructure

September quarter 2022



# Frontier's Real Assets Team

A senior, well-credentialed, and growing team with significant global experience



**Manish Rastogi**  
 Head of Real Assets, Infrastructure (16)  
*Prev. IFM Investors and Lehman Brothers*

**Jennifer Johnstone-Kaiser**  
 Real Estate Leader (30)  
*Prev. Savills IM and Mercer*

**Dr. Martin Thompson**  
 Senior Consultant, Infrastructure & PE (15)  
*Prev. Starfish Ventures*

**Lucas Driver**  
 Senior Consultant, Real Assets (15)  
*Prev. Plenary, Engie*

**Shrabastee Mallik**  
 Senior Consultant, Real Estate (10)  
*Prev. Dexus, Savills and Charter Hall*

**Ricci Steckoll**  
 Consultant (5)  
*Prev. Deloitte*

**Chris Tran**  
 Associate (5)  
*Prev. Pitcher Partners*

- Leads the Real Assets Team
- Provide strategic direction for real assets consulting and investment services
- Significant global experience in infrastructure investing, investment banking, origination, deal execution and industry

- Leads Frontier's real estate research program
- Consulting and research for clients, both domestically and globally
- Significant global experience leading US, Asian and Australian real estate teams prior to Frontier

- Provides consulting support for client portfolios
- Undertakes investment and manager research for private equity and infrastructure
- Noteworthy experience across venture capital and private markets

- Provides consulting support to clients
- Undertakes investment and manager research across both infrastructure and real estate
- Experience in infrastructure development and asset management across social, renewable and transport sectors

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- Responsibility for undertaking manager and investment research
- Focus on real estate and infrastructure
- Experience across business modelling with diverse range of sector experience

- Responsibility for undertaking manager and investment research
- Focus on real estate, infrastructure, and private equity sectors
- Previous experience consulting on M&A and transaction valuations

# Summary

## Fundraising across infrastructure and real estate

**Infrastructure and real estate have both experienced one of the strongest fundraising years on record in CY2021. This is partly because of the subdued capital raising and allocation due to COVID-19 in the prior year.**

However, in recent months, falls in listed markets have potentially led investors with significant private market allocations to move outside targeted asset allocation levels, the so-called 'denominator effect'. Additionally, high inflation, increasing interest rates and the fear of recession will likely mean that capital raising may slow in the second half of 2022.

### Infrastructure

- The first half of the year has already raised circa 75% of the CY2021 total, which equates to approximately US\$113 billion. This has been driven by launching and fundraising across four mega-funds, which in total have raised over US\$61 billion.
  - The four mega funds include: KKR Global Infrastructure Investors IV, ISQ Global Infrastructure Fund III, Brookfield Global Transition Fund and Stonepeak Infrastructure Fund IV.
- The launching of mega-funds has not slowed down with EQT Infrastructure VI and Brookfield Infrastructure Fund V setting fundraising targets of EUR20 billion and US\$25 billion, respectively.
- Core infrastructure has also experienced additional interest. The first half of CY2022 has already raised more capital for core funds than the whole of CY2021, with core funds raising US\$29.9 billion.

### Real estate

- All major regions, North America, Europe and Asia-Pacific, experienced strong investment volumes over CY2021 and the highest levels on record. Assets under management are expected to continue to grow over the short-term, albeit at a slower rate than the previous five years.
- Opportunistic and value-add funds have dominated the market in recent years, with over 50% of capital raised going towards higher risk strategies.
- Deal activity across Q4 2021, was one of the highest on record. Over CY2021, some of the largest growth areas were across hotels and retail, while the office sector experienced one of the largest slowdowns.
- Debt strategies have continued to gain traction in recent years as alternative lenders continue to take advantage of banks' more prudent lending requirements.
- The niche sector has also continued to attract capital with investment volumes continuing to grow year-on-year.

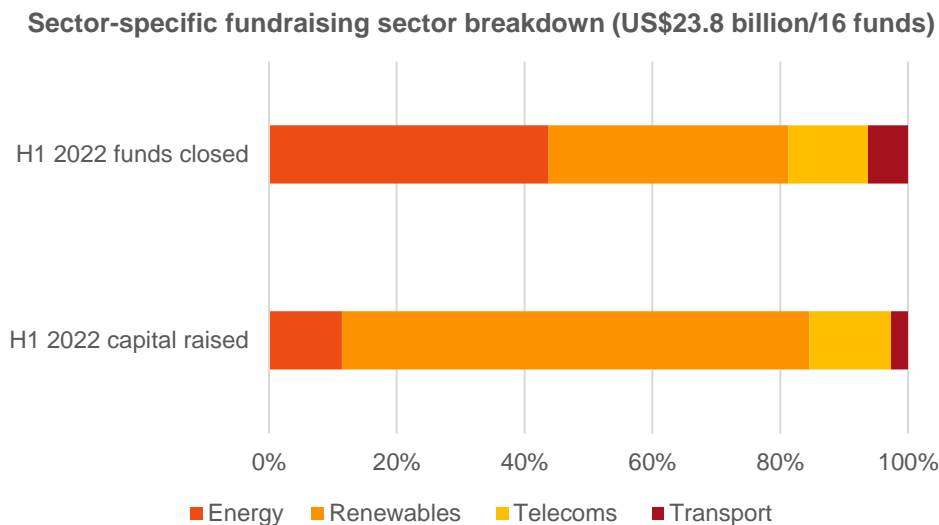
# Fundraising trends: Infrastructure

# Infrastructure: the fundraising trends

CY2022 was a record year for infrastructure fundraising, however, market volatility may slow current record-setting trends



Source: Infrastructure Investors



Source: Infrastructure Investors

**CY2022 has been a record year for infrastructure fundraising, with the first half of the year already raising circa US\$113 billion, according to infrastructure investors. This is approximately 75% of the fundraising across CY2021.**

- The large fundraising activity in CY2022 has been driven by the launching of four mega-funds, which in total have raised over US\$61 billion. This includes KKR Global Infrastructure Investors IV, ISQ Global Infrastructure Fund III, Brookfield Global Transition Fund and Stonepeak Infrastructure Fund IV. Additionally, EQT Infrastructure VI and Brookfield Infrastructure Fund V have just set fundraising targets of EUR20 billion and US\$25 billion, respectively.
- More recently, additional institutional investor appetite for infrastructure exposure has led to the average fund size growing from circa US\$0.7 billion to circa US\$2.0 billion per fund.
- However, in recent months, falls in listed markets have potentially led investors with significant private market allocations to move outside targeted asset allocation levels, the so-called 'denominator effect'. In the short term, this impact may increase the attractiveness of listed markets leading to a reduction in the pace of fundraising.
- Sector specialists continue to see solid investor appetite for various strategies targeting specific secular themes. For example, managers such as Capital Dynamics, DigitalBridge, and Brookfield have raised specific funds across, digital, renewables and 'greening' brown assets.



# The race to core

Whilst core plus infrastructure has seen very strong performance in the past, there has been significant demand for core assets

## Recent core funds per vintage

Manager and fund	Fund vintage (Year)	Target fundraising (\$ billion)	Current fundraising (\$ billion)	Target net IRR (% p.a.)	Geographical and sector focus
EQT Active Core Infrastructure	2022	EUR5 billion	-	-	Europe & North America   Diversified   Close-ended (25 years)
Stonepeak Core Fund	2022	-	-	8% to 10% p.a.	Global   Diversified   Open-ended
KKR Diversified Core Infrastructure Fund (DCIF)	2021	US\$5 billion	US\$7.2 billion	7% to 9% p.a.	Global   Diversified   Open-ended
The Morrison & Co Infrastructure Partnership	2021	-	US\$3 billion	-	Global   Diversified   Open-ended
Macquarie Global infrastructure Fund (MGIF)	2021	US\$4 billion	US\$3 billion	8% to 10% p.a.	Global   Diversified   Open-ended
Brookfield Super-Core Infrastructure Partners (BSIP)	2018	US\$5 billion	US\$6.5 billion	8% p.a.	Global   Diversified   Open-ended
Blackstone Infrastructure Partners	2017	US\$40 billion	US\$30 billion	10% p.a.	Europe & North America   Diversified   Open-ended

Source: Inframation, Infrastructure Investors, Managers, Frontier

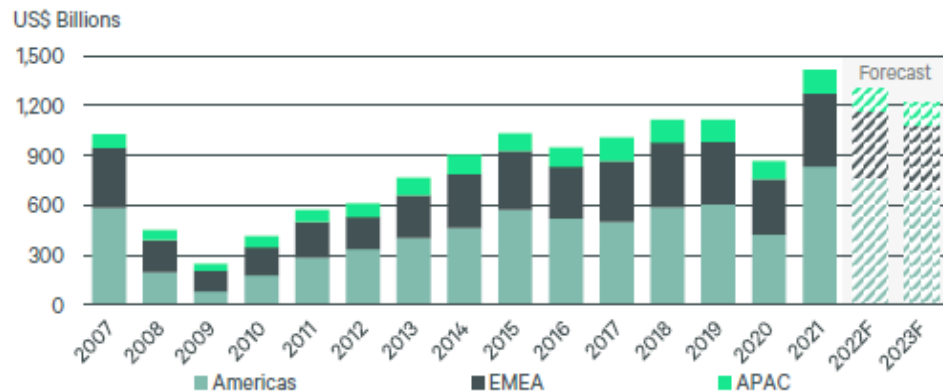
**The first half of CY2022 has already outpaced the fundraising for core funds across the whole of CY2021, with core funds raising US\$29.9 billion.**

- Historically, core funds were the foundation of Australian-based managers. However, large global infrastructure managers have seized on demand by investors for portfolio resiliency by raising significant funds for core strategies.
- Notably, investors are looking for assets that have strong cash flow resilience, leading to strong cash yields, particularly as core-plus and value-add managers continue to look at more growth-orientated acquisitions.
- Providing further demand for these core funds is the benefit that the majority of these newly launched products are 'open-ended' and therefore investors can continue to deploy capital during longer time periods, differing in structure to closed-ended products.
- Given the demand for 'open-ended/core' funds, we are likely to see additional funds targeting the core space.

# Fundraising trends: Real estate

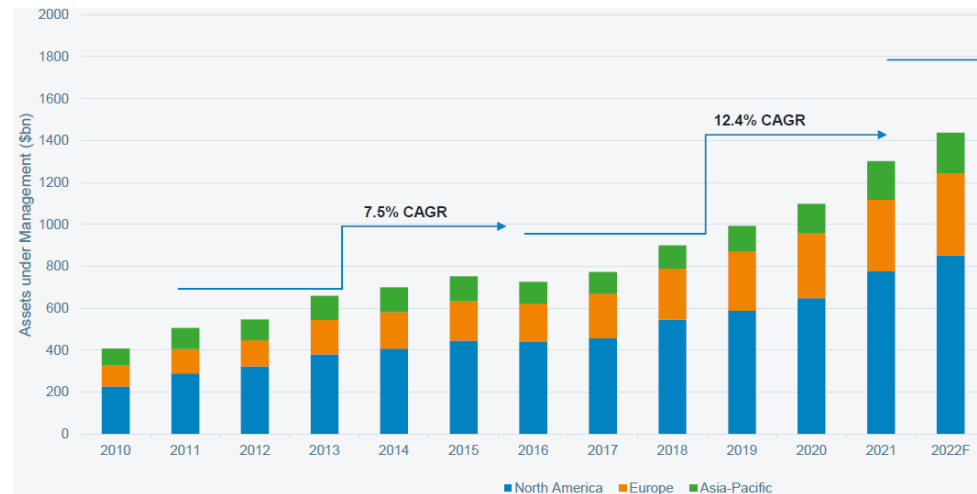
# Real estate: the fundraising trends

Annual global property investment volume



Source: CBRE Research, Real Capital Analytics

Private real estate assets under management



Source: Preqin

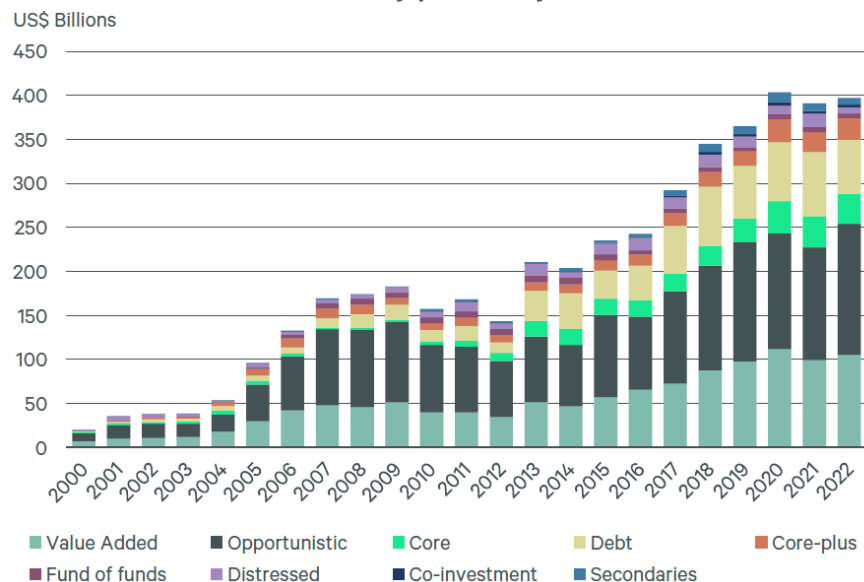
**After low levels of capital raising and muted transaction volumes in CY2020 (due to the onset of COVID-19 and the persistent lockdowns), CY2021 property investment activity rebounded to one of the largest on record.**

- All major regions experienced strong investment volumes over CY2021. However, the economic uncertainty caused by the Ukraine-Russia war is likely to reduce capital allocation and investment volumes – particularly in Europe and the UK. As mentioned earlier, capital allocation is expected to decrease for illiquid asset classes due to the denominator effect and increasing attractiveness of fixed income.
- Inflation, increasing interest rates and the fear of recession will likely mean investment volumes in 2022 will be lower than in CY2021. CBRE is forecasting investment volumes to remain above long-term averages.
- Preqin has forecast Asia-Pacific assets under management (AUM) will grow at a CAGR of 0.8% over the next five years. Australian AUM is forecast to have the largest growth in the region with a growth rate of 7% over the next five years. In the next five years, North America is expected to drive growth with a CAGR of circa 7.5%.



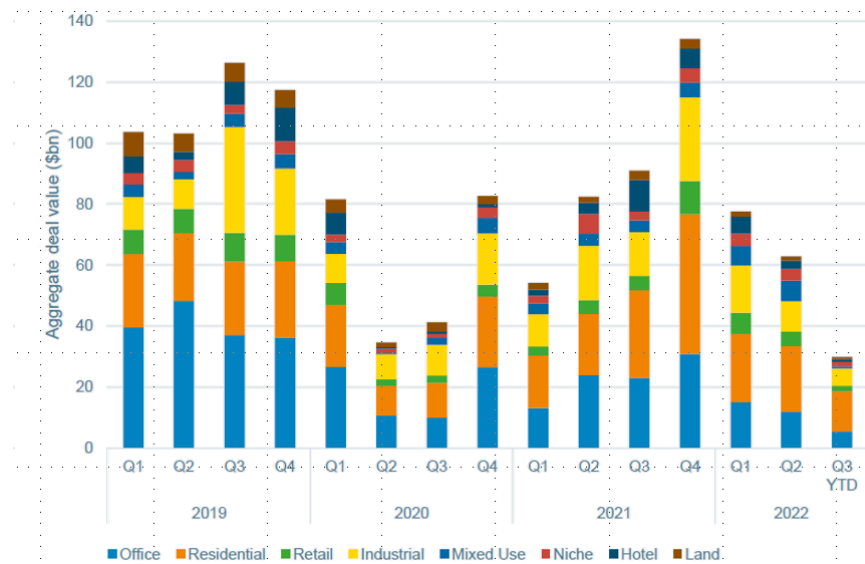
# Real estate: where is the capital heading?

Global dry powder by sector



Source: Preqin, CBRE Research

Aggregate deal value by property type



Source: Preqin

## Opportunistic and value-add funds have dominated the market in recent years, with over 50% of capital raised going towards higher risk strategies.

- Deal activity across Q4 2021, was one of the highest periods on record. Over CY2021, some of the largest growth areas globally were across hotels and retail, given the risks associated with COVID-19 across those sectors and reduced investment activity. The office sector has experienced one of the largest slowdowns in recent months, with deal volumes down by 20% in the first half of CY2022.
- Debt strategies have continued to gain traction in recent years as banks tighten up lending criteria. The sector continues to become more attractive as interest rates rise and banks become more prudent, allowing alternative lenders to enter the space. Investor interest is growing in the sector given its consistent return profile and focus on real estate.
- It appears COVID-19 did little to slow down investment into the niche sectors. Investment volumes continued to grow year-on-year, with a 47% growth in CY2021. Deal activity continues to be dominated by student housing, which accounts for circa 30% of the niche sector. This trend has continued into the first half of CY2022.

# Property performance

Performance to 30 June 22

# Property performance

Performance to 30 June 2022

	1 year return			Total returns						Index composition		
	Income	Capital	Total	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.	20 years % p.a.	25 years % p.a.	Assets	Value A\$m	%
<b>All Australian property</b>	<b>4.6</b>	<b>5.7</b>	<b>10.5</b>	<b>6.5</b>	<b>7.9</b>	<b>9.5</b>	<b>8.3</b>	<b>9.8</b>	<b>10.0</b>	<b>1,401</b>	<b>210,527</b>	<b>100</b>
Retail	4.9	2.7	7.7	-0.2	2.3	6.1	6.1	8.6	9.1	246	60,727	29
Office	4.5	3.8	8.5	8.0	10.0	10.7	9.0	10.0	9.9	318	97,075	46
Industrial	4.3	17.6	22.6	19.2	16.4	14.4	11.1	11.9	12.1	540	36,589	17
Others	4.0	9.7	14.1	10.2	10.1	12.5	11.4	11.6	-	297	16,136	8
<b>Retail - Australia</b>												
Super regional and major regional	4.5	1.6	6.2	-2.0	1.1	4.9	5.5	8.1	8.7	58	33,379	16
Regional	6.0	3.6	9.8	0.5	1.9	5.9	6.1	8.6	8.8	21	4,746	2
Sub regional	5.9	5.5	11.8	3.1	3.8	7.6	6.7	9.3	9.8	63	8,687	4
Neighbourhood	5.2	8.9	14.5	6.2	5.7	9.0	7.2	9.5	10.5	63	3,769	2
Other	4.7	1.6	6.3	0.7	3.7	7.8	7.7	-	-	40	9,947	5
<b>Office - Australia</b>												
Premium grade CBD	4.8	3.9	8.9	7.7	9.4	10.3	9.0	9.9	9.9	68	35,460	17
Grade A CBD	4.3	3.7	8.2	7.7	10.0	10.6	9.0	9.9	9.6	124	44,157	21
Grade B CBD	4.1	1.5	5.6	5.4	9.4	10.6	8.6	10.3	10.2	24	2,525	1
Non CBD	4.8	4.0	9.0	9.7	11.2	11.5	9.4	10.0	10.4	94	14,082	7
<b>Industrial - Australia</b>												
Warehouse	4.2	17.2	22.0	18.9	16.4	15.2	11.8	12.6	12.4	237	11,229	5
Distribution	4.4	16.4	21.5	18.8	15.8	13.9	11.0	12.2	12.2	167	14,518	7
Industrial estate	4.2	20.2	25.2	21.6	18.3	14.7	10.8	11.3	12.4	37	4,363	2
<b>International unlisted</b>												
IPD UK All Property	4.7	17.9	23.3	9.5	8.6	9.4	5.3	7.7	6.3	N.A.	N.A.	N.A.
IPD Europe Ex-UK	3.4	6.7	10.3	8.3	8.6	7.5	6.5	6.8	N.A.	N.A.	N.A.	N.A.
NCREIF US Property Index	N.A.	N.A.	21.5	10.2	8.9	9.7	7.2	9.0	9.5	N.A.	N.A.	N.A.
<b>REITs</b>												
S&P/ASX 300 AREIT	N.A.	N.A.	-11.2	-1.9	5.0	9.5	1.6	5.5	6.6	N.A.	N.A.	N.A.
FTSE EPRA GREIT \$A (H)	N.A.	N.A.	-10.5	-1.4	1.9	6.6	2.9	N.A.	N.A.	N.A.	N.A.	N.A.

Source: Bloomberg, NCREIF, MSCI, Frontier

Note: AU, US and UK data to 30 March 2022, EU data to 31 December 2021

# Transactions

## Key property transactions

# Recent Australian property transactions

## Key transactions – Q2 2022

Asset	Location	Grade/type	AUD (\$m)	Yield	Buyer	Seller
<b>Major transactions (\$50m+)</b>						
Southern Cross Towers	Melbourne	Office (Premium)	2,000	4.25%	Charter Hall	Brookfield and Blackstone
120 Spencer Street	Melbourne	Office (A Grade)	322	5.35%	CapitalLand Open End Real Estate Fund	CBRE
330 Collins Street	Melbourne	Office (A Grade)	236	4.30%	HThree City	AMP Capital and ART
1, 5, 13 and 17 Magnesium Place, Truganina	Melbourne	Industrial	64.2	3.65%	Frasers	Goodman
13 Ferndell Street, South Granville	Sydney	Industrial	57.0	3.30%	Hines	Pipeclay Lawson
5 Yarrowa Street, Prestons	Sydney	Industrial	58.3	3.30%	Pittwater Industrial	Loftex Property
99 Sandstone Place, Parkinson	Brisbane	Industrial	177.4	4.25%	Undisclosed	Deutsche Asset Management
Alexandria Homemaker Centre	Sydney	Retail (Large Format)	144	4.00%	Goodman	Arkadia
171 Edward Street	Sydney	Retail (CBD)	82	4.75%	The Hour Glass	Dexus
Colonnades Shopping Centre	Adelaide	Retail (Regional)	138.2	~7.00%	Nikos Andrianakos	Perron Group
Carillon City Shopping Centre	Perth	Retail (CBD)	~80.0	-	Tattarang	Dexus
Burleigh Home + Life	Gold Coast	Retail (Large Format)	72.5	4.68%	Undisclosed	Gordon Corp

Source: CBRE, Colliers, Knight Frank, press releases



# Transactions

## Key infrastructure transactions

# Notable infrastructure transactions

## Key transactions – Q2 2022

Region	Transaction	Sector	Vendors	Equity providers	AUD (\$m)	Description
Australasia	Atlas Ateria (14.96% Stake)	Transport	Multiple Shareholders	IFM Investors	1,165	Atlas Arteria holds a 31.14% share of the Autoroutes Paris Rhin Rhone motorway network in France, 31.17% of Autoroute de deux lacs, also in France, 100% of the Warnow Tunnel in Germany and 100% of the Dulles Greenway in Virginia in the US.
	Ausgrid (16.8% Stake)	Power	AustralianSuper	APG Asset Management	2,200	Regulated electricity transmission network through on Australia's east coast, which provides power to 1.8 million customers.
	Axicom	Telecoms	Abu Dhabi Investment Authority, UBS AM, Macquarie Asset Management, UniSuper	AustralianSuper, Singtel	3,580	Axicom was Australia's largest independent mobile towers owner, operating approximately 2,000 telecommunication sites across all eight states and territories.
Europe	Route Centre-Europe Atlantique (RCEA) Road Concession	Transport	Eiffage	Autoroutes Paris-Rhin-Rhone	1,063	RCEA is a major freight corridor part of the E62 highway connecting the Atlantic coast of France with Northern Italy, Southern Germany and Central Europe
	Telenet Group Towers	Telecoms	Telenet Group	DigitalBridge	1,105	Telenet's mobile network consists of 3,311 sites across Belgium. This includes 2,145 owned sites, of which more than one third are towers, and 1,166 third-party site.
	Renewable Power Capital Wind Farm Portfolio	Renewables	Private Shareholders	CPPIB	1,187	Sale of 528MW portfolio of pre-construction wind farm assets across Sweden.

Source: Inframation

# Notable infrastructure transactions

## Key transactions – Q2 2022

Region	Transaction	Sector	Vendors	Equity providers	AUD (\$m)	Description
Europe	Inspired Education	Social	Management	Stonepeak	1,478	Inspired Education educates more than 55,000 students from Kindergarten to Year 13 across a global group of over 70 schools in 20 countries on five continents.
	Fortum Oslo Varme Heating Network	Energy	Fortum Corporation	HitecVision, Infranode, Hafslund Eco	1,502	Fortum Oslo Varme is the largest supplier of district heating in Norway and supplied 36% of district heating generated in Norway in 2021.
	Adamo Telecom Iberia	Telecoms	EQT Infrastructure	Ardian Infrastructure	1,515	Adamo is Spain's leading open access rural fiber-to-the-home platform providing providing fixed broadband and mobile services to approximately 250,000 retail and wholesale subscribers.
	Deutsche Telekom Fibre (GlasfaserPlus) (50% Stake)	Telecoms	Deutsche Telekom	IFM Investors	3,222	GlasfaserPlus is a joint venture with Deutsche Telekom, responsible for the rollout and operation of an open-access optical fibre-to-the-home network in rural areas of Germany.
	Getec Energy	Energy	EQT Infrastructure	JP Morgan Investment Management	6,175	GETEC is a leading energy service providers and contracting specialists for industry and the real estate sector in Europe.
	Autostrade per l'Italia (ASPI) (88% Stake)	Transport	Atlantia	Cassa Depositi e Prestiti, Blackstone and Macquarie.	26,543	ASPI is a concessionary for the construction and management of toll motorways, with around 3,000 km of network managed in Italy.

Source: Inframation

# Notable infrastructure transactions

## Key transactions – Q2 2022

Region	Transaction	Sector	Vendors	Equity providers	AUD (\$m)	Description
North America	Electrify America	Transport	Electrify America	Volkswagen Group, Siemens	650	A project to double Electrify America's charging infrastructure to 1,800 sites and 10,000 ultra-fast chargers by 2026.
	DB Energy Assets and Detroit Thermal	Energy	Basalt Infrastructure, DCO Energy	Vauban Infrastructure	986	A portfolio of eight district cooling and heating systems across the Northeast and Midwest USA.
	Elba Liquefaction (49% Stake)	Energy	EIG Partners	Blackstone Credit	1,380	LNG liquefaction facility located near Savannah, Georgia which began full commercial operations in August 2020, comprising of 10 movable modular liquefaction units with a nameplate capacity of approximately 2.5m tons per annum of LNG for export.
	JFK Airport Terminal One (48.96% Stake)	Transport	The Carlyle Group	Ferrovial	1,601	JFK New Terminal One expansion project in New York, USA.
	Clearway Energy District Energy Thermal Generation	Energy	Clearway Energy Group	KKR	2,649	Clearway's thermal operations consist of 13 operations, seven of which are district energy systems that provide steam and chilled water to approximately 695 customers, and six provide generation.
	Cologix Recapitalisation	Telecoms	Mubadala, Stonepeak Infrastructure Fund II	Continuation Vehicle	3,974	Cologix provides carrier and cloud neutral hyperscale edge data centers and services across North America with more than 450 unique network choices and 28 prime interconnection locations.

Source: Inframation



Level 17, 130 Lonsdale Street

Melbourne, Victoria 3000

Tel: +61 3 8648 4300

[frontieradvisors.com.au](http://frontieradvisors.com.au)

@frontier\_adv

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