



Commercial Property Executive

[China Life Invests \\$950M in ElmTree Portfolio](#)

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ElmTree Funds LLC, a St. Louis-based private equity CRE firm, will recapitalize the net-lease portfolio underlying one of its funds with a \$950 million investment from a wholly owned subsidiary of China Life Insurance Group, one of China's largest insurance corporations, ElmTree announced Tuesday.

"We are honored to form this strategic joint venture with China Life, who ... shares our bullish outlook on the net lease sector," Jim Koman, managing principal at ElmTree Funds, said in a prepared statement. "This transaction gives China Life immediate scale and diversification in the U.S. market."

This transaction is specifically a recapitalization of ElmTree Net Lease Fund II, with China Life buying a 95 percent stake in the portfolio, an ElmTree spokesperson told Commercial Property Executive.

The fund's portfolio consists of 56 percent industrial, 29 percent office and 15 percent health-care assets, according to the spokesperson.

The joint venture's portfolio will initially comprise 48 single-tenant properties totaling more than 5.5 million square feet across 20 states. The transaction agreement provides for the acquisition of two additional single-tenant net-lease properties from ElmTree Net Lease Fund II, subject to certain conditions.

The vast majority of the portfolio's assets are recently constructed build-to-suit properties that are primarily leased to investment-grade tenants and located in secondary and tertiary markets that, according to ElmTree, "exhibit strong long-term economic and demographic fundamentals."

ElmTree will continue to serve as portfolio's asset manager and employ a core/core-plus investment strategy.

China Life was No. 4 among all cross-border players, as ranked by dollar volume of U.S. properties acquired, according to a first-quarter report from Real Capital Analytics on cross-border investment in U.S. CRE.

Though transactions involving cross-border investors totaled \$66.7 billion in the four quarters ending in March 2017, this figure is down 33 percent near-term. Still, RCA noted, "capital from Asia has retreated less than that from other regions of the world."

China led all other nations, with a total of \$16.5 billion in cross-border direct acquisitions in the United States in the past four quarters. (Canada was a close second, at \$15.1 billion).

“The most significant motivating force for Asian investors in the past 12 months has been the desire by Chinese investors to diversify their holdings globally as they mature to the global stage,” RCA concluded.