



Law360

[PE Shop Taps China Life For \\$950M Net Lease Portfolio Recap](#)

By Fola Akinnibi

May 24, 2017

Private equity real estate firm ElmTree Funds LLC said it would enter into a \$950 million recapitalization agreement with China Life Insurance Group on Tuesday, meaning the companies will share a portfolio of properties under lease in the U.S.

The recapitalization agreement will create a joint venture that will own an existing net lease portfolio, including 48 single-tenant properties across 20 states. It will also allow for the purchase of two additional single-tenant properties, according to the Tuesday statement.

Most of the properties are in secondary or tertiary markets and were build-to-suit and leased to investment grade tenants. ElmTree will remain on as the asset manager of the portfolio, the statement said.

ElmTree touted the partnership as a way for China Life to expand its presence in the U.S.

“This transaction gives China Life immediate scale and diversification in the U.S. market,” Jim Koman, managing principal at the private equity firm, said in a statement. “We look forward to a highly productive, long-term relationship with China Life as we explore additional opportunities to invest together.”

China Life has pursued some significant real estate investments in the U.S. over the past year. In October, the company led a group of sovereign wealth funds and other investors in the \$2 billion purchase of a U.S. select-service hotel portfolio from Starwood Capital Group.

The portfolio included 280 select-service hotels across 40 states, according to a statement at the time. The size of the consortium’s stake in the portfolio was not disclosed.

Chinese companies have been looking to U.S. real estate markets for investments, with activity buoyed by insurers, which weren’t allowed to invest outside of the country until recently.

In late 2014, China's Anbang Insurance Group Co. Ltd. bought the iconic Waldorf Astoria hotel in Manhattan from Hilton Worldwide Holdings Inc. for \$1.95 billion. It reached beyond that last year, entering a bidding war with Marriott International Inc. for Starwood Hotels & Resorts Worldwide.

Anbang ultimately put up \$14 billion for Starwood’s 1,300-property brand before pulling its name from the running. Marriott, which went on to win the bidding war, agreed to pay \$13.6 billion for Starwood Hotels, creating one of the world’s largest hotel companies.

Counsel information for Tuesday’s deal was not immediately available. Hodes Weill Securities LLC served as ElmTree’s financial adviser on the matter.

