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China Life in \$950m US recapitalization

The Chinese insurer is betting on single-tenant net lease properties in its first joint venture with private equity real estate firm ElmTree Funds

By Meghan Morris

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China Life Insurance Group has inked a \$950 million recapitalization deal with St. Louis, Missouri-based ElmTree Funds, the groups said Tuesday.

The Beijing-based investor and the private real estate firm are forming a US joint venture that will initially include 48 single-tenant net lease properties across 20 states, with the option to add two other properties. The core-plus risk and return portfolio totals more than 5.5 million square feet.

"Having these strong global relationships is just as important as strong domestic relationships," Jim Koman, ElmTree's founder, told PERE. "This strategic partnership reflects the significant opportunity to achieve attractive returns in secondary and tertiary markets, especially as core markets become too expensive. The ownership structure of the partnership was not disclosed. ElmTree will continue to manage the assets, which it purchased through its ElmTree Net Lease Fund II. The firm closed the vehicle in May 2014 on \$325 million, above its \$300 million target. The Municipal Employees' Retirement System of Michigan was one of the investors, earmarking \$140 million to the vehicle, according to PERE data.

"If you look at a diversified portfolio across sectors and industries, you spread out your risk through single-tenant net lease investments," Koman said. "You can achieve not only investment-grade assets, but you also perceive them to be low risk with predictable cash flows."

Hodes Weill advised ElmTree on the deal.

China Life, which could not be reached for comment, started buying US real estate in 2015, PERE previously reported. In its market entrance, the insurer teamed up with Ping An Insurance to buy a majority stake in Tishman Speyer's waterfront development project at Pier 4 in Boston's Seaport District. China Life and Ping An each purchased a one-third stake in the \$500 million development.

While this is ElmTree's first deal with China Life, the firm is no stranger to international deals. In March, ElmTree signed a \$120 million core strategy separate account with an unnamed Middle Eastern investor, PERE previously reported.

The firm managed about \$1.3 billion in assets as of January 1.