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PUBLISHED: 3 February 2020

NEWS

Neuberger Berman adds \$4bn private real estate business

The \$356bn manager's purchase of New York-based Almanac Realty Investors also marks its largest acquisition to date

Neuberger Berman has expanded into direct private real estate with the purchase of Almanac Realty Investors, a New York-based firm that invests growth capital in private and public property companies, PERE has learned.

With the acquisition of Almanac, Neuberger Berman adds \$4 billion in assets under management and a team of approximately 30 people led by managing partner Matthew Kaplan. "This is by far the largest acquisition we've ever done by deal size, AUM, dollar amount, people," said Neuberger Berman chief executive George Walker in an interview with PERE. The firm declined to disclose the terms of the deal.

The New York-based manager, which managed \$356 billion in assets as of December 31, had been seeking to buy a real estate platform for a decade. "Often when people would ask me, 'What does Neuberger Berman do?' my answer at times was, 'Everything but real estate,'" said Walker. "It had been quite clear with clients and others for some time that we'd like to add a real estate platform."

He added: "There were a lot of firms that fit the bill in terms of a size that made sense for us, a high-quality team, a



track record. The harder one for us is the culture piece. We look at this like we're getting married, and it just takes a long time to find the right spouse."

In terms of cultural fit, Almanac and Neuberger Berman share similar investment capabilities involving platform and entity level transactions and both the public and private markets; a strong partnership structure; as well as their biggest clients, according to Walker.

Over the 10 years that it sought to

buy a real estate business, Neuberger established strategies investing in public real estate investment trusts, real estate secondaries, and public and private mortgage credit.

With Almanac, "it'll be the cornerstone of our real estate strategy. But we'll leverage off and contribute to those adjacent strategies," Walker said. "In my mind, it's Neuberger Berman saying really quite loudly that real estate is really important to us."

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George Walker

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Meanwhile, Almanac, which was founded in 1981 as the real estate unit of investment bank Rothschild before spinning out as an independent firm in 2007, was considering how to further expand its business. “We started thinking about our opportunity set,” Matthew Kaplan told PERE. “It’s getting bigger every day, not smaller. We’ve got to evolve into that.”

Having been approached by 40-50 suitors over the past four years, the New York-based firm began a strategic review in the summer of 2018, hiring Berkshire Global Advisors as financial advisor. Out of a list compiled by Berkshire of more than 100 potential buyers, Almanac chose to contact 12 groups that autumn, going on to sign a term sheet with Neuberger Berman in July 2019, followed by a sales agreement in December. “We wanted to maintain our investment independence,

which is probably the toughest thing of all when you’re looking at something like this,” said Kaplan. “It was pretty evident that Neuberger Berman had the most compelling construct and setup for us.”

As part of Neuberger Berman, Almanac will maintain its current investment committee, which will include all five partners of Almanac – Kaplan, Andrew Silberstein, Justin Hakimian, Josh Overbay and Pike Aloian – and the addition of managing director of David Haltiner. No Neuberger Berman executives will sit on the committee.

Under the transaction, the five partners at Almanac are selling their shares in the firm in exchange for a combination of cash and stock in the employee-owned Neuberger Berman, which counts 400 to 500 shareholders among its 2,200 professionals worldwide. Over time, the opportunity to buy stock will be made available to others in the Almanac business.

Post-sale, Kaplan expects the Almanac business could grow from its current \$4 billion in assets under management to \$10 billion over the next five years and to more than \$20 billion over the next decade, via expansion in four areas. Two are its existing flagship fund and public real estate investment trust securities businesses – which are expected to benefit from the support of Neuberger Berman’s data science and capital raising teams, respectively.

Meanwhile, Almanac is seeking to launch a new strategy that could scale up to \$5 billion to \$10 billion over the next five years. The strategy would target well-established companies that have stable ownership and good assets and are in search



Matthew Kaplan

of minority capital. “That’s the big moving piece around here,” Kaplan said. “In the next five, 10, 15 years, there’s probably going to be a lot more of those types of companies out there and a really interesting opportunity set.”

The other new venture will target international investment opportunities, particularly in Europe, and is potentially a \$2 billion-\$5 billion business over the next half-decade. “There’s a lot more teams over there that are a lot more entrepreneurial and are a lot more focused on what people here are focused on in North America, in terms of building a company, creating value for the shareholders, creating value out of the real estate, creating value for themselves,” he said.

Almanac will sit within Neuberger Berman’s \$98 billion alternatives unit, which also encompasses private equity, alternative credit, hedge funds and insurance linked strategies, although reporting lines have yet to be finalized. The company’s other investment units

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include equity, which manages \$106 billion in assets, and fixed income, which manages \$160 billion.

Neuberger Berman's alternatives unit also includes its Dyal Capital Partners

business, which acquires minority stakes in alternative firms that include real estate managers such as Starwood Capital Group and Round Hill Capital. Those stakes typically are in the 10-20 percent

range and do not involve taking board seats at the firms. By contrast, Almanac's investments involve owning roughly 50 percent of a portfolio company and holding board seats.

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