



Ares Secondaries Provides Update on Real Estate Secondary Market Transaction Volume

Company Release - 2/21/2023

*Real Estate Secondary Transaction Volume Hit Record of \$12.4 Billion in 2022
Volumes Driven by Continued Strong Growth of GP-led Recapitalization Transactions*

NEW YORK – February 21, 2023 – Ares Management Corporation (NYSE: ARES) (“Ares”) announced today that its Ares Secondaries Group has compiled market data and tallied 161 real estate secondary transactions, representing approximately \$12.4 billion of net asset value (“NAV”), that closed or were placed under contract in 2022. Ares Secondaries is a longstanding investor in the real estate secondary market and has tallied NAV traded and other market statistics since 1996. Ares compiles data on transactions that are closed or under-contract from a wide universe of sources, including its own transaction experience and ongoing dialogue with other key market participants.

Despite the slowdown in the second half of 2022 amid a substantial rise in interest rates and broader capital markets uncertainty, real estate secondary transaction volume hit a new record of \$12.4 billion, up 17% from 2021, as a result of several large scale GP-led recapitalization transactions. The total number of transactions also reached an all-time high of 161, surpassing the previous record high of 153 reached in 2021. Overall, real estate secondary transaction volume has grown on average 16% annually over the past five years.

GP-led transactions involving the recapitalization of funds and property portfolios reached a record of \$9.5 billion in 2022, or 77% of the total volume, driven by several large scale transactions including two valued at over \$1 billion. This represents a 35% increase from the \$7 billion achieved in 2021 and a 46% annualized growth rate over the last five years. As investment exits and distribution activities slowed in the direct market, GP sponsors are increasingly looking to the secondary market as an alternative means to provide liquidity to LPs and fund vehicles. In addition, GP sponsors are tapping the secondary market to raise capital to safeguard their portfolios, to provide for additional time and capital to continue business plans, and to achieve strategic objectives.

Transactions driven by LPs selling their interests in value-added and opportunistic funds declined in 2022, totaling approximately \$1.1 billion. This level was last seen in 2020 when the onset of the pandemic brought a high degree of uncertainty regarding property values. The substantial rise in interest rates and the lack of direct market transactions have clouded visibility on the intrinsic value of underlying property assets. This has resulted in high optimal pricing discounts in the secondary market and large bid ask spreads. As private real estate NAVs adjust over the coming quarters, we expect transaction activities of LP interests to meaningfully increase as

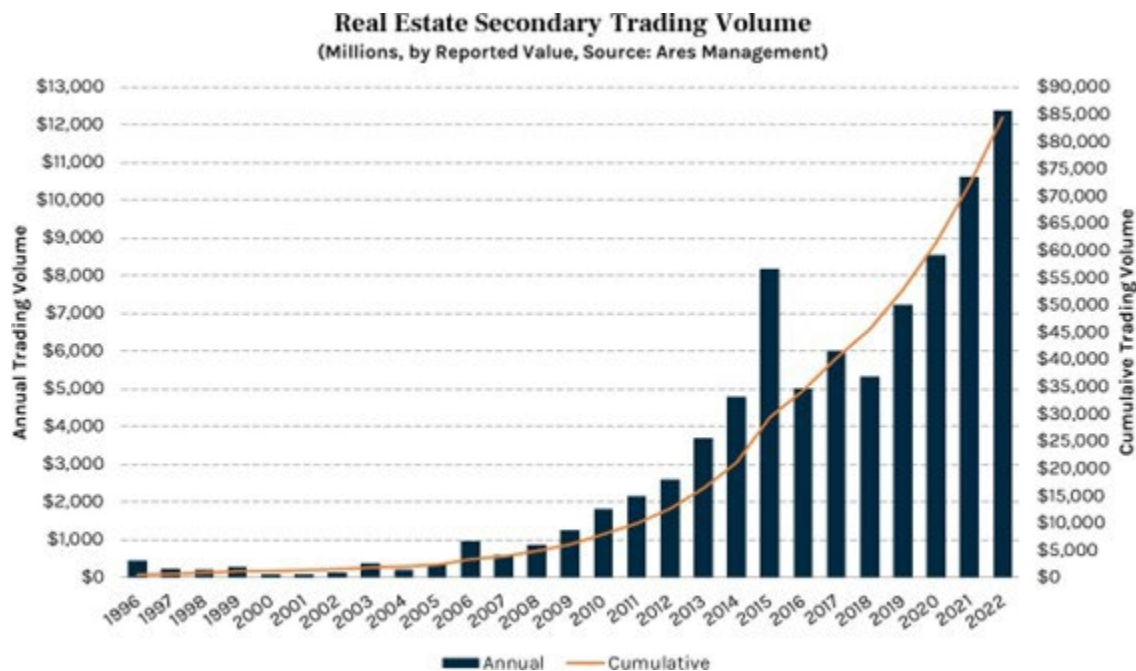
investors utilize the secondary market to address their portfolio rebalancing and liquidity objectives.

Transaction volume of open-end core funds was up slightly in 2022 to \$1.8 billion thanks to strong activity during the first half of the year as investors looked to jump the entry queues of select funds. As the market environment changed and redemption queues built up substantially in the second half of the year, investors turned to the secondary market for liquidity but faced tepid buyer demand. The perceived peak valuations resulted in double digit discounts to fund reported NAVs in many cases.

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During 2022, U.S.-weighted partnerships accounted for 54% of volume, European-weighted partnerships accounted for 40% and Asia-weighted partnerships accounted for the remaining 3%. Volume of European partnerships traded more than doubled to \$4.9 billion from \$2.1 billion in 2021, driven by several large recapitalization transactions in the data center and studio sectors where investors saw attractive long-term fundamentals.

Outside of fund and portfolio recapitalization transactions, insurance company, non-U.S. pension plans and U.S. pension plans were the most active sellers in 2022, accounting for 7%, 5% and 4% of volume respectively. U.S.-based sellers continue to be the most active, generating 57% of total volume, followed by Europe at 40% and Asia at 3%.



The Ares Secondaries Group dataset does not include the entire volume of “LP-to-LP” trades and, as a result, could understate the aggregate volume of activity. Such trades are naturally discrete and typically not publicly disseminated. Transaction volume reflects an estimate of manager Reported Value at the time of sale; excludes trades of less than \$10 million in U.K. and European unlisted funds.

Past performance is not indicative of future results. There can be no assurance that historical trends will continue.

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About Ares Secondaries Group

Ares Secondaries Group is one of the largest and most experienced investors in acquiring secondary private fund ownership stakes in the alternative asset management industry. We provide bespoke and customized liquidity solutions across the private equity and credit, real estate and infrastructure asset classes. With over 30 years of experience in the market, Ares Secondaries Group focuses on generating attractive risk adjusted returns through its leading industry analytics and research, robust deal origination, underwriting and portfolio management activities. As of December 31, 2022, Ares Secondaries Group had approximately \$22.0 billion in assets under management with dedicated investment teams located in offices across the United States, Europe and Asia.

About Ares Management Corporation

Ares Management Corporation is a leading global alternative investment manager offering clients complementary primary and secondary investment solutions across the credit, private equity, real estate and infrastructure asset classes. We seek to provide flexible capital to support businesses and create value for our stakeholders and within our communities. By collaborating across our investment groups, we aim to generate consistent and attractive investment returns throughout market cycles. As of December 31, 2022, Ares Management Corporation's global platform had approximately \$352.0 billion of assets under management, with more than 2,550 employees operating across North

America, Europe, Asia Pacific and the Middle East. For more information, please visit www.aresmgmt.com.

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