Ares to Acquire Black Creek Group

Ares Management Corporation (NYSE: ARES), a global alternative investment manager with $207 billion of assets under management, plans to acquire Black Creek Group's U.S. real estate investment advisory and distribution business. Black Creek has approximately $11.6 billion of assets under management across two non-traded real estate investment trusts and various institutional fund vehicles. The transaction is expected to close early in the third quarter of 2021.

Ares said that the transaction is expected to broaden its existing capabilities and product offerings, while "transforming" its retail distribution capability and increasing its non-traded REIT capital by $5.1 billion with the addition of Black Creek Industrial REIT IV Inc. and Black Creek Diversified Property Fund Inc.

Bill Benjamin, partner and head of the Ares Real Estate Group, expects that the acquisition will grow the firm's real estate equity and debt business to approximately $29 billion. Key members of the Black Creek leadership team will remain in place, becoming part of the group led by Benjamin.

Black Creek has the second largest retail fundraising platform for non-traded REITs, and its 80-person broker-dealer team distributes and markets to more than 70 relationships that have access to approximately 100,000 financial advisors.

Ares believes that, over time, there will be "attractive" growth prospects for Black Creek's non-traded REITs and opportunities to accelerate the retail distribution for Ares' various alternative asset products to broker-dealers through Black Creek's distribution platform.

Kevin Gannon, chairman and CEO of investment bank Robert A.

Stanger & Company views this as a “great transformation” in the non-traded REIT space and expects “strong enthusiasm” for these products going forward.

“I’m excited to see this combination of two leading firms in our industry,” said Anthony Chereso, president and CEO of the Institute for Portfolio Alternatives. “As interest and access to [non-traded alternative investments] continues to grow, this deal will help to bring additional scale and distribution to the market, in turn driving positive evolution in our industry to the benefit of investors.”

According to a filing with the Securities and Exchange Commission, the transaction consideration will include a combination of cash and nearly 3.5 million Ares operating group units. If certain revenue milestones are met, Ares will pay up to $137.5 million of additional operating group units or shares of Class A common stock, as well as cash consideration. Specific financial terms and cash amounts were not disclosed.

Ares said that the transaction is expected to be accretive to its after-tax fee related earnings per share of Class A common stock, and after-tax realized income per share of Class A common stock, in the first year and a “more meaningful” driver of growth in earnings in the years ahead.

Ares also expects that its fee related earnings and dividends per share of Class A common stock will increase 20 percent or more per year in the coming years, stemming from the recent Landmark Partners acquisition and the Black Creek acquisition, the company said in an investor presentation.

Black Creek told REIT investors and advisors that there are no anticipated changes to the portfolio management teams or strategies at this time, and its regional teams and Denver main office will remain in place. Advisory contracts will formally be assigned to an Ares registered investment advisor once the transaction closes.

ARES stock jumped 4.71 percent in after-hours trading on Thursday following the announcement.

Ares Management Corporation operates integrated groups across credit, private equity, real estate and strategic initiatives. The firm has more than 1,450 employees operating across North America, Europe, Asia Pacific and the Middle East.

Black Creek Group manages investment offerings across the industrial, multifamily, office and retail sectors and has bought or built more than $23 billion of investments over its 25-year history.

For more Black Creek news, please visit their directory page.