Our Two-cents on Blackstone's Recapitalizing Mileway

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The Financial Times has reported yesterday (article attached) that Blackstone has decided to recapitalize its European logistics warehouse platform Mileway at a price of €21 billion, on which we would like to share with you a few of our observations.

Blackstone doubles down on warehouse bet with €21bn deal

Private equity firm opts to recapitalise European logistics business rather than sell



Blackstone has been building a portfolio of warehouses across Europe since 2016 and now owns more than 1,700 properties

Source: Financial Times

It seems that the key reason for Blackstone to opt for recapitalization instead of an outright sale is that its major investors realize it is very hard to gain the exposure into logistics property assets these days, a market phenomenon we concur and believe that scarcity of logistic assets, especially in matured economy such as OECD countries will last for a while. As such, it would be more important than ever for any asset manager to have a strong and resourceful deal execution team. CGL has been fortunate to foresee stratospheric changes of the global logistics property market and began building its own asset management team six years ago, which has led us completing twelve transactions, acquiring forty logistic parks, 1.5 million square meters of logistics warehouse space in nine European countries. Our team will continue to uphold their value driven disciplined investment approach, utilize their extensive deal sourcing networks with strong market insights, and provide our investors the best investment products available in the global logistics property market.

It is interesting though Blackstone had put logistics property asset investments in its opportunistic funds six years ago, only until recently changed to a core investment product. Although hindsight is 2020, we are still glad to see that our conviction in the global logistics property market of six years ago has become a core and mainstream of investing for global asset management industry.



Source: CGL's current portfolio

Blackstone now owns about 1,700 logistic properties in Europe, much more than 150 logistic properties CGL owns and manages in Europe. No doubt it is quite an achievement for Blackstone to have accumulated the assets to such scale, but it is well worth noting that CGL has been taking a very different investment approach from Blackstone. CGL strongly believes in "value trumps scale" when it comes to investing, in other words "quality matters more than quantity". Possibly due to its fee driven business model or some inherent cultural factors, many large asset managers tend to take a "wholesale" approach in investing, acquiring assets in large chunks with hefty price tags. A large part of Blackstone's current portfolio was from its one acquisition in 2018 of Goodman European logistics investment platform. Each approach has its own pros and cons, but we believe that our prudent long term approach does provide investors strong downside protections and large upside potentials with each carefully selected logistics property and reasonable entry price. Time will tell and we promise keeping you posted……

CGL Investment Management Corporation Limited