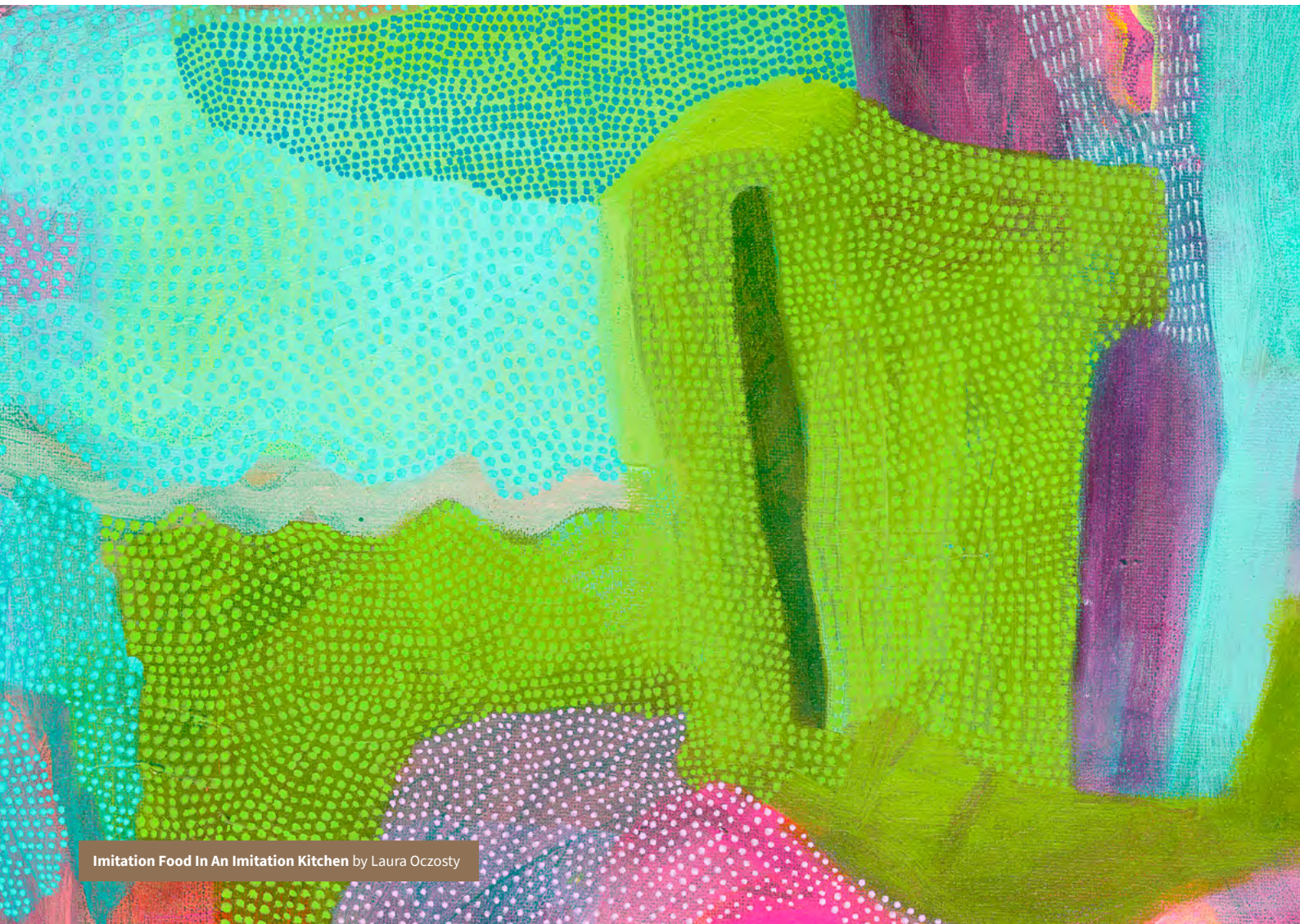


IN PRIVATE

KWM M&A INSIGHTS | OCTOBER 2025



WHO'S THE BOSS? THE TUG-OF-WAR OVER REAL ESTATE FUND MANAGEMENT RIGHTS

For even the most casual observer of the market, it is apparent that the real estate funds management industry is experiencing a period of intense scrutiny and tension. Institutional investors are demanding greater influence over how their capital is managed (and recycled), while fund managers are seeking to preserve levels of discretion, long-term relationships with key investors, and the scale of funds under management.

Behind the increasingly public exchanges between competing managers – and between managers and their own investors – sit complex dynamics between longer-term structural changes and shorter-term cyclical pressures.

So, what exactly is going on?

STRUCTURAL EVOLUTION: ASSET-LIGHT(ER) MODELS AND SUPERANNUATION'S RISE

In what remains a capital-intensive sector, many real estate managers have evolved their business model toward “asset-light(er)”. By owning fewer assets directly, and focusing on managing assets and capital for others, managers have unlocked scale (and related economies) and a more predictable recurring fee income. This allows them to position themselves as ‘yield vehicles’ that appeal to institutional investors seeking a stable return. In many cases, financial sponsors have taken similar steps, with many now incorporating diversified asset management verticals.

As the model has evolved, funds under management (**FUM**) has become an increasingly critical financial metric for – and the lifeblood of – management businesses. Management rights themselves have become a valuable strategic asset.

At the same time, Australia's superannuation funds - now overseeing more than A\$3.5 trillion - have evolved into powerful counterparties. As custodians of the retirement savings of millions of ‘mum and dad’ investors, superannuation funds carry on their sleeves the weighty fiduciary responsibility to act in the best interests of their members.

Given their scale and limited investable domestic opportunities, many superannuation funds have been forced to look offshore. This has given them greater exposure to foreign and global fund managers and has led to more benchmarking of Australian management capabilities and services against global best-in-class.

With larger tickets, more directive mandates and access to a global comparison set of managers, institutional investors are seeking “better deal[s] on fees, better governance standards and access to the best-quality assets” and are willing to move on if fund managers “fail to measure up”.¹

The result? Investors (or groups of investors) that have significant capital to place, or that account for a significant proportion of a manager's FUM, are better positioned than ever to influence – or even re-set – management arrangements.

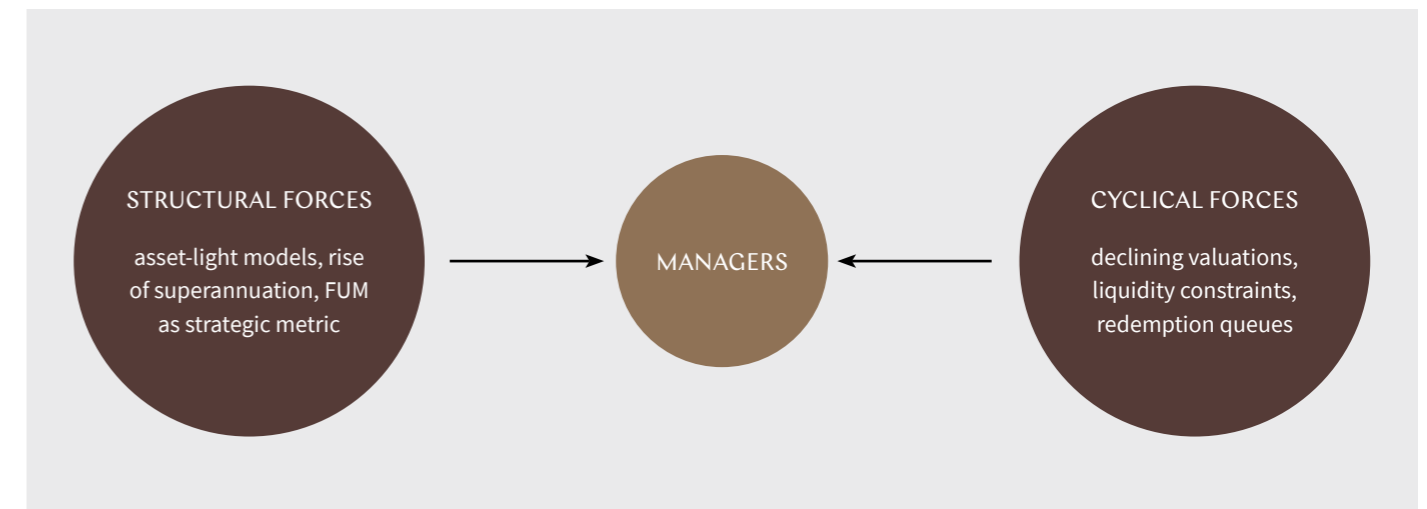
CYCLICAL PRESSURES: LIQUIDITY CONSTRAINTS AND PERFORMANCE DEMANDS

Overlaying these structural shifts are tough market conditions: commercial real estate valuations, particularly in the office sector, have been through an elongated soft period; liquidity has been challenged. As a result, transaction volumes have been muted, exit options have narrowed, and the cadence of recycling and return of capital to investors has slowed.

For managers, the consequences are clear:

- Redemption queues remain long for many open-ended vehicles, testing cash-flow reserves and investor patience alike.
- With interest rates softening despite there being few viable liquidity events, investors are scrutinising performance more closely and are re-evaluating whether existing management teams remain the best stewards of their capital when targets aren't met.

In this climate, management rights are far from an entitlement - they are a privilege that must be continually earned.



KEY LESSONS FOR FUND MANAGERS

Fund management rights remain a cornerstone of value in real estate private equity. However, their preservation depends on alignment. Sponsors and investors who remain aligned through periods of cyclical pressure – by prioritising clear reporting, robust governance, and transparent fee structures and pathways to liquidity - will emerge with stronger partnerships and a more resilient model.

1. <https://www.afr.com/property/commercial/game-for-fund-managers-is-now-global-says-mirvac-ceo-20250901-p5mrbw>.





ABOUT KING & WOOD MALLESONS

A firm born in Asia, underpinned by world class capability. With over 3000 lawyers in 29 global locations, we draw from our Western and Eastern perspectives to deliver incisive counsel.

We help our clients manage their risk and enable their growth. Our full-service offering combines un-matched top tier local capability complemented with an international platform. We work with our clients to cut through the cultural, regulatory and technical barriers and get deals done in new markets.

Disclaimer

This publication provides information on and material containing matters of interest produced by King & Wood Mallesons. The material in this publication is provided only for your information and does not constitute legal or other advice on any specific matter. Readers should seek specific legal advice from KWM legal professionals before acting on the information contained in this publication.

Asia Pacific | North America

King & Wood Mallesons refers to the network of firms which are members of the King & Wood Mallesons network. See kwm.com for more information.

www.kwm.com

© 2025 King & Wood Mallesons

JOIN THE CONVERSATION



SUBSCRIBE TO OUR WECHAT COMMUNITY.
SEARCH: KWM_CHINA