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PUBLISHED: 2 September, 2025

DEALS

Starwood's Sternlicht on ESR privatization: 'Our goal here is to clean it up'

Starwood Capital's chairman and CEO anticipates the transaction will 'create very high returns' for the mega-manager's Fund XII.

For chairman and CEO Barry Sternlicht, Starwood Capital Group's Starwood Distressed Opportunity Fund XII Global is "the story of two funds" – the fund that came before the interest rate hikes of 2022-23 and the fund that came after. A blockbuster transaction for the "after" fund is the \$7 billion take-private of ESR Group, for which Starwood led a consortium of investors to delist the real assets giant from the Hong Kong Stock Exchange in July.

The "very complicated" take-private is one of the largest investments in Fund XII, as well as one of the largest real estate privatizations in 2025 to date. "I'm very optimistic that's going to be a sensational investment for that fund and create very high returns," he says. Starwood raised a total of \$10 billion for Fund XII at the vehicle's final close in October 2021, according to PERE data.

The transaction also marks the first time that Starwood has executed a large consortium deal. Private equity firm Warburg Pincus, which completed an initial public offering for ESR in 2019, was seeking a way to take it private and approached Starwood about partnering on a transaction. "They didn't feel it was properly valued in the public markets. And we agreed," Sternlicht says.

Indeed, although ESR was growing, it did not pay dividends like most asset managers, he points out. "I think they had a very small circle of shareholders they

could count on, and they didn't get the shareholders that naturally back large asset managers."

Meanwhile, "we saw a really talented company and a spectacular development company, with one of the largest, if not the largest, logistics platform in Australia, which is one of the top markets for logistics in the world, and a fairly large footprint in data centers that was going to grow over time," he explains.

However, the company "had really just grown almost too quickly and into too many verticals," Sternlicht notes, referring to ESR's \$5.2 billion acquisition of Singapore-based real assets manager ARA Asset Management in 2022, which led ESR's AUM to nearly quadruple from \$34 billion to \$129 billion.

Grow and shrink

"So, our goal here is to clean it up," he says. "It'll grow and shrink at the same time. We'll be selling some of the hodgepodge collection of assets that came with the multiple acquisitions and hopefully turn them into what they already are, the largest real asset manager in Asia." For example, dispositions could include ESR's non-real estate-related fund management businesses.

Starwood's partial ownership interest in ESR will be "completely complementary to start with," Sternlicht says. Although Starwood has a presence in Japan, Australia and South Korea, the Miami Beach-based

manager does not invest considerable capital in those markets, which typically account for 5 percent of the capital in the firm's opportunistic real estate funds, he notes.

However, Starwood and its partners still "have to figure out" what to do with ESR's China holdings, he says. "China was the reason the stock got hit so hard. I think we valued it appropriately. But we have to figure it out. China's obviously a no-fly zone for many US investors."

ESR has a sizable presence in Greater China, with more than \$30.7 billion in total AUM in the market, according to the firm's website. The company's roots also can be traced back to the country: Warburg Pincus co-founded Chinese logistics platform E-Shang in 2011, with E-Shang later merging with Singapore-based firm Redwood to become ESR in 2016.

Along with Starwood, ESR's current owners include New York-based investment firm Sixth Street, family office SSW Partners, Warburg Pincus, Qatar Investment Authority, Canadian pension plan OMERS, Sumitomo Mitsui Banking Corporation and global investment company Alpha Wave Global.

In March 2024, Starwood agreed to acquire a 10.7 percent equity stake in ESR. In the structured transaction, ESR co-founders Charles de Portes and Stuart Gibson fully repaid the preferred equity that Starwood originally issued in

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December 2022 via Fund XII through the sale of the ownership interest.

Three months later, ESR announced it received a buyout proposal without an offer price in late April from a consortium that initially comprised Starwood, Sixth Street and SSW Partners. That December, the Starwood-led consortium made a \$7 billion takeover bid for ESR, whose shareholders approved the privatization proposal in June, paving the way for the company's delisting in July.

To read PERE's full interview with Starwood's Barry Sternlicht, as well as his successor Jonathan Pollack, read the September cover story [here](#)