Real Estate Spotlight

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Preqin Real Estate Investor Survey: Looking Back and Moving Forwards

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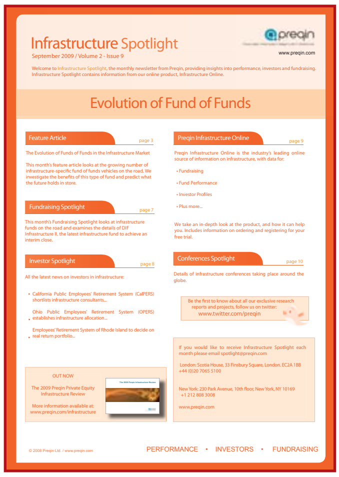

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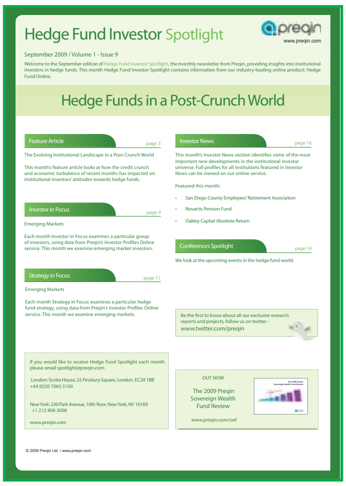

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Private Equity Real Estate Investor Survey: Looking Back and Moving Forwards

In Q4 2009, Preqin carried out a survey of 90 institutional private equity real estate investors to investigate their attitudes towards private equity real estate and their intentions for the asset class in 2010. Preqin spoke to investors of varying size, type and geographic location about their private equity real estate activity in 2009 and how they would approach the market this year. This article reports the results of that survey and discusses the changed investor mentality, as well as providing an overview of the private equity real estate market as it stands today. With a difficult 2009 behind them, what can we expect from private equity real estate investors in 2010?

Cautious and Uncertain: The New Private Equity Real Estate Investor

The last 18 months have been difficult for private equity real estate investors and fund managers alike. Fund managers struggled to secure commitments for their funds and overall fundraising dropped significantly. This decline in fundraising was a direct consequence of an investor universe that was committing less capital to the industry than in recent years. Some investors reduced their usual capital outlay to the industry, whilst others temporarily halted investments altogether. Although the industry has continued to garner some commitments, investors are being more cautious when allocating fresh capital to the market.

Effects of the Economic Downturn

The credit crunch sent property prices in a downward spiral throughout 2009, and many investors were extremely cautious about investing in the asset class. Furthermore, many investors were affected by falls in other areas of their portfolios, which raised allocations to real estate until valuations later in the year readjusted their positions. However, many in the early months of 2009 were concerned by their over-weighting to real estate and many were bound by rigid investment guidelines that prohibited investing in real estate whilst over-allocated.

Although in many cases allocation levels readjusted themselves, a sense of caution prevailed. In such uncertain economic times, many expressed a desire to retain a greater level of liquidity in their real estate and general investment portfolios. Accordingly, the closed-end nature of private equity real estate stopped many from investing in 2009. Liquidity issues were worsened by the falling distributions made by many private equity real estate managers, meaning that capital that was perhaps earmarked for re-investment was no longer available. Moreover, with so much dry powder available but unspent and with so many commitments made but uncalled, many investors saw little point in investing in 2009.

Despite the gloom, many investors did not lose confidence in the long-term benefits of investing in private equity real estate, they simply were not investing in 2009. Many private equity real estate investors, including some rather prominent institutions, decided to delay investing in the asset class until the markets had settled. Some delayed until Q4 2009, whilst others suspended private equity real estate programs until 2010 or later. Institutions made these decisions not knowing how long the market would take to recover and some have since had to reconsider their strategies.

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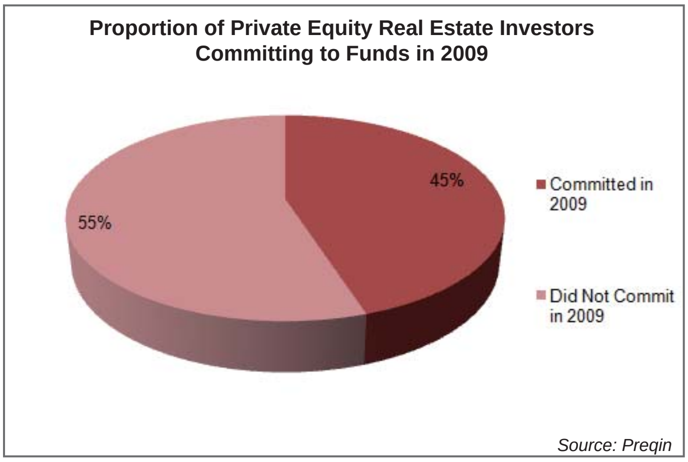

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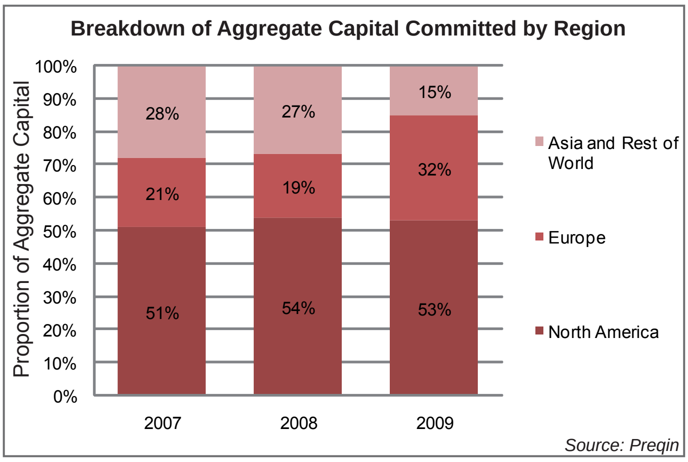

Investor Inactivity in 2009

The results of Preqin's survey of 90 institutional investors reveals just how big a shift there has been in the attitudes and capabilities of investors. As can be seen in Fig. 1, 55% of respondents did not commit to new funds in 2009. This is in stark contrast to the results of Preqin's investor survey conducted in Q4 2008, when 84% of respondents stated that they would be making fund commitments in 2009.

As already outlined, there were many reasons why investors refrained from investing in 2009. The respondents in Preqin's 2008 survey obviously did not foresee the problems in the market and therefore had to adjust their investment plans. Many of these concerns are still relevant this year, as the long-lasting effects of the credit crunch and market dislocation are yet to be resolved.

Location and Strategy Focus of Investors That Committed in 2009

Many investors that did make commitments in 2009 focused on vehicles closer to home. The unwillingness of many investors to take risks on less familiar markets led to a lower proportion of capital being allocated to Asia and Rest of World, markets that had been enjoying significant growth over the past few years. Fig. 2 shows that, while Asia and Rest of World funds received 28% and 27% of capital commitments in 2007 and 2008 respectively, this decreased to 15% in 2009.

The strategic preferences of investors in 2009 remained similar to 2008 and, as Fig. 3 shows, value added and opportunistic funds are by far the most targeted strategies. In 2009, 73% of all private equity real estate investors were interested in value added vehicles and 73% were interested in opportunistic funds. These figures are similar to the corresponding figures in 2008. There was a small increase in interest in lower-risk core-plus funds; however, the major difference seen in 2009 was in the distressed and debt fund sectors, with investors and fund managers wanting to take advantage of the opportunities in the dislocated market. 30% of investors stated an interest in private equity real estate funds that invest in distressed real estate, compared to 22% in 2008. 36% of those surveyed were interested in funds participating in debt investments, compared to 14% in 2008.

Satisfaction with 2009 Portfolio Performance

With fund performance down in 2009 compared to previous years, it would not be unreasonable to expect investors would be disappointed with the performance of their private equity real estate portfolios. However, it seems that investors have a more realistic stance when judging performance in 2009, taking into account the various factors affecting their portfolios. Of those surveyed, 57% were satisfied with the performance of their portfolios in 2009. However, Fig. 4 shows that 33% of respondents stated that they were unsatisfied with their private equity real estate portfolios, with a number of these investors disappointed at how the funds in their portfolios had performed. 10% had mixed views on the performance of their portfolios: happy with the performance of some funds, unhappy with the performance of others. Therefore, despite a testing year, many investors felt their portfolios performed to satisfactory levels in 2009 considering the downturn in real estate markets and the adjustments that fund managers had to make.

Investor Activity in in 2010

Despite the difficulties experienced in 2009, it seems many investors have maintained confidence in the market and are willing to invest in the asset class in 2010, although they will be more cautious and implement stricter due diligence than in the past. From the results of the survey, it is evident that investors are taking more precautions when managing their real estate portfolios. They are now more likely to analyse various factors that can influence future investments, including distributions from existing fund investments, which, for some investors Preqin spoke to, will determine the level of activity in private equity real estate in 2010. Distributions from private

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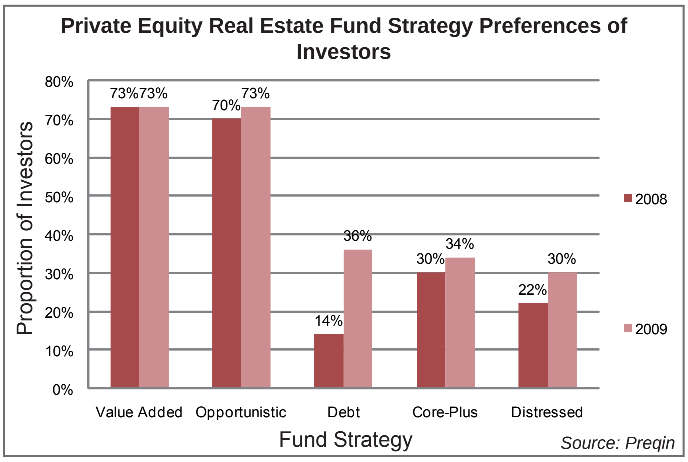

Source: Preqin

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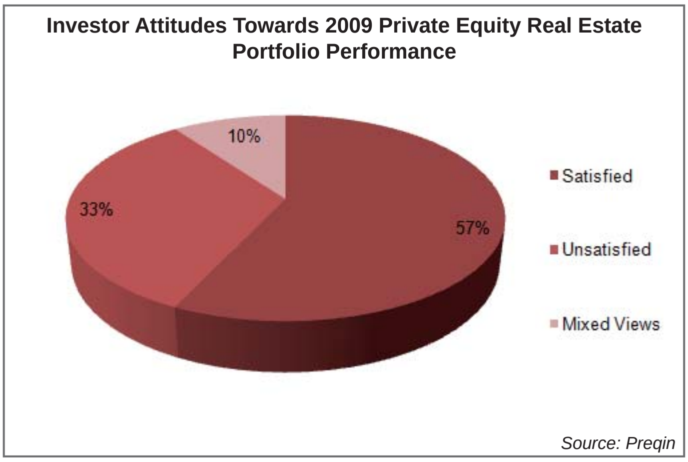

Source: Preqin

real estate funds had not been such a major concern before the credit crisis when investors were receiving them at such a high rate.

As Fig. 5 shows, only 47% of respondents said that they were likely to commit to private equity real estate in 2010. 38% said they were unlikely to make any fund commitments and the remaining 15% had yet to decide whether they would invest in any vehicles in 2010.

The proportion of investors not planning to invest is high compared to previous years, when the asset class became accustomed to receiving a large number of capital commitments from institutional investors. However, considering the turmoil in the financial markets and the drop in property valuations, it is encouraging to see that nearly half of all respondents plan to make a commitment to a private equity real estate fund in 2010.

The 15% that had not decided on their stance on private equity real estate activity for 2010 highlights the cautious approach many investors have taken recently. Investors are no longer formulating concrete investment plans. They are not setting parameters on the number of funds and the amount of capital they plan to invest in the following year; instead they are employing a wait-and-see approach, opting to assess the market and investing only if the opportunity is highly attractive. Only 29% of those that said they would invest in 2010 could estimate the number of funds they would invest in, and only around 24% had an approximate figure in mind for the amount of capital they would commit. This is much lower than in previous years, when the majority were able to predict both the number of funds and the amount of capital they would invest over the following 12 months. Nonetheless, as the investment environment remains uncertain much can still change. Those that were undecided about their activity in 2010 may opt to make commitments by the end of the year if the market becomes more favourable, especially as many spoke of market conditions being a major factor in their decisions. Similarly, some of the investors that were hoping to invest this year may not implement those plans, due to less frequent distributions and reduced amounts of capital to invest. However, it is unlikely that the difference between those planning to invest and those that end up making commitments in 2010 will be as high as the difference in 2009.

It is important to note that most investors appreciate that a number of new issues may surface in 2010 and the market remains turbulent to some degree. Financing will remain an issue for real estate fund managers as they will need to refinance existing projects and deals that they originally acquired loans for in 2005 and 2006. Managers need to be aware of the specific requirements of investors and meet their expectations if they are to garner new commitments.

Timing of Next Fund Commitment

When the investors that were looking to invest in private equity real estate in 2010 were asked when they would make their next fund commitment, 58% expected it to occur in the first half of the year. The remaining 42% were unsure of or had not decided the exact timing of the commitment. This further underlines the fact that many investors are vigilant in this market and are waiting for the right opportunities to present themselves rather than being proactive and setting timeframes for fund commitments. Of those that planned to invest in H1, only a small number could specify in which quarter this would be.

Location and Strategy Focus in 2010

When asked which geographic regions they would target in 2010, many investors favoured domestic markets and regions that they had gained exposure to in the past. Emerging economies such as China and India, which were growing in popularity before the credit crunch, have fallen in popularity again as investors look closer to home.

In terms of fund strategies, a significant proportion of respondents stated an interest in lower-risk strategies. A number

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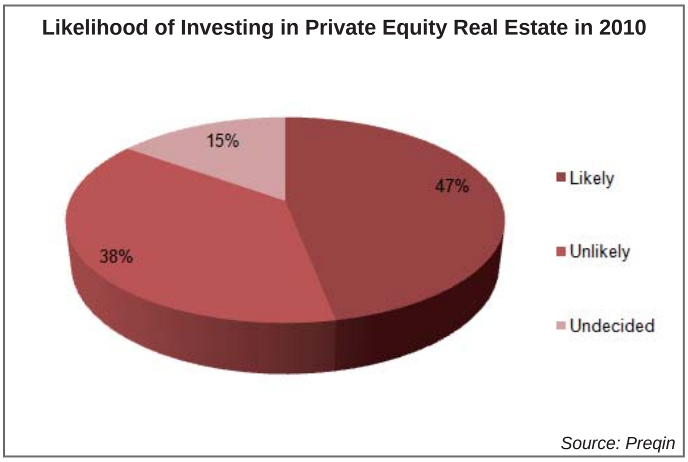

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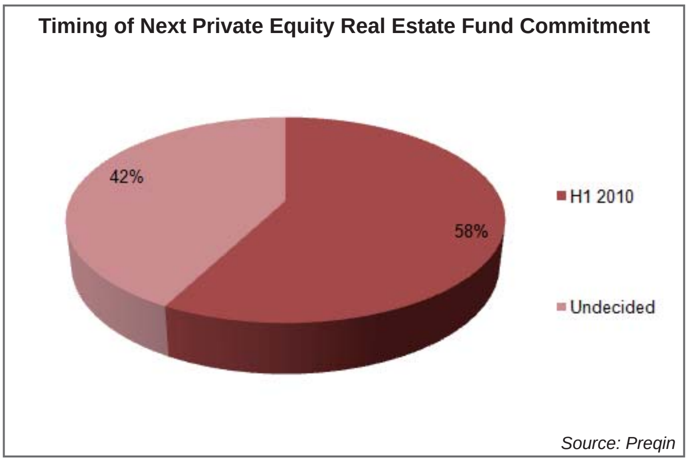

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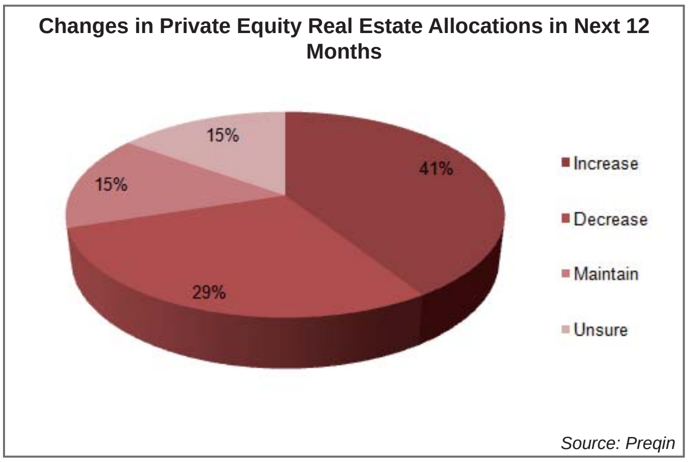

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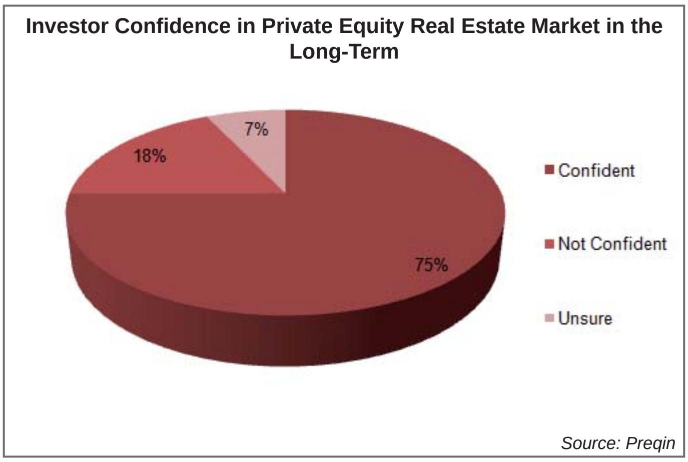

of respondents wanted to invest in core and core-plus vehicles. One reason why they are targeting core and core-plus funds is because these vehicles utilise little or no leverage, and investors are concerned about the large amounts of leverage employed by the higher-risk strategies.

Whilst interest in the more prevalent opportunistic and value added funds remained at similar levels to previous years, investors are becoming increasingly interested in the growing debt and distressed markets and many also said that they wanted to purchase fund stakes on the secondary market.

Private Equity Real Estate Allocations in Next 12 Months

When asked about their allocations to private equity real estate in the next 12 months, 41% of investors believed that it would increase, whilst 29% expected it to decrease. 15% said they would be maintaining their allocations and the remaining 15% were unsure.

Confidence in Private Equity Real Estate

The relatively high proportion of private equity real estate investors looking to commit to funds in 2010 and looking to increase their allocations to private equity real estate suggests that confidence is returning and investors are feeling more optimistic about the asset class. Fig. 8 shows that 75% of investors surveyed are confident in the private equity real estate market in the long term. They still view fund investments as an important part of their portfolios and are willing to remain active in the market over the long term. Although 18% are not confident in the asset class, none of the investors Preqin surveyed have deserted private equity real estate completely following the turmoil in the economy. Most have only been halting investments in the short term and are hoping to return when they themselves are in a better position or when the market improves.

Conclusion

Last year was particularly challenging for the private equity real estate industry. Fund managers struggled in their fundraising efforts and investors were reluctant to commit to real estate funds. Preqin's survey found that 55% of private equity real estate investors did not commit to new funds in 2009. With valuations falling and many institutions struggling with liquidity issues, it is not surprising that investors have been cautious.

Those that were active in 2009 typically invested closer to home, and in terms of strategy focus, 2009 saw debt and distressed funds rise in prominence. Despite a testing year, many investors felt that their portfolios performed to satisfactory levels in 2009 considering the the downturn in real estate markets.

The results of our survey show that investors are still interested in private equity real estate and many plan to invest this year. However, many are still unsure or are not willing to commit to the industry in 2010, preferring to wait for a longer period of time. A significant proportion of investors that will commit in 2010 are uncertain of the amount of capital they will deploy, the number of commitments they will make and the timing of those commitments. This lack of structure is uncharacteristic for an industry that has been more decisive in the last few years. Those investing are less likely than they were to invest beyond familiar regions, and lower-risk fund investments, as well as debt and distressed funds, have grown in popularity.

It is encouraging that investors have not lost confidence in the market and most will resume investments in the asset class at some point in the future. However, the ever-changing market remains a difficult one to predict. The majority of investors that Preqin spoke to were uncertain as to whether the market had bottomed out, but many were hoping that it would begin to recover this year. It will take a great deal of effort from fund managers to secure investor commitments in such a saturated and uncertain market. Although investors are willing to commit to the asset class, the emphasis is on fund managers to present them with the right opportunities.

Forena Akhtar & Stuart Taylor

More information on investors in private equity real estate, including investor preferences and investor plans, is available on Preqin's industry-leading online module, Real Estate Online.

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Fundraising Spotlight:
Private Equity Real Estate in 2009

2009 saw a significant decline in private equity real estate fundraising, with the aggregate capital raised equating to just 31% of that raised in 2008. In total, 103 funds reached a final close with aggregate commitments of $42bn.

Investor inactivity in 2009 resulted in fund managers delaying final closes, reducing targets and in many cases abandoning fundraising altogether.

Fundraising by Quarter

Fig. 2 illustrates fundraising by quarter in 2008 and 2009. While the first three quarters of 2008 saw strong fundraising, with $41bn raised in Q3 2008, it has

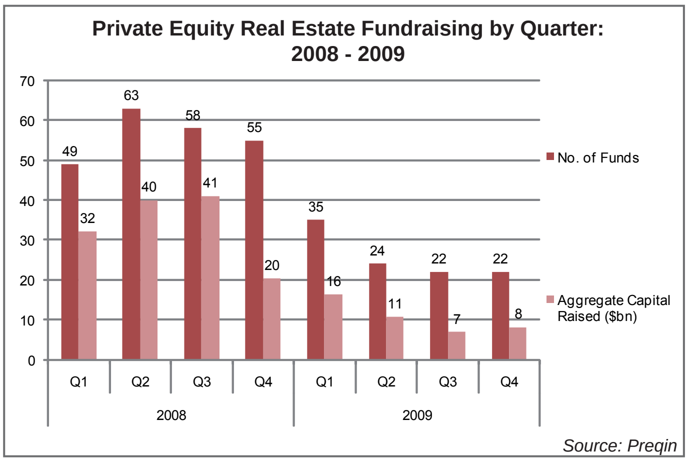
Fig. 1:

Ten Largest Private Equity Real Estate Funds Closed in 2009

Fund	Firm	Size (mn)	Strategy	Focus
Blackstone Real Estate Partners Europe III	Blackstone Real Estate Advisors	3,116 EUR	Opportunistic	Europe
Goldman Sachs Real Estate Mezzanine Partners	Goldman Sachs Real Estate Principal Investment Area	2,630 USD	Debt	US
Orion European Real Estate Fund III	Orion Capital Managers	1,280 EUR	Debt, Opportunistic	West Europe
Walton Street Real Estate Fund VI	Walton Street Capital	1,700 USD	Debt, Distressed, Opportunistic, Value Added	North America, Asia
Cerberus Institutional Real Estate Partners (Series Two)	Cerberus Real Estate Capital Management	1,250 USD	Debt, Opportunistic	US
Stockbridge Real Estate Fund III	Stockbridge Real Estate Funds	1,150 USD	Opportunistic, Value Added	North America, Europe, Asia
DLJ Real Estate Capital Partners IV	DLJ Real Estate Capital Partners	1,100 USD	Opportunistic	North America, Europe, Asia
Rockwood Capital Real Estate Partners Fund VIII	Rockwood Capital	964 USD	Value Added	US
daVinci Japan Real Estate Partners V	KK DaVinci Advisors	75,000 JPY	Opportunistic	Japan
Fudo Capital II	CLSA Capital Partners - Fudo Capital	815 USD	Value Added	Asia

Source: Preqin

Fig. 2:



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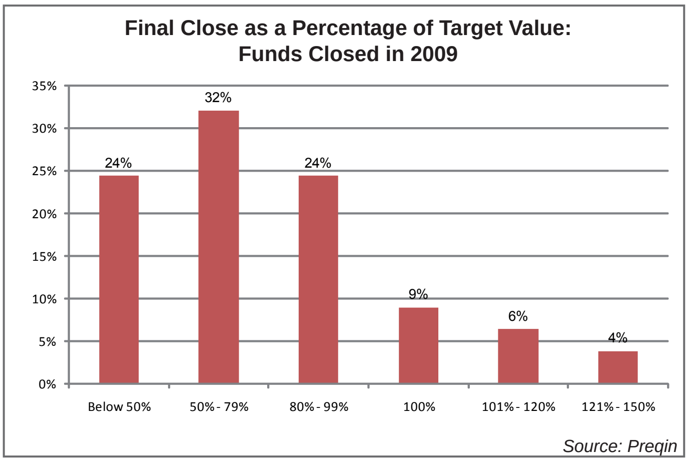

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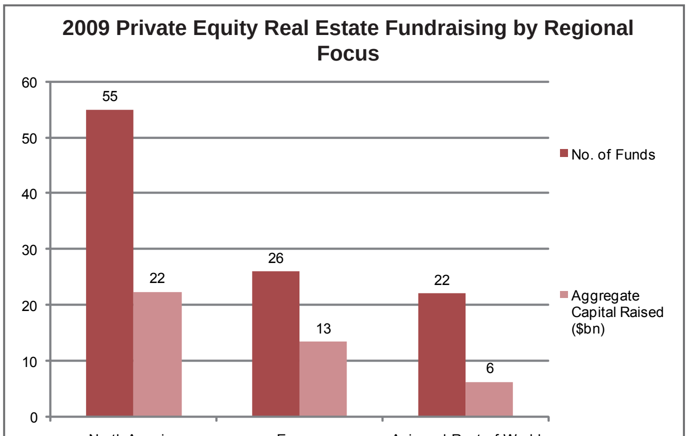

Source: *Preqin*

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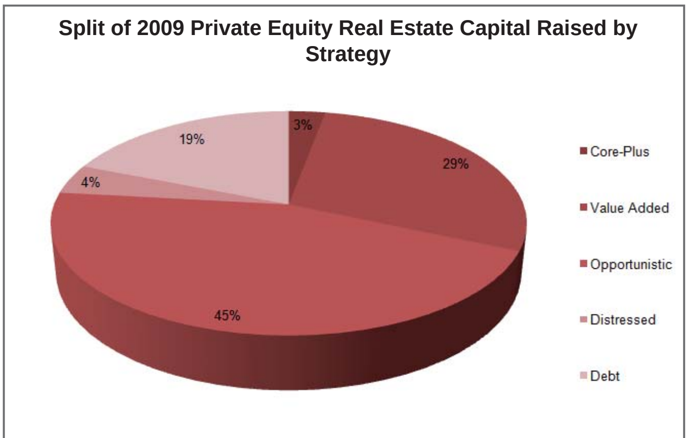

Source: *Preqin*

since declined dramatically. The $16bn raised in Q1 2009 represented around half the amount raised in Q1 2008. The third and fourth quarters of 2009 were even worse, with just $7bn raised in Q3 and $8bn in Q4.

Success in Achieving Fundraising Target

The proportion of fund managers that meet, exceed or fall below their respective fundraising targets is a good indicator of investor appetite for private equity real estate. Fig. 3 shows how successful firms that closed funds in 2009 were in reaching their fundraising goals. 80% of funds that closed during 2009 did so below their original target, highlighting how tough the fundraising environment was. Almost a quarter of funds raised less than half their original target and only 10% of funds exceeded their target. In contrast, the 2007 market was extremely buoyant, with 79% of funds meeting or exceeding their fundraising targets and 26% of funds closing with more than 120% of the capital originally targeted.

Regional Focus

Fig. 4 shows how the private equity real estate fund market is split by regional focus. Funds with a primary focus on North America raised $22bn in 2009, equating to 53% of the total capital raised worldwide. 26 funds primarily focused on Europe raised a total of $13bn, while 22 funds focused on Asia and Rest of World reached a final close having received aggregate equity commitments of $6bn. Although fundraising fell across the entire market in 2009, the fall was particularly notable for Asia and Rest of World funds, which accounted for 15% of the aggregate total in 2009, compared with 27% in 2008. It is important to note, however, that many of the largest funds with a primary focus on North America also make investments on a global basis.

Fundraising by Strategy

Opportunistic investments are the most commonly targeted type of investment by private equity real estate funds that closed in 2009. 45% of the capital that was raised in 2009 is primarily focused on opportunistic investments and 29% of capital was raised by funds primarily targeting value added opportunities. 19% is focused on real estate debt investments, while 4% is targeting distressed opportunities. Many opportunistic funds are also likely to target distressed investments.

Largest Funds to Close in 2009

The largest fund to close in 2009 was Blackstone Real Estate Partners Europe III, which received commitments of €3.1bn. The fund, which invests across Europe, focuses on the creation of

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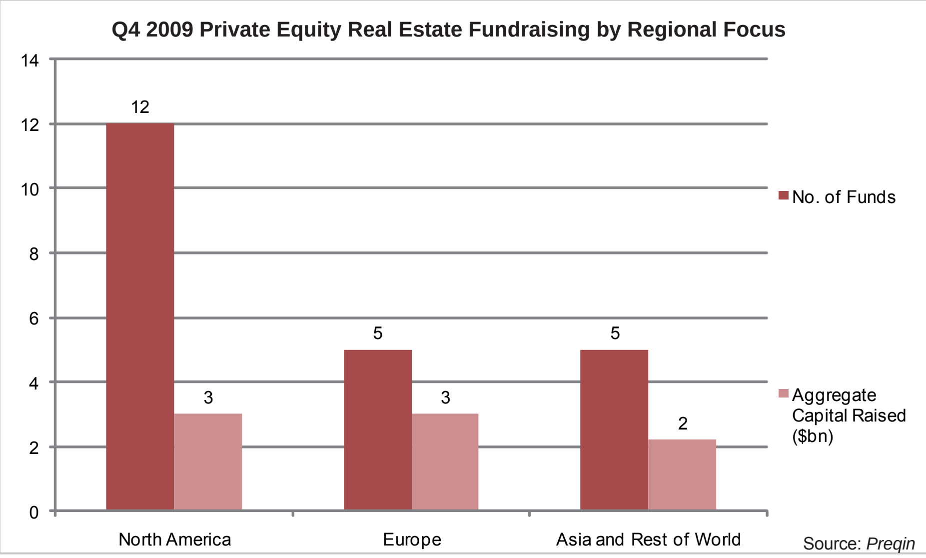


Source: *Preqin*

Fig. 7:

Five Largest Private Equity Real Estate Funds Closed in Q4 2009				
Fund	Firm	Size (mn)	Strategy	Focus
Orion European Real Estate Fund III	Orion Capital Managers	1,280 EUR	Debt and Opportunistic	West Europe
Fudo Capital II	CLSA Capital Partners - Fudo Capital	815 USD	Value Added	Asia
Heitman European Property Partners IV	Heitman Real Estate Investment Management	505 EUR	Value Added	Central and Eastern Europe
ING Clarion Debt Opportunity Fund III	ING Clarion	750 USD	Debt	US
Carlyle Asia Real Estate Fund II	Carlyle Group	485 USD	Opportunistic	Asia

Source: Preqin

investment platforms, the acquisition of irreplaceable assets in prime locations, and the expansion, renovation, development and re-use of existing properties. Goldman Sachs Real Estate Mezzanine Partners closed in March 2009 with commitments of $2.6bn. The high-yield debt fund makes investments in mezzanine loans, CMBS, B-notes, high-yield senior loans and real estate corporate debt. The third-largest fund to close in 2009 was Orion European Real Estate Fund III.

Q4 2009 Fundraising

In the final quarter of 2009, 22 funds reached a final close, raising an aggregate $8bn. This was a small increase on the aggregate fundraising from Q3, which saw the same number of funds raise $7bn. In terms of geographic focus, 12 primarily North America focused funds raised $3bn in Q4. $3bn was also raised by five European funds that closed during the quarter, while five Asia and Rest of World vehicles raised $2bn.
14 of the funds to close in Q4 are managed by firms headquartered in the US. They received aggregate commitments of $5bn. Four funds managed by UK-based firms raised an aggregate $2 bn, with the remaining $1bn being raised by two fund managers headquartered in Hong Kong and one in the Cayman Islands.

Largest Funds to Close in Q4 2009

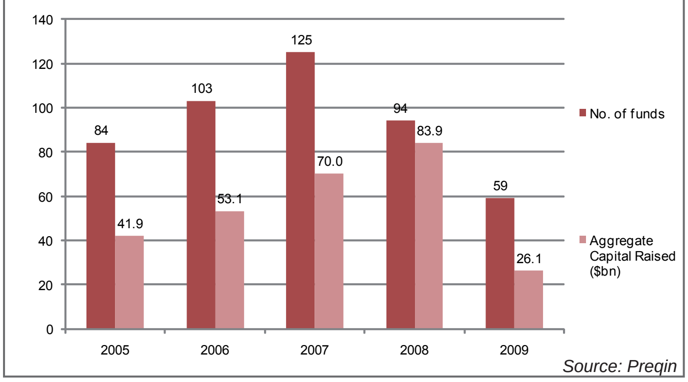
The largest fund to close in Q4 2009 was Orion European Real Estate Fund III, which closed on €1.3bn. The fund targets underperforming and poorly managed properties across Western Europe, as well as targeting properties needing capital improvements and purchasing discounted loan portfolios from European banks. Hong Kong-based CLSA Capital Partners raised $815mn for Fudo Capital II, which invests in a diversified portfolio of properties located primarily in top-tier cities throughout Asia. The fund buys completed buildings, makes investments in real estate operating companies and/or platforms, and develops properties in certain markets. Heitman European Property Partners IV raised €505mn to invest in office, logistics, retail and residential properties across 13 countries in Central and Eastern Europe.

Andrew Moylan

Fund Manager Spotlight: Opportunistic Fund Managers

Fig. 1:

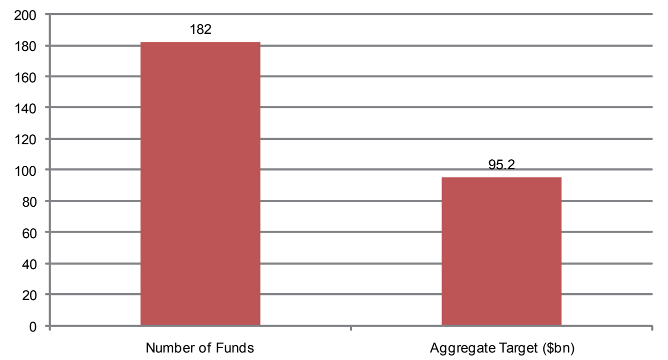
Fundraising by Opportunistic Real Estate Fund Managers: 2005 - 2009



Source: Preqin

Fig. 2:

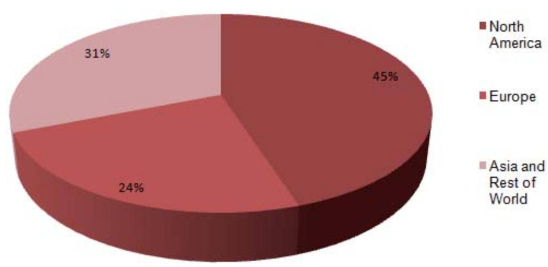
Opportunistic Real Estate Funds on the Road



Source: Preqin

Fig. 3:

Primary Geographic Focus of Opportunistic Real Estate Funds on the Road



Source: Preqin

The information in Fund Manager Spotlight, is taken from Preqin's Real Estate Online product.

To find out more information about this product, or to arrange a demo, please visit:

www.preqin.com/realestate

Fig. 4:

Ten Largest Real Estate Firms by Capital Raised for Opportunistic Funds

Firm Name	Head Office	Capital Raised for Opportunistic Funds in Last 10 years ($bn)
Blackstone Real Estate Advisors	US	27.5
Lone Star Funds	US	22.2
Morgan Stanley Real Estate	US	19.8
Goldman Sachs Real Estate Principal Investment Area	US	16.5
Fortress Investment Group	US	13.1
Carlyle Group	US	10.6
Colony Capital	US	8.4
Lehman Brothers Real Estate Private Equity*	US	7.2
LaSalle Investment Management	US	7.2
MGPA	UK	7.0

*Lehman Brothers Real Estate Private Equity is to be spun out in a management buyout

Source: Preqin

Andrew Herman

2010 Preqin Private Equity Real Estate Compensation & Employment Review: Order Form

A source of reliable and accurate information on the latest trends in private equity real estate compensation and employment is a vital tool enabling decision-makers and advisors to examine existing compensation practices against wider industry benchmarks.

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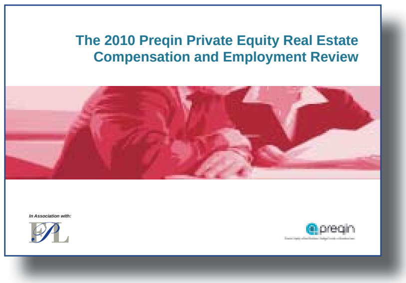
- Compensation data for 31 different positions at PERE firms
- Survey of compensation practices at PERE firms
- Overview of firm level compensation
- Current employment within the PERE industry
- Growth of the PERE industry over time
- Centres of employment activity



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Investor Spotlight:
Opportunistic Real Estate Funds

Alongside value added funds, opportunistic vehicles are now the most commonly targeted investment option for private equity real estate investors. In the past, the investor universe has favoured value added funds, but 73% of private equity real estate investors are now interested in opportunistic vehicles. Many of the opportunistic funds make distressed and debt plays, which a growing number of investors want access to. As would be expected, the regional make-up of investors in opportunistic funds is very similar to the make-up of investors in all private equity real estate funds. 57% of investors interested in opportunistic funds are from North America, 30% are from Europe and 13% are from Asia and Rest of World.

A number of significant investors in the real estate asset class invest or are interested in investing in opportunistic vehicles. Abu Dhabi Investment Authority has over $62bn allocated to the asset class. The sovereign wealth fund has obtained exposure to opportunistic markets in Asia in the past using managers including Carlyle Group and Schroder Property Investment Management. APG - All Pensions Group is another sizable investor that commits to opportunistic funds. Half of the asset manager's 9% allocation to real estate is invested in private real estate funds. Opportunistic commitments include an investment in Perella Weinberg Real Estate Fund I.

A number of investors that Preqin contacted in Q4 2009 have outlined investment plans which include investment in opportunistic vehicles. European Bank for Reconstruction and Development is looking to invest in opportunistic markets in 2010. It will look to commit €50mn to an opportunistic vehicle primarily focusing on non-EU countries in Eastern Europe. It will consider both new and existing fund managers. Pensimo Management is another investor targeting opportunistic strategies. It wants to broaden its private fund portfolio to include private equity real estate and wants to do so by investing in opportunistic strategies in Asia and Australia.

Stuart Taylor

Fig. 2:

Ten Largest Real Estate Opportunistic Fund Investors by Overall Real Estate Allocation		
Investor	**Country**	**Real Estate Allocations ($bn)**
Abu Dhabi Investment Authority	United Arab Emirates	62.5
APG - All Pensions Group	Netherlands	27.6
CDP Real Estate Group	Canada	23.9
Government of Singapore Investment Corporation (GIC)	Singapore	22.8
Allianz Real Estate	Germany	22.5
Allstate Investment Management	US	20.7
PGGM	Netherlands	19.1
Ontario Teachers' Pension Plan	Canada	16
California Public Employees' Retirement System (CalPERS)	US	13.6
TIAA-CREF	US	13

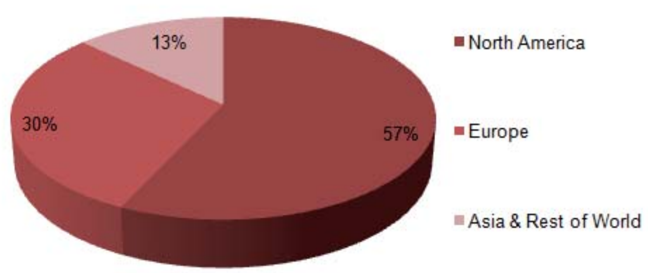
Source: Preqin

The information in Investor Spotlight, is taken from Preqin's Real Estate Online product.

To find out more please visit: www.preqin.com/realestate

Fig. 1:

Split of Investors Interested in Opportunistic Funds by Region



Source: Preqin

Fig. 3:

Sample of Investors Interested in Opportunistic Fund Commitments		
Investor	**Investor Location**	**Geographic Preference**
Employees' Retirement System of Texas	US	US
European Bank for Reconstruction and Development	UK	East Europe
LIG Insurance	South Korea	Asia, Europe, US
Pensimo Management	Switzerland	Asia, Australia
R+V Lebensversicherung	Germany	Europe

Source: Preqin

Conferences Spotlight:
Forthcoming Events

Featured Conferences:

Real Estate Investment World China 2010

Date: 29 - 31 March 2010
Location: Shangri-La's Kerry Centre Hotel Beijing, China

Real Estate Investment World China 2010 is well recognized as the benchmark and barometer for the year ahead in China real estate. The conference will shine the spotlight on foreign and domestic Chinese property players as they jockey for position in one of the world's fastest growing markets.

Information:
www.terrapinn.com/2010/reiwchina/

Featured Conferences:

Conference	Dates	Location	Sponsor
Real Estate Investment World Brasil 2010	2 - 4 February 2010	Sao Paulo	Terrapinn
The PERE Forum: Asia 2010	2 - 3 February 2010	Hong Kong	PEI Media
ULI Europe Annual Conference	2 - 3 February 2010	Paris	ULI
2010 (VIP) Visions, Insights and Perspectives	9 - 11 February 2010	Rancho Palos Verdes, CA	Institutional Real Estate
2010 AFIRE Winter Conference	10 - 11 February 2010	New York	AFIRE
The Forum on Distressed Real Estate: Residential & Commercial	25 - 26 February 2010	Miami	IMN
USA GRI 2010	25 February 2010	New York	GRI Events
Global Real Assets Investment Forum	2 - 3 March 2010	New York	Institutional Investor
Asia GRI 2010	3 March 2010	Singapore	GRI Events
Asset Allocation Summit Asia 2010	15 - 17 March 2010	Hong Kong	Terrapinn
MIPIM 2010	16 - 19 March 2010	NAREIM	Cannes
Real Estate Mezzanine Loans	16 March 2010	New York	IIR
REITWise: NAREIT's Law & Accounting and Finance Conference	24 - 26 March 2010	Orlando	Nareit
Real Estate Investment World India 2010	26 - 28 April 2010	Mumbai	Terrapinn
Deutsche GRI 2010	27 - 28 April 2010	Frankfurt	GRI Events

Investor Spotlight: Investor News

Texas Municipal Retirement System looking to hire a director of real estate and appoint a real estate consultant

The $14.6bn pension fund is preparing to implement its real estate investment program with the hiring of a director of real estate. The director of real estate will be responsible for managing the program and once a real estate consultant is hired, will work with the consultant to formulate investment policies and strategies. In June 2009, the pension fund set a target allocation of 10% to real estate and hoped to allocate 3% by the end of 2010. It decided to include real estate in its portfolio to benefit from higher long-term returns and in September it decided to begin the search for a real estate consultant. Its general consultant, R.V. Kuhns & Associates, is assisting in the search but will not be applying for the position itself as it recommended the retention of a real estate-specific consultant.

Strathclyde Pension Fund talking to potential candidates about the direction of its real estate portfolio

Strathclyde Pension Fund is in the process of tendering for a property manager. It will not make further investments until it has selected a candidate. Its existing mandate is a direct investment portfolio with Aberdeen Property Investors. It does not currently invest in private equity real estate. However, it is listening to ideas from various real estate managers and may move into private fund investments upon the selection of a new manager. A new manager is expected to be appointed in March.

Merimieselakekassa refraining from all real estate investments in 2010 to reduce its allocation

The €708mn pension fund will not be making any investments in the real estate asset class this year. It is almost 11% above its 22% target allocation to real estate and is looking to reduce its allocation to nearer this figure. The 32.5% allocation consists predominantly of direct property, which it will be selling in order to rebalance its portfolio. It will keep its private real estate portfolio, which accounts for 27% of its property allocation, but is considering selling its shares in two listed REITs. Merimieselakekassa is unsure as to when it will return to the real estate asset class and has not discussed whether it will make new fund commitments in 2011. Its return will depend on whether it can rebalance its portfolio to get closer to its target.

Maryland State Retirement and Pension System backs US government's PPIP programme

Maryland State Retirement and Pension System committed almost $1bn across the real estate and private equity asset classes in Q4 2009. It invested in a number of the managers involved in the US government's PPIP program. PPIP gives investors access to AAA-rated commercial and residential-backed mortgage securities issued prior to 2009 by banks. Part of the pensions system's allocation was to GE Capital Real Estate.

Ventura County Employees' Retirement Association considering returning to private real estate market in H2 2010

The $2.1bn pension fund is hoping to return to private real estate when there is some sign of recovery in the market. The pension fund feels this may occur in the second half of the year and therefore may make new investments by the end of 2010. Its 7% allocation to real estate comprises solely open-ended real estate funds, but it has been considering closed-end private equity real estate funds for some time and has not made an allocation to higher-risk strategies due to uncertain market conditions. It did not make any real estate investments in 2009, and when it returns to market it will continue investing in the US. Asia and Europe may form a part of its strategy as it hopes to have a global outlook on the asset class. It will monitor its portfolio and resume investments when it is appropriate.

TIAA-CREF to invest in private equity real estate emerging market funds

TIAA-CREF, the $400bn private pension fund, is set to be active in seeking private equity real estate fund commitments in emerging economies in 2010. It will invest less in the US and other established markets than it usually does and will focus instead on countries such as China, India and Brazil. It will focus on opportunistic funds in order to balance its direct portfolio which mainly focuses on core and value added investments. It will seek experienced managers with good track records.

Stuart Taylor

Each month Investor News brings you the latest institutional investor news from around the globe.

More information is available online for Real Estate Online subscribers. Contact us for more information - **info@preqin.com**