Real Estate Spotlight

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January 2010/ Volume 4 - Issue 1

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Private Equity Real Estate in 2009

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We take a look at private equity real estate fundraising over the past month.

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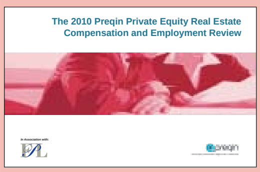

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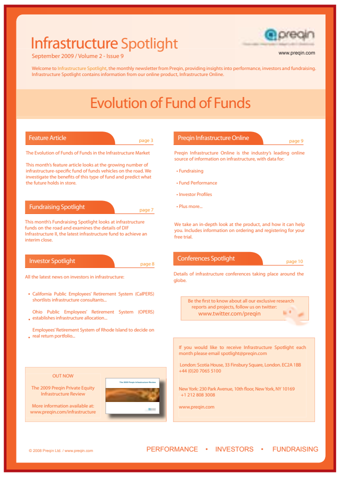

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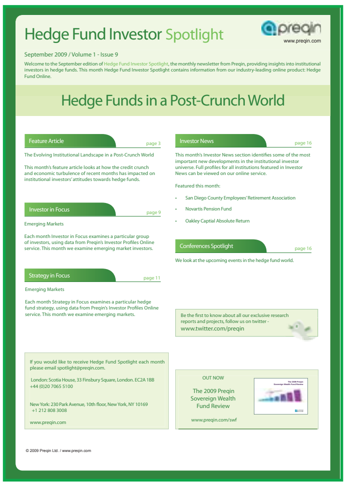

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Private Equity Real Estate: 2009 Overview

While there are signs of improvement for 2010, the private equity real estate market in 2009 is one that has been characterised by investor caution, a significant decline in fundraising, poor performance and lack of transaction activity. This month's feature article reviews the most important trends of the year.

Fundraising

2009 saw a dramatic decline in fundraising for private equity real estate funds. The aggregate quarterly fundraising total never dropped below $20 billion in 2008, however no quarter in 2009 to date has raised this amount. Including Q4 to date, a total of 93 funds have reached a final close in 2009, receiving commitments of $40.5 billion. In 2008, 228 funds raised an aggregate $134.3 billion.

Fig. 1 shows the quarterly close rate for private equity real estate funds. Q1 2009 saw a decline on fundraising from the previous quarter; a trend that started in Q4 2008. Q2 and Q3 2009 saw fundraising levels continue to fall, with third quarter fundraising of $6.8 billion representing the lowest fundraising total since Q3 2004. To date in Q4 2009, 15 funds have raised $6.8 billion. This is likely to increase as fund managers may formally close their funds at the end of the year. Preqin will release a full analysis of 2009 fundraising in next month's edition of Real Estate Spotlight.

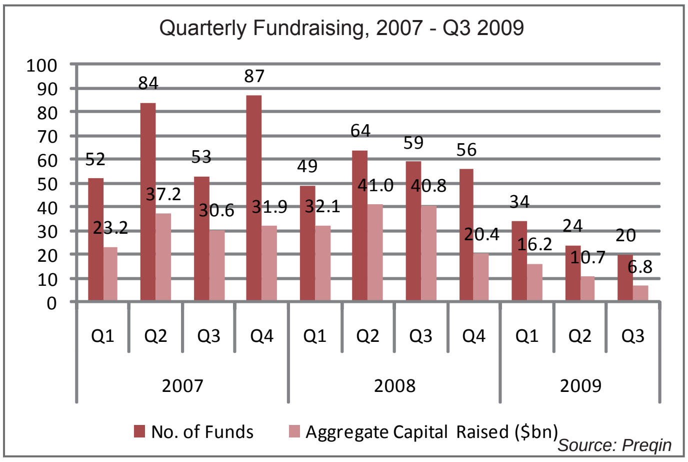
Of all the funds that have closed during 2009 to date, 77% have closed below their original target size, with 14% hitting their target and just 9% exceeding it. 2007 saw just 21% fall short of their fundraising goals, while 46% of funds fell short of their target during 2008. 28% of funds that closed during 2009 did so with less than half their original target.

While fundraising has been very slow in the second half of 2009, there are some signs of improvement. A significant amount of the H1 fundraising came from funds that had received commitments from investors in 2008. Funds that have closed more recently, however, have garnered investor commitments during 2009, indicating that at least some investors are returning to market.

There are also signs that private equity real estate performance, which has been severely affected by declining property valuations across the globe, could be starting to stabilise. Fig. 2 illustrates the quarterly change in the net asset value of private equity real estate funds. For three successive quarters, real estate fund managers wrote down the value of their investments. The largest decline was in Q4 2008, when the NAV of private equity real estate funds declined by 15.7%. Q2 2009, however, saw a modest increase of 1.1%.

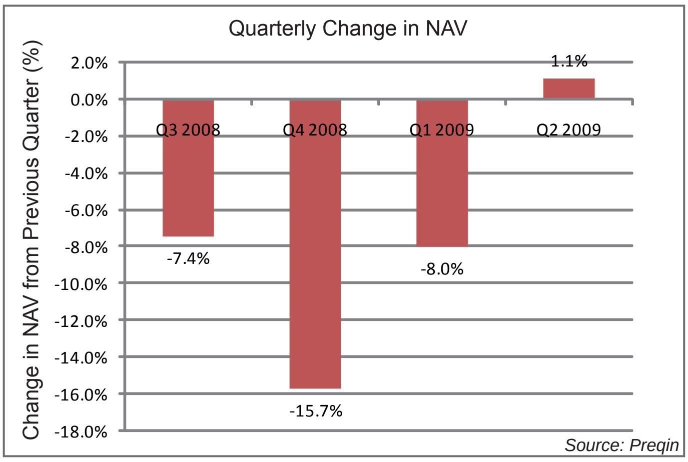
The fundraising market remains extremely competitive. Whilst the number and aggregate target of funds on the road has fallen throughout 2009, there are still 374 funds in market seeking aggregate commitments of $175.1 billion. This represents significantly more than a year's worth of final closes at the record-breaking 2008 levels. The aggregate target of all funds on the road has fallen by $54 billion throughout the year as fund managers

Fig. 1:



Source: Preqin

Fig. 2:



Source: Preqin

have reduced targets in response to investor inactivity. There have also been 60 funds abandoned or placed on hold during 2009 as fund mangers have failed to garner investor commitments.

Investor Overview

The credit crunch has taken its toll on investor's capacity to invest in private equity real estate funds. Some investors have reduced their usual capital outlay to the industry, whilst others have not been investing at all. A recent Preqin survey, to be discussed in detail in next month's Real Estate Spotlight, demonstrates just how big a shift there has been in the attitudes and capabilities of investors. Of the respondents to our survey, 55% had not committed to a private equity real estate fund in 2009.

This has been a severe blow for an industry that appeared, in the early quarters of 2008, to be going from strength to strength. However, 2009 has been a lesson to those that believed that high returns made the industry almost infallible to changes in the wider market.

Economic Downturn Effect on Investors

The credit crunch sent property prices into a downward spiral and, throughout 2009, 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 percentage 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 others were victim to 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 returns of 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 and with so many commitments made but un-called, 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.

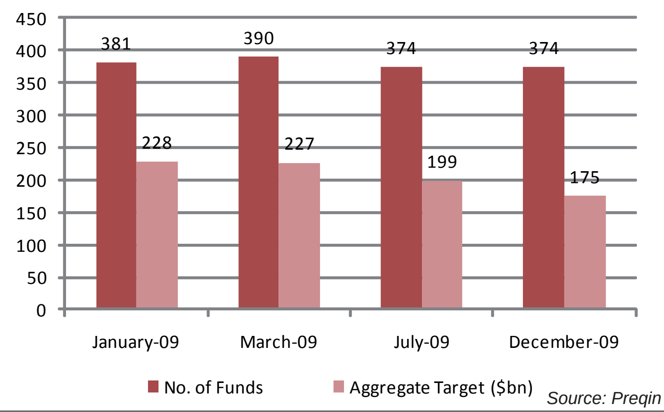
California Public Employees' Retirement System (CalPERS), a huge investor in private equity real estate funds, decided in March 2009 that it would not invest in real estate funds in 2009. It was above its 10% target allocation to the asset class and felt that it would take an extremely compelling fund to make it reverse its decision. Then, in August, CalPERS decided to freeze its private equity real estate investment program for 12-24 months. This self-imposed embargo by one of the biggest private equity real estate investors demonstrates the significance of the economy's effect on investing in 2009.

Those Investing

As seen in Fig. 4, 58% of private equity real estate investors are based in North America. This is hardly surprising considering the amount of potential investors in the US compared to anywhere else, and the fact that private equity real estate was established there. Europe accounts for 31% of investors and Asia and Rest of World makes up the remaining 11%. These figures are very similar to those of a year ago, which is not unexpected given the relative inertia of many institutions over the last few quarters.

Fig. 3:

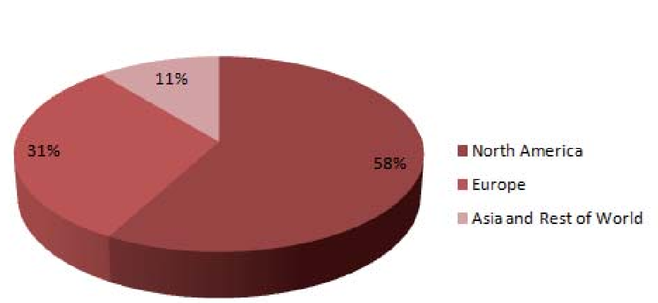
Funds on the Road, January - December 2009



Source: Preqin

Fig. 4:

Make-up of Investors in Private Equity Real Estate Funds by Investor Location



Source: Preqin

Investors have been increasingly focusing on vehicles closer to home in 2009. With caution prevailing, investors have not wanted to take risks on markets they are less familiar with. This has stunted North American and European investor willingness to allocate to Asia and Rest of World. These markets had enjoyed an increasing level of commitments from private equity real estate investors in the last few years. However, while Asia and Rest of World funds received 27% of capital commitments in 2008, the figure dropped to 15% in 2009. The figures are very similar to those of the regional breakdown of investors, with 53% of capital committed to North America in 2009 and 32% committed to Europe.

The strategic focus of investors in 2009 has in some ways remained similar to that of the year before. As seen in Fig. 6, value added and opportunistic strategies remain the most favoured by private equity real estate investors, with 73% of private equity real estate investors interested in these types of funds.

The major difference that has been seen in 2009 is the emergence of distressed and debt funds as widespread areas of focus. This is a direct result of the credit crunch, as investors and fund managers alike have identified areas of opportunity in a dislocated market. With traditional sources of liquidity drying up, the private equity real estate industry has stepped in to fill the void and benefit where others cannot afford to take such risks. Subsequently, 30% of investors are now interested in distressed private equity real estate funds. This is an unprecedented level of interest and one that gained momentum over 2009. Even more dramatic is the rise of interest in debt funds. At the end of 2008, 14% of private equity real estate investors were interested in debt vehicles; this percentage now stands at 36%.

Those that have invested in 2009 include Oregon State Treasury: it committed a combined USD 400 million to Lone Star Funds in 2009. It invested USD 300 million in Lone Star Real Estate Fund II, a vehicle targeting opportunistic, distressed and debt markets in Europe, North America and Asia. It also committed USD 100 million to Lone Star Fund VII, which invests in debt markets on a global basis. China Investment Corporation is another investor that committed to private equity real estate in 2009. It invested USD 800 million in Morgan Stanley Real Estate VII Global, giving the sovereign wealth fund access to opportunistic and distressed plays in countries including China, Germany, India, Japan and the US.

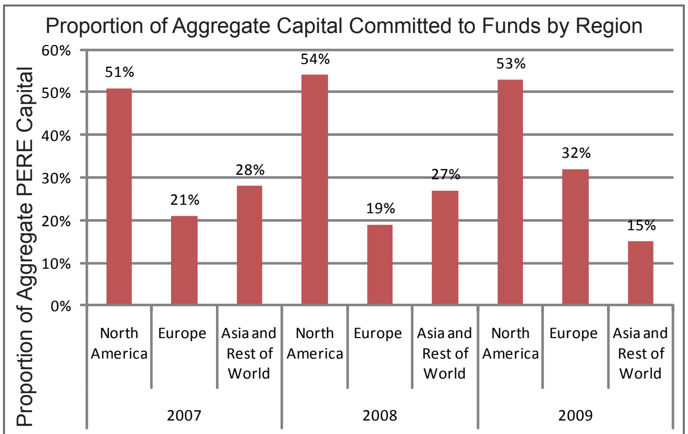
Conclusion

2009 has been a challenging year for the private equity real estate industry. After years of uninterrupted success, the industry has hit difficult times; fundraising is down and fund managers have struggled to raise capital. Fundraising to date in 2009 has reached its lowest point in recent history and Q3 2009 registered the lowest quarterly figure since Q3 2004. 2009 has also seen an increasing number of funds closing below original target, with a number closing with less than half the capital they were initially targeting. The outlook is more positive for fund performance; figures from Q2 2009 suggest declining NAVs may now be behind the private equity real estate industry, important if fundraising is going to improve. Despite (and in many ways because of) the global recession, real estate enters into the new year with a significant amount of funds on the road seeking large amounts of capital.

While fund managers have struggled, investors have hesitated. Preqin data shows that 55% of private equity real estate investors have not invested in private equity real estate funds in 2009. Many have been forced into this position due to liquidity issues. Others have decided to err on the side of caution, delaying investment until the market stabilises or they are more confident in the durability of their investment portfolios. With distributions from funds low and infrequent, and with dry powder building, many investors have felt that it was unnecessary to commit more to the industry.

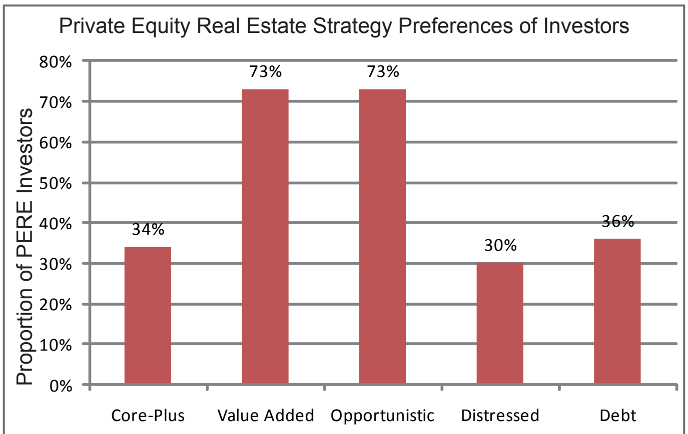
However, 45% of investors still invested in private equity real estate funds in 2009 and many others have indicated that 2010

Fig. 5:



Source: Preqin

Fig. 6:



Source: Preqin

Fig. 7:

Sample of Investor Commitments to Private Equity Real Estate Funds in 2009		
Investor	**Fund**	**Commitment ($mn)**
China Investment Corporation	Morgan Stanley Real Estate VII	800
New York State Common Retirement Fund	Lake Montauk Real Estate Fund	300
Oregon State Treasury	Lone Star Real Estate Fund II	300
Arizona Public Safety Retirement Personnel System	Fudo Capital II	30
New Mexico Educational Retirement Board	Lone Star Fund VII	25

Source: Preqin

will see them invest again or re-enter if they abstained from 2009 investment. Those that have entered the 2009 market have in general done so closer to home. Fundraising by region now almost mirrors that of investor make-up by region, unlike in recent years when Asia and Rest of World funds were gaining more attention from investors than European vehicles. In terms of fund focus, 2009 saw debt and distressed funds rise in prominence, a trend that is no doubt set to continue into the new year.

Andrew Moylan & Stuart Taylor

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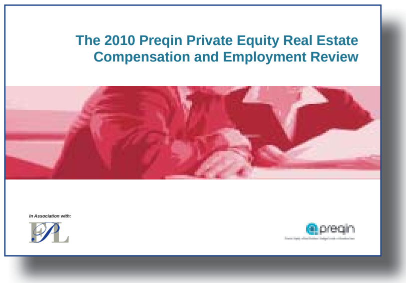

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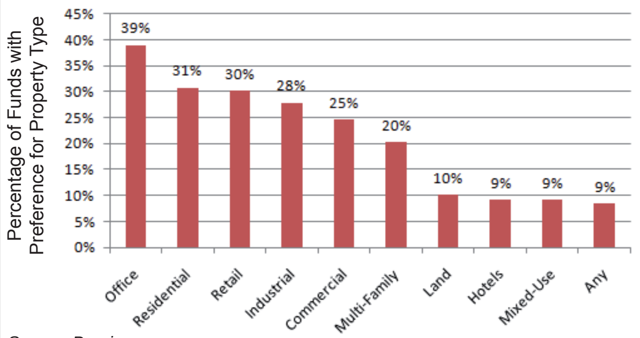
Fundraising Spotlight: Private Equity Real Estate

Funds on the Road

Funds on the Road	US	Europe	ROW	Total
Number of Funds	207	98	69	374
Aggregate Target Size ($bn)	99.4	40.4	35.3	175.1
Average Target Size ($mn)	499	431	560	492

Source: Preqin

Funds in Market by Property Focus



Source: Preqin

Europe Focused Funds on the Road

Fund	Manager	Target Size (mn)	Strategy
Socrates Capital Real Estate Opportunity Fund	Socrates Capital	2,000 USD	Core-Plus and Opportunistic
Evans Randall Opportunity Fund	Evans Randall	1,000 GBP	Value Added
ING Property Fund Central and Eastern Europe	ING Real Estate Investment Management	1,000 EUR	Core and Value Added
LaSalle European Ventures III	LaSalle Investment Management	750 EUR	Opportunistic
Moor Park Real Estate Fund III	Moor Park Capital Partners	700 EUR	Opportunistic
Meyer Bergman European Retail Partners	Meyer Bergman	600 EUR	Debt, Distressed, Opportunistic and Value Added
Henderson Central London Office Fund II	Henderson Global Investors - Property	500 GBP	Core-Plus and Value Added
Altyon Partners UK Fund	Altyon Partners	500 GBP	Opportunistic
Pramerica Real Estate EuroMezz Fund I	Pramerica Real Estate Investors	500 GBP	Debt
Aberdeen European Property Shopping Fund	Aberdeen Property Investors	525 EUR	Core Plus and Value Added

Source: Preqin

Recently Closed Funds

Orion European Real Estate Fund III

Manager: Orion Capital Managers
Strategy: Opportunistic, Debt
Debt Types: Non-Performing Loan
Geographic Focus: West Europe
Target IRR (Net): 18%
Maximum Leverage: 75%
Final Close: 1,280 EUR (Dec-2009)
Known Investors: University of Michigan Endowment

Fudo Capital II

Manager: CLSA Capital Partners - Fudo Capital
Strategy: Value Added
Geographic Focus: China, Hong Kong, India, Japan, Singapore, Taiwan
Property Types: Hotels, Office, Operating Companies, Residential, Retail, Senior Home
Target IRR (Net): 16%
Final Close: 816 USD (Dec-2009)
Placement Agent: Credit Suisse Private Fund Group
Lawyer: Shearman & Sterling
Known Investors: University of Michigan Endowment, Arizona Public Safety Personnel Retirement System

Preqin Real Estate Online

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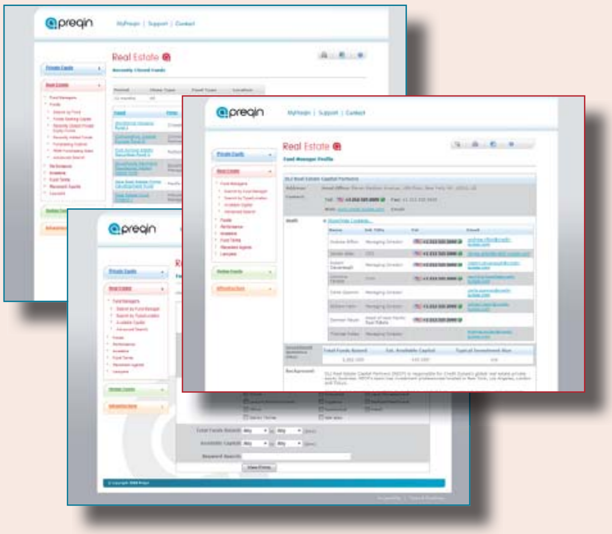

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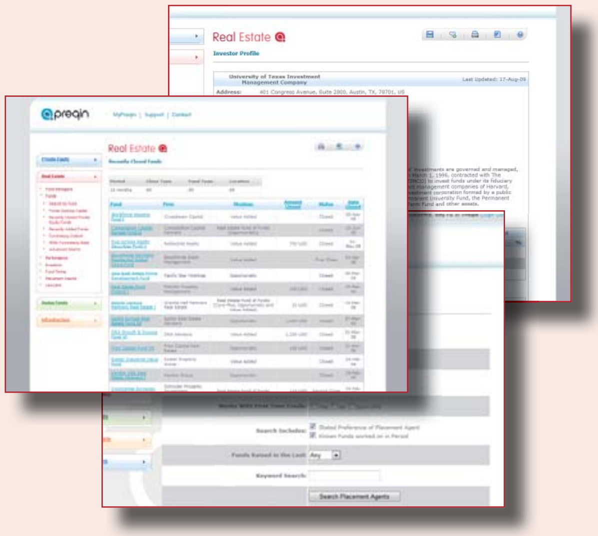
- Placement Agents: Which agents are currently working with or have previously worked with real estate funds and which are willing to work with them in future? Includes detailed profiles for each placement agent.

- Lawyers: Which lawyers are the most active with real estate private equity funds currently? Which lawyers have worked with real estate funds previously? See detailed profiles for each lawyer.



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Fund Manager Spotlight: Continental European Managers

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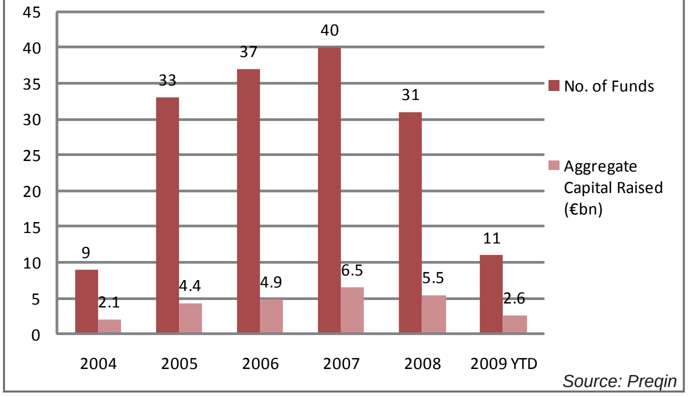

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Fig. 2:

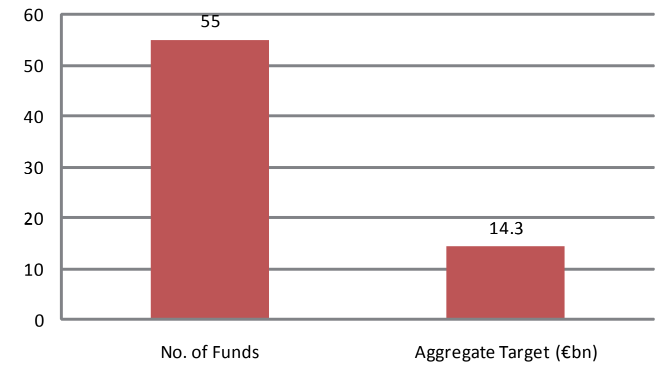

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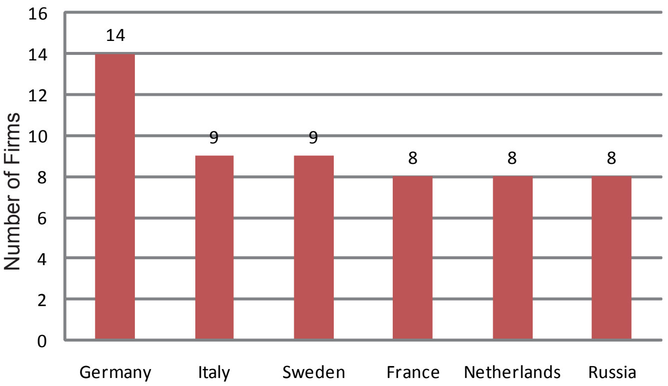
Fig. 3:



Source: Preqin

Fig. 4:

Top 10 Continental European Real Estate Firms by Capital Raised

Firm Name	Head Office	Capital Raised Last 10 Years (€bn)
ING Real Estate Investment Management	Netherlands	6.6
AEW Europe	France	3.1
AXA Real Estate Investment Managers	France	1.9
BNP Paribas Real Estate Investment Management Italy	Italy	1.9
Aberdeen Property Investors	Sweden	1.8
CapMan Real Estate	Finland	1.2
Europolis	Austria	1.0
CORPUS SIREO	Luxembourg	1.0
Niam	Sweden	0.9
ICECAPITAL Real Estate Asset Management	Finland	0.7

Source: Preqin

Forena Akthar

Conferences Spotlight: Forthcoming Events

Featured Conferences:

Conference	Dates	Location	Sponsor
NAREIM Annual Symposium	10 - 12 January 2010	NAREIM	Miami
Winter Forum On Real Estate Opportunity & Private Fund Investing	13 - 15 January 2010	Laguna Beach, CA	IMN
Turkey GRI 2010	19 January 2010	Istanbul	GRI Events
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 AFIRE Winter Conference	10 - 11 February 2010	New York	AFIRE
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
REITWise: NAREIT's Law & Accounting and Finance Conference	24 - 26 March 2010	Orlando	Nareit
Real Estate Investment World China 2010	29 - 31 March 2010	Shanghai	Terrapinn
Real Estate Investment World India 2010	26 - 28 April 2010	Mumbai	Terrapinn
Deutsche GRI 2010	27 - 28 April 2010	Frankfurt	GRI Events

Investor Spotlight: Alternatives Investment Consultants

Investment consultants perform a vital function within the alternative assets universe, providing an array of services to institutional investors of all different types and sizes, from small family offices, all the way up to multi-billion dollar pension plans. Whether the investment advice given by consultants is on a discretionary or non-discretionary basis, in many cases forming a relationship with an institution's investment consultant can be the most effective way for fund managers to negotiate commitments to new vehicles.

This article examines some of the key attributes of this important industry using data from the newly released 2010 Preqin Alternatives Investment Consultant Review.

How big is the industry?

In total there are over 200 investment consultants of note operating within the alternatives industry. As Fig. 1 shows, in terms of the services they provide, 16% offer advisory services on a discretionary-only basis, 35% only work on a non-discretionary basis, and 49% offer both types of services. Roughly 20% of those firms acting as investment consultants also operate as fund of funds managers.

In terms of the areas of the alternatives industry that consultants cover, 74% will advise on private equity, 61% on hedge funds, 54% on real estate and 34% on infrastructure (Fig. 2).

How are investment consultants performing?

Investors rely on their consultants in a number of different ways, and see a number of different attributes as key

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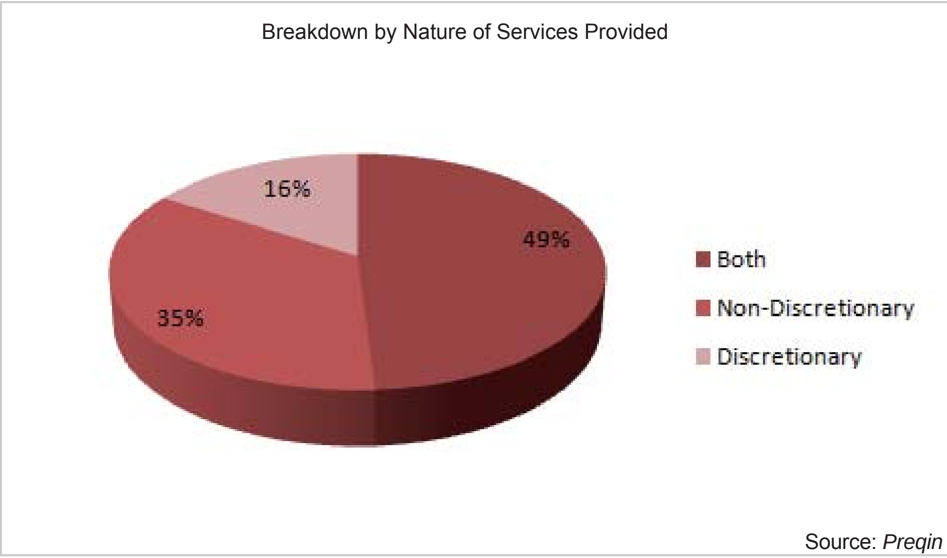

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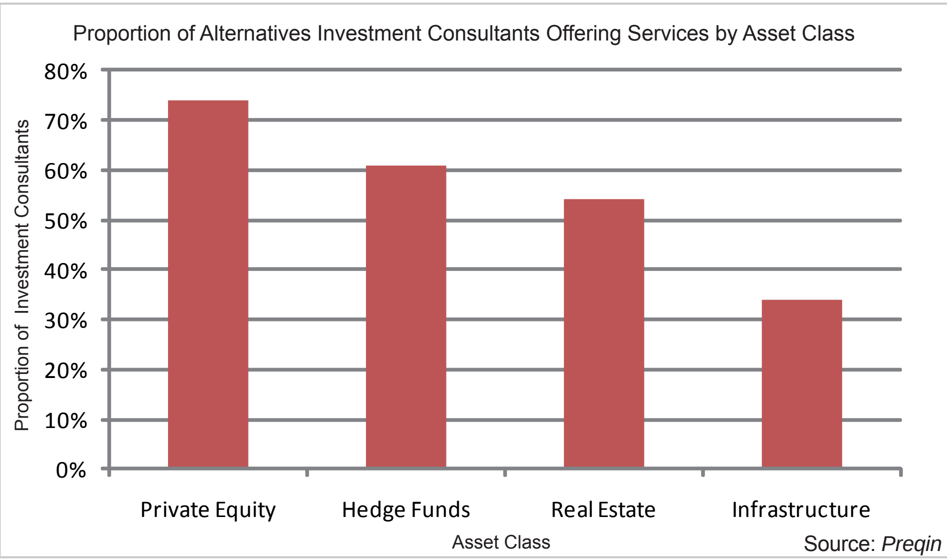


considerations when assessing their performance. In order to evaluate client satisfaction, Preqin undertook a survey of 50 leading institutional investors utilising the services of consultants. The make-up of the respondents is representative of the global make-up of institutional investors in alternatives by type, size and location.

To what extent are clients satisfied with services provided?

The shift in fortunes for the global financial markets following the events of September 2008 clearly had a major effect on the alternative assets industry. The value of existing fund investments fell dramatically, and although there is evidence that a recovery is underway, the results of this year's survey remain especially poignant, revealing the extent to which investors feel that their consultants have performed in anticipating and reacting to the financial crisis.

For investment consultants currently providing advice in the alternatives space, the results of our survey provide reassuring evidence that the vast majority of investors are at the very least satisfied with the performance of their consultants, and a significant proportion of clients repeatedly told us that they feel the performance of their consultants has been excellent. Very few clients expressed dissatisfaction with the abilities of their consultants at present.

We ranked the responses given by investors on the performance of their consultants in key areas on a scale of one to five, where one denotes a low level of satisfaction with an investment consultant in that area and five a very high level of satisfaction. As Fig. 3 shows, investors, on average, rated both the level of customer service they currently receive from their consultants and the quality of the due diligence they conduct as 4.3, showing high levels of client satisfaction.

Perhaps unsurprisingly, where investment consultants received the lowest average rating was in providing accurate market predictions, with an average client ranking of 3.6, although investors frequently informed us that they recognised how much more difficult this task had been in recent months compared to previous years. Although the value for money provided by investment consultants also received a slightly lower ranking of 3.8, most investors felt that the costs involved, although high, had to be accepted when utilising the services of the best investment consultants.

Encouraging results?

Such results are certainly encouraging for those acting as investment consultants. Investors are clearly satisfied with the services they are receiving, and recognise that making accurate market predictions would have been an extremely challenging task over the course of the past 18 months. There is perhaps some evidence that the cost of services provided is becoming more of an issue than in the past, and many investors told us that they were examining costs much more closely in the current environment. However, as previously mentioned, for the majority of investors the expense of services

Fig. 3:

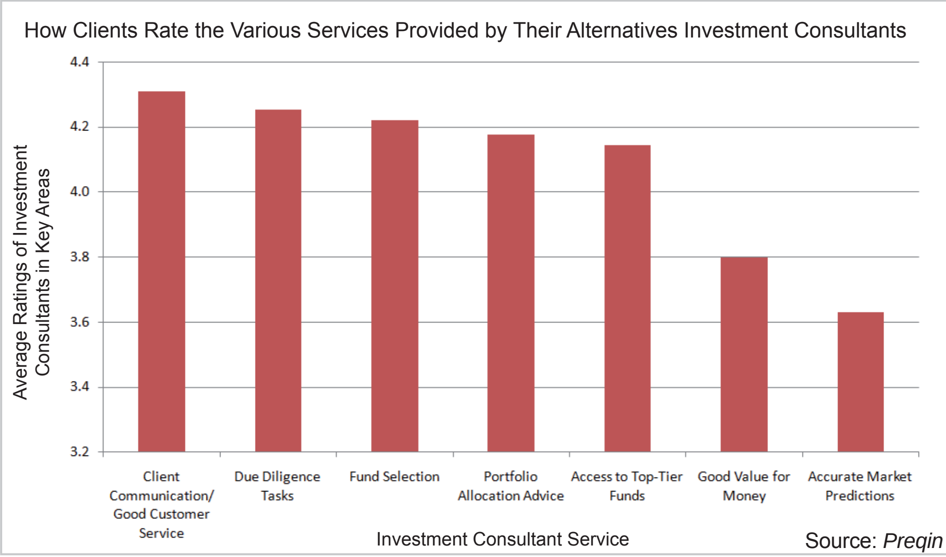
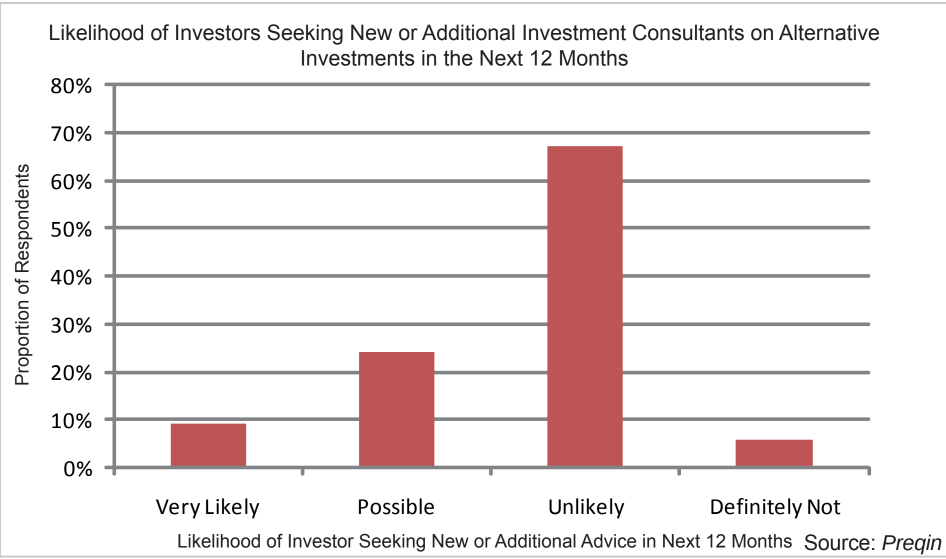


Fig. 4:



provided by their consultants is seen as necessary for them to maintain their standards.

A dynamic industry

One of the factors driving the strong performance of those in the industry is the healthy levels of competition that exist – both with the high number of firms offering services, and the frequency with which investors will assess the performance of their retained consultants against that of others in the market.

We asked investors how often they review their investment consultants and just under two-thirds, 63%, told us they look to review the contracts they have with their consultants at least once a year. For some, this review occurs on a quarterly basis, for others on a semi-annual basis. A number of investors informed us they review their consultants as frequently as every month. Just over a quarter of investors also told us that they review their investment consultants less frequently than every three years.

This continual assessment is more than just an administrative necessity. As Fig. 4 shows, our poll revealed that although 67% of respondents stated that it was 'unlikely' that they would be seeking new investment consultants in the coming year, or that they definitely would not be, this leaves a third of investors that are possibly or very likely to be seeking to form new relationships. In some cases this will be due to expansion into new areas, but for others this will be due to dissatisfaction. It is also important to consider that for some pension funds it is a statutory requirement to issue an RFP for consultants within a certain timeframe regardless of how well their existing consultants are perceived.

Within the body of the Review the full results of our extensive poll are examined, including revealing assessments of performance by consultants on an asset class-specific basis.

Outlook for the future

The results of our survey show that the alternatives investment consultant industry is in good health, and that investors are mostly satisfied with how their consultants have performed. It is likely that the important position of investment consultants will be maintained for the foreseeable future.

However, this relatively stable overview does not impart the full picture. There is clear evidence of investors assessing their consultants at regular intervals, and further evidence of movement between consultants, whether due to investor expansion into new areas, statutory requirements or simply due to dissatisfaction.

Tim Friedman

Investor Spotlight:
Investor News - Highlights from 2009

Pennsylvania Public School Employees' Retirement System (PSERS) to refrain from real estate investments in 2009

Pennsylvania Public School Employees' Retirement System (PSERS) is unlikely to make any new commitments to private equity real estate funds in 2009. The USD 45.3 billion pension fund intends to follow through with existing fund commitments. PSERS has a target allocation of 11% for real estate, but is over-allocated to the asset class. The pension fund will review the market and its own investment portfolio throughout the year, and if its situation improves, PSERS may return to the market towards the end of 2009.

Date: Feb-2009

California State Teachers' Retirement System considers increasing real estate target allocation to increase exposure to debt and distressed assets

California State Teachers' Retirement System (CalSTRS) is considering increasing its target allocation to real estate to 13%. The board has proposed a temporary shift of USD 6 billion from global equities to debt investments in private equity and real estate that yield returns of 15% and greater. The USD 125.7 billion pension fund plans to invest in discounted debt and solid securities from distressed sellers in both asset classes. The pension fund also plans to increase its allocation range for real estate, meaning it could invest up to 19% in the asset class. This would mean that it would not have to sell its assets in order to stay within its asset range. This new strategy is likely to be implemented only during the capital crisis.

Date: Mar-2009

China Investment Corporation commits USD 800 million to Morgan Stanley real estate fund

China Investment Corporation (CIC) has made a commitment of USD 800 million to Morgan Stanley Real Estate Fund VII Global. This opportunistic and distressed fund will provide CIC with global property exposure and build up a diverse property portfolio. The USD 200 billion sovereign wealth fund invests directly in real estate in China and recently began exploring the private equity real estate space. This shift follows the losses the sovereign wealth fund suffered on its direct investments in Morgan Stanley and Blackstone Group. Investment specialists at CIC believe property prices in developed markets such as Australia and the UK will decrease and bottom out towards the end of 2009. Therefore, CIC may invest in real estate assets in these regions at that point. The sovereign wealth fund is also in the process of hiring property asset managers and staff to conduct market research of the global real estate and infrastructure sectors and study real estate investment trust funds.

Date: Apr-2009

Shell Asset Management Company looking to allocate to ten private equity real estate vehicles

Shell Asset Management Company is seeking to allocate a total of EUR 500 million to ten private equity real estate funds over the next 12 months. This will allow it to meet its target allocation of EUR 1.5 billion to private equity real estate. The EUR 40 billion private pension fund is interested in a range of strategies including core-plus, value added, opportunistic, distressed and debt. It will allocate to first-time fund managers if a suitable opportunity is put forward, but does lean towards experienced managers. Shell is also looking for co-investment opportunities.

Date: May-2009

California Public Employees' Retirement System (CalPERS) not looking to re-enter the private equity real estate market in the next 12-24 months

The USD 180.9 billion public pension fund is still in a defensive mode with regards to private equity real estate, despite its real estate allocation decreasing and getting closer to its 10% target allocation. The pension fund's real estate allocation has been around 11% in 2009 but as the US stock market has been improving, CalPERS' total assets have also increased and therefore its real estate allocation is now closer to 10% than 11%. However, CalPERS has frozen its private fund investment activity and will not be making any fund commitments in the next 12-24 months. It anticipates that any other investments in the asset class, such as joint ventures, separate accounts or direct property, would be focused only on the US. The pension fund will continue to manage existing investments and address the liquidity demands of its legacy portfolio.

Date: Aug-2009

Sovereign wealth funds, public pension funds and clients of Townsend Group make commitments to Brookfield Asset Management's USD 5 billion club fund

Real estate consultant Townsend Group has secured commitments totalling USD 500 million from around 12 unnamed clients for Brookfield's club fund Global Real Estate Investor Consortium. As the fund's minimum commitment size is USD 500 million, Townsend Group approached about a dozen clients to pool the capital together. Each of its clients committed between USD 25 million and USD 50 million. Other investors in the fund include sovereign wealth funds China

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Investment Corporation and Future Fund, each committing USD 1 billion. The fund also received commitments of USD 500 million each from CPP Investment Board, Government of Singapore Investment Corporation (GIC), and Public Sector Pension Investment Board. The fund will target distressed debt and under valued real estate assets on a global basis and its investment size per property or project is around USD 500 million. However, the fund will allow any of its investors, including the Townsend pool (considered as one limited partner in the fund), to opt out from certain deals and to choose to co-invest with the fund.
Date: Oct-2009

Employees' Retirement System of Texas close to making maiden commitment to private real estate funds
The USD 20 billion pension fund is looking to commit to a private real estate fund by the end of this year or by the end of Q1 2010 at the latest. The pension fund has a 2% allocation to real estate and is targeting 8%. Its real estate portfolio comprises solely of listed REITs and it is looking to move closer to its 8% target by investing in a mixture of unlisted core and private equity real estate funds in the next 12-18 months. It anticipates investing in 20-30 private funds as part of this private fund program, and it will initially target funds focusing on domestic markets. It will eventually invest on a global basis. The pension fund is interested in an array of fund types, including real estate funds of funds.
Date: Nov-2009

PGGM to invest in private real estate funds on a global basis in 2010
PGGM is planning to invest in private real estate in 2010. It feels it will have more room to manoeuvre in what it considers to be recovering markets. As funds it has invested in mature, it will invest in further vehicles. The asset manager will invest in Europe, the US and Asia. It will invest in two to three European funds in 2010, focusing on mature core and core-plus markets. The UK, Germany and the Netherlands are likely to be included in its investment plans. PGGM is underweighted to the US, so it is likely to make several commitments to private equity real estate funds focusing on this country. Its US portfolio is relatively new, so many of the commitments it has made remain unfunded because of market conditions. PGGM is heavily invested in Asia, so it will invest to maintain this portfolio.
Date: Nov-2009

LIG Insurance hopes to make commitments to private equity real estate funds in 2010
The Korean insurance company has not invested in any overseas real estate funds this year but is hoping to return to the market in 2010. It is interested in investing in opportunistic real estate funds targeting the US and Europe, and may also consider value added vehicles investing in these regions. It is not sure whether its next commitment will be in H1 2010 or later in the year, and it will invest only with experienced managers. LIG Insurance has an 11% allocation to real estate, with 70% of the allocation in private real estate funds and 30% in direct real estate in Korea.
Date: Dec-2009

California Public Employees' Retirement System (CalPERS) taking measures to combat the deterioration in its real estate portfolio
In light of the losses suffered in its real estate portfolio in the past year, the USD 198.6 billion pension fund is taking a number of steps to limit further poor performance. Its real estate portfolio accounts for 6.9% of its total assets due to declining property values coupled with stronger performance by US and global equity markets. Losses in its separate account relationships, direct core portfolio, and the funds it invested in during 2006 and 2007 have contributed to this drop. As a result, CalPERS is in the process of terminating relationships with a number of its property fund managers that are not performing to the levels expected by the pension fund. Its consultant Pension Consulting Alliance (PCA) has made recommendations after evaluating the performance of the pension fund's real estate portfolio. PCA is advising CalPERS to continue scrutinising its investments and managers as it is likely to see further losses in its portfolio due to the economic climate and declining property values. PCA suggests that CalPERS should deleverage its investments to stabilise the portfolio. PCA believes that as CalPERS is below its 10% target to real estate and there are interesting opportunities in the asset class, 2010 may be a good time to consider new acquisitions that are consistent with its new investment policy.
Date: Dec-2009

Forena Akthar

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