



Private Real Estate in Latin America

Increased interest in Latin American real estate has led to a record number of private real estate funds on the road targeting the region. [Luke Alexander](#) takes a detailed look at the development of private equity real estate in Latin America and the potential for future growth.

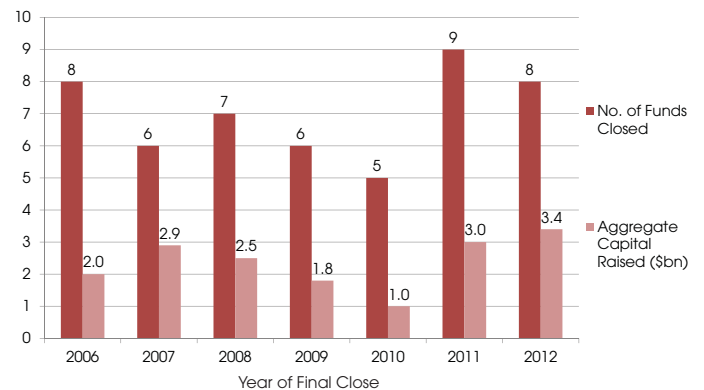
Fundraising

Real estate investment in Latin America has grown significantly in recent years, bolstered by strong economic growth and an increase in investor appetite for exposure to the region. Additionally, an expanding middle class in many countries in the region has led to a surge in demand for residential real estate in particular. Fig. 1 shows that 2012 was the most successful year for Latin America-focused fundraising, with eight funds closing on a combined \$3.4bn, an increase on the \$3.0bn which was raised by the nine funds to close in 2011. Latin America-focused funds accounted for 5% of all capital raised globally by private real estate funds in each of these years, whereas the \$2.9bn raised by Latin America-focused funds that closed in 2007 accounted for just 2% of the \$131bn raised globally.

The largest Latin America-focused fund to close since 2008 is PLA Residential Fund III, as shown in Fig. 2. Pramerica Real Estate Investors raised \$860mn for the opportunistic fund which focused primarily on Mexican real estate. The second largest Latin America-focused fund to close in the same period was GTIS Brazil Real Estate Fund II run by GTIS Partners. The fund raised \$810mn to target office and residential real estate in Brazil.

Fundraising has been slower so far in 2013, with only one fund, the \$236mn Terranum Capital Latin America Real Estate Fund I, holding a final close. Nonetheless, there are a record number of

Fig. 1: Annual Latin America-Focused Closed-End Private Real Estate Fundraising, 2006 - 2012



Source: Preqin Real Estate Online

Latin America-focused funds on the road, with \$3.8bn targeted by 14 funds, as illustrated in Fig. 3. This is in contrast to July 2010, when seven funds were targeting \$2.5bn in capital commitments. As shown in Fig. 4, one of the largest Latin America-focused funds currently on the road is TFI-Hines Brazil Income Real Estate Fund, which is jointly managed by Hines and The First Investor. The fund, which is looking to garner \$500mn of commitments, employs a core-plus strategy and is the first Shari'ah-compliant

Fig. 2: 10 Largest Latin-America-Focused Closed-End Private Real Estate Funds Closed, 2008 - July 2013

Fund	Firm	Final Close Size (mn)	Strategy	Geographic Focus	Date of Final Close
PLA Residential Fund III	Pramerica Real Estate Investors	869 USD	Opportunistic	Mexico	Mar 2008
GTIS Brazil Real Estate Fund II	GTIS Partners	810 USD	Opportunistic	Brazil	Mar 2012
Prosperitas Real Estate Partners III	Hemisferio Sul Investimentos	750 USD	Opportunistic and Value Added	Brazil	May 2011
GLP Brazil Income Partners I	Global Logistic Properties	1,400 BRL	Core	Brazil	Nov 2012
Hemisferio Sul Investimentos Fund IV	Hemisferio Sul Investimentos	650 USD	Value Added	Brazil	Apr 2012
Prosperitas Real Estate Partners II	Hemisferio Sul Investimentos	612 USD	Opportunistic and Value Added	Brazil	Mar 2008
GLP Brazil Development Partners I	Global Logistic Properties	1,200 BRL	Opportunistic	Brazil	Nov 2012
Pátria Brazil Real Estate Fund II	Pátria Investimentos	550 USD	Core-Plus, Opportunistic and Value Added	Brazil	Feb 2011
Black Creek Mexico Residential Fund	Black Creek Capital	513 USD	Opportunistic	Mexico	Sep 2008
GoldenTree InSite Brazil Real Estate Fund	GTIS Partners	510 USD	Opportunistic	Brazil	Mar 2009

Source: Preqin Real Estate Online



real estate fund targeting Brazil. Tishman Speyer is also targeting \$500mn for its Tishman Speyer Brazil Fund III, which makes opportunistic investments in a range of property sectors in Brazil.

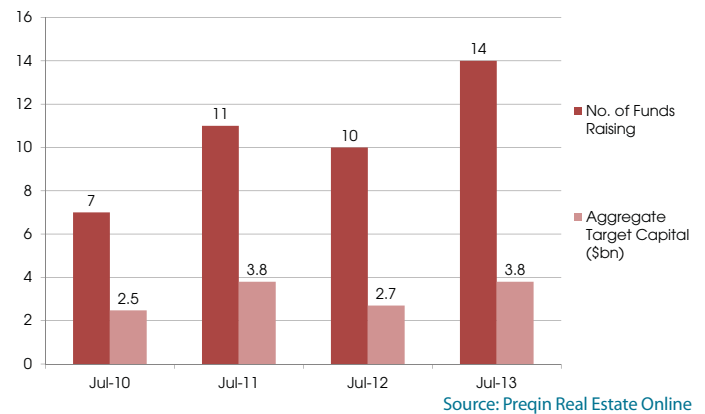
The Growth of Domestic Managers

The development of a private real estate fund industry in Latin America is reflected by the growing importance of managers headquartered in the region. Firms such as Sao Paulo-based Hemisferio Sul Investimentos and Pátria Investimentos have raised sizeable funds in recent years. Latin America-headquartered fund managers accounted for 52% of the capital raised by Latin America-focused funds in 2011-2012, as demonstrated in Fig. 5. This was a significant increase from the period between 2005 and 2010 when Latin America-headquartered managers accounted for less than a quarter of the capital raised. Of the funds currently on the road, 57% of the aggregate target capital is being sought by Latin America-based firms.

Fundraising by Geographic Focus

Within Latin America, Brazil is the country which is most commonly targeted by private real estate managers. Of the \$9.3bn that

Fig. 3: Latin America-Focused Closed-End Private Real Estate Funds in Market, July 2010 - July 2013



was raised by the 29 Latin America-focused funds that closed between 2009 and July 2013, \$6.4bn was raised by the 17 vehicles targeting Brazil, as Fig. 6 shows. Six funds investing

Fig. 4: 10 Largest Latin-America-Focused Closed-End Private Real Estate Funds in Market

Fund	Firm	Target Size (mn)	Strategy	Geographic Focus
TFI-Hines Brazil Income Real Estate Fund	Hines, The First Investor	500 USD	Core-Plus	Brazil
Tishman Speyer Brazil Fund III	Tishman Speyer	500 USD	Opportunistic	Brazil
SDI Brazil FIP	SDI Desenvolvimento Imobiliário	450 USD	Opportunistic	Brazil
Paladin Realty Latin America Investors IV	Paladin Realty Partners	400 USD	Opportunistic	Brazil, Chile, Colombia, Mexico, Peru
Ospinas-Pegasus Colombia Real Estate Fund	Pegasus	350 USD	Opportunistic	Colombia
Kinea Renda Imobiliária - 4th tranche	Kinea Investimentos	750 BRL	Core	Brazil
AC Captales Real Estate Investment Fund II	AC Captales	250 USD	Value Added	Peru
RB Capital Brazil Residential III	RB Capital	250 USD	Opportunistic	Brazil
VOGA Properties Brazil I	VOGA	250 USD	Opportunistic	Brazil
BHG Modal Fundo de Investimento em Participacoes em Hotelaria	Brazil Hospitality Group	400 BRL	Opportunistic	Brazil

Source: Preqin Real Estate Online

Fig. 5: Latin America-Focused Closed-End Private Real Estate Fundraising by Manager Headquarters

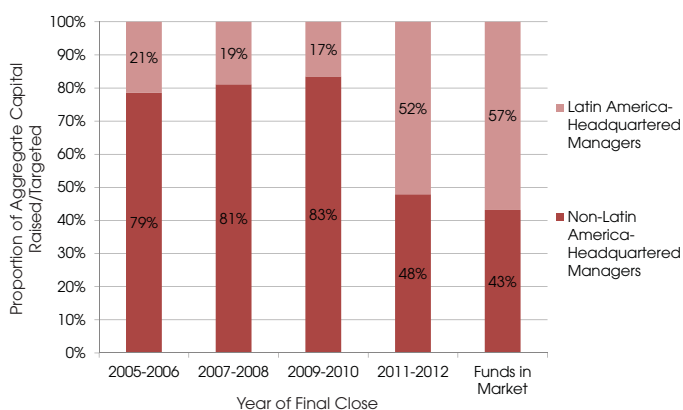
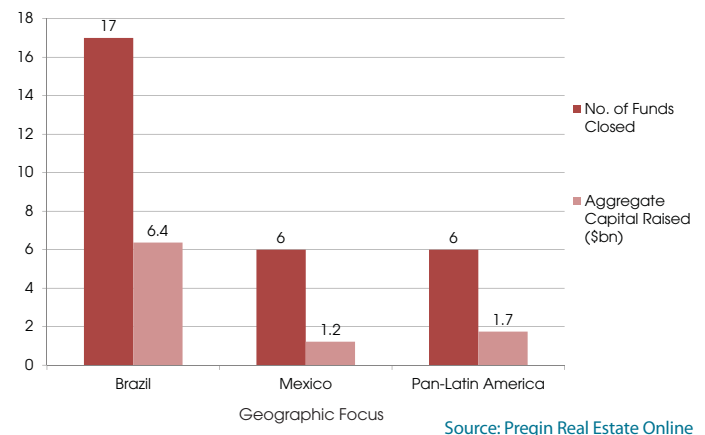


Fig. 6: Latin America-Focused Closed-End Private Real Estate Fundraising by Geographic Focus, 2009 - July 2013





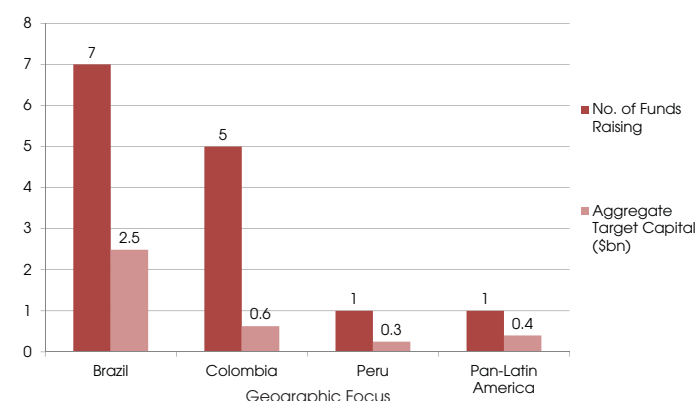
across Latin America raised \$1.7bn, while the same number of funds targeting Mexico raised \$1.2bn. Of the funds in market, an aggregate \$2.5bn is targeted by the seven Brazil-focused funds being marketed, accounting for 66% of the capital targeted by all Latin America-focused funds on the road, as illustrated in Fig. 7. The Brazilian real estate market is attractive to many investors due to its continued economic growth, its growing middle class and its prospering housing market, owed largely to increasing mortgage availability. Furthermore, with Brazil hosting the FIFA World Cup in 2014 and Rio hosting the 2016 Olympic Games, the country is likely to continue attracting interest and investment.

Another country in the region that has seen significant growth in real estate valuations, particularly in the residential sector, is Columbia. Five funds in market are targeting the country, with the \$627mn targeted by these funds equating to 16% of the aggregate capital targeted by all Latin America-focused funds on the road. With significant amounts of land under construction, and a large proportion earmarked for new apartments, Columbia looks set to be a prominent market in Latin America in the years to come.

Outlook

There are encouraging signs for private real estate fundraising in Latin America. 2011 and 2012 were the strongest years in terms of capital raised by Latin America-focused private real estate funds, and there is an increasing number of funds on the road targeting the region. Latin America accounts for a small but growing proportion of all private equity real estate fundraising globally and more managers headquartered in the region are raising funds, reflecting the growing maturity of the private real estate fund industry in the region. Many see Brazilian real estate markets in particular as very attractive, and there is likely to be more capital flowing into the country in the coming years.

Fig. 7: Latin America-Focused Closed-End Private Real Estate Funds in Market by Geographic Focus



Source: Preqin Real Estate Online

Subscriber Quicklink:

Raising capital for a Latin America-focused fund? Subscribers to [Real Estate Online](#) can click [here](#) to view profiles for 147 investors that invest in Latin America-focused funds. Extensive profiles include future investment plans, key contacts, strategies and geographies targeted, allocations and more.

Subscribers can also click [here](#) to see detailed information on 101 real estate fund managers which invest in Latin America. Profiles feature investment criteria and preferences, key contacts, funds raised and much more.

Not yet a subscriber? To see how Preqin can help you please visit:

www.preqin.com/reo

Fig. 8: Sample Investors Targeting Latin America in Next 12 Months

Investor	Location	Type	Overview of Future Plans
AFP ProFuturo	Peru	Private Sector Pension Fund	AFP ProFuturo is looking to commit to one Peru-focused private real estate fund in the next 12 months.
California State Teachers' Retirement System (CalSTRS)	US	Public Pension Fund	California State Teachers' Retirement System (CalSTRS) is looking to expand its global real estate portfolio. After formulating a business plan for fiscal year 2013-14 with its real estate consultant, Townsend Group, CalSTRS will also look at investing in primary cities across Asia and Latin America. These investments will utilize a range of fund strategies.
Overseas Private Investment Corporation	US	Government Agency	Overseas Private Investment Corporation is looking to make one or two private real estate fund commitments in the next 12 months, deploying \$100mn to \$200mn in total. It will focus primarily on residential low/middle income housing in Latin America and Africa.
Real Grandeza	Brazil	Private Sector Pension Fund	Real Grandeza will commit to Brazilian private real estate funds targeting commercial real estate in the next 12 months. It feels that Brazil-focused opportunistic funds are presenting the best opportunities in the market.
Skandia Colombia	Colombia	Private Sector Pension Fund	Skandia Colombia is looking to invest approximately \$13mn in core or opportunistic real estate vehicles targeting Colombia and the US.

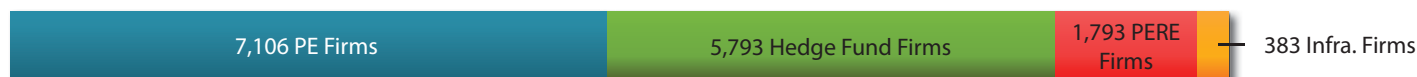
Source: Preqin Real Estate Online

alternative assets. intelligent data.

Fund Coverage: **31,415** Funds



Firm Coverage: **15,075** Firms



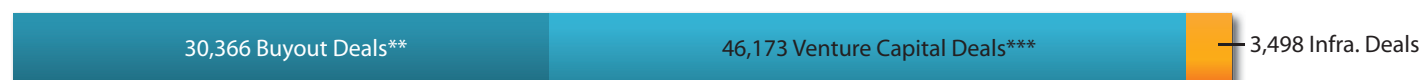
Performance Coverage: **12,870** Funds (IRR Data for 5,002 Funds and Cash Flow Data for 2,317 Funds)



Fundraising Coverage: **12,919** Funds Open for Investment/Launching Soon
Including 1,968 Closed-Ended Funds in Market and 404 Announced or Expected Funds



Deals Coverage: **80,037** Deals Covered; All New Deals Tracked



Investor Coverage: **11,067** Institutional Investors Monitored,
Including 7,863 Verified Active**** in Alternatives and 83,385 LP Commitments to Partnerships



Alternatives Investment Consultant Coverage: **450** Consultants Tracked

Fund Terms Coverage: Analysis Based on Data for Around **7,500** Funds

Best Contacts: Carefully Selected from Our Database of over **249,160** Active Contacts

Plus

Comprehensive coverage of:

- Placement Agents
- Fund Administrators
- Law Firms
- Debt Providers
- Dry Powder
- Compensation
- Plus much more...

The Preqin Difference

- Over 150 research, support and development staff
- Global presence - New York, London, Singapore and San Francisco
- Depth and quality of data from direct contact methods
- Unlimited data downloads
- The most trusted name in alternative assets

New York: +1 212 350 0100 - London: +44 (0)20 7645 8888 - Singapore: +65 6305 2200 - San Francisco +1 415 635 3580

www.preqin.com

*Private Equity includes buyout, venture capital, distressed, growth, natural resources and mezzanine funds.

**Buyout deals: Preqin tracks private equity-backed buyout deals globally, including LBOs, growth capital, public-to-private deals, and recapitalizations. Our coverage does not include private debt and mezzanine deals.

***Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.

****Preqin contacts investors directly to ensure their alternatives programs are active. We emphasize active investors, but clients can also view profiles for investors no longer investing or with programs on hold.