



The European Private Real Estate Market

With ongoing economic concerns in Europe, fundraising has become an extremely challenging process. **Carla Henry** takes a detailed look at Europe-focused fundraising and the investment activity of institutional investors based in the region.

Fundraising

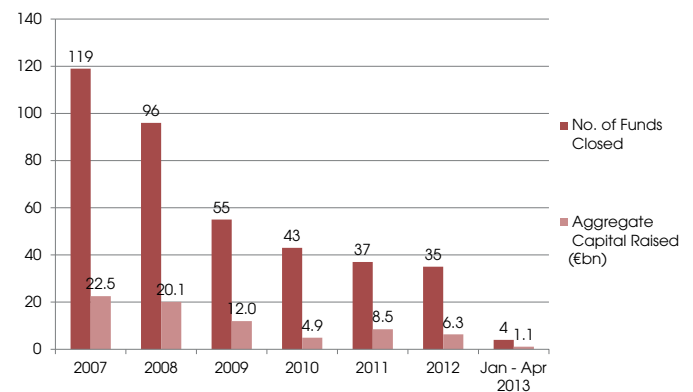
The economic uncertainty in the eurozone has contributed to a challenging fundraising market for Europe-focused real estate funds. In 2012, €6.3bn was raised by 35 Europe-focused vehicles, a decline from the €8.5bn garnered by 37 funds in 2011, and less than one-third of the €22.5bn raised by 119 funds in 2007 (Fig. 1). Fundraising has remained slow in 2013, with €1.1bn raised by Europe-focused funds that held a final close between January and April 2013.

In addition, the proportion of Europe-focused funds falling short of their targets has increased from 48% in 2011 to 65% in 2012 (Fig. 2), reflecting the challenges faced by Europe-focused fund managers in raising capital. Furthermore, fundraising has become an extremely lengthy process for many managers. Fig. 3 shows that Europe-focused vehicles that held a final close in 2012 spent an average of 19.4 months in market, longer than North America-focused funds that closed in the same year, which spent an average of 18.3 months in market and Asia-focused vehicles, which spent an average of 14.6 months on the road. Europe-focused vehicles that closed in 2007 spent an average of just 8.8 months on the road (Fig. 3), but the time fund managers spend marketing funds has steadily increased in recent years.

European Investor Appetite

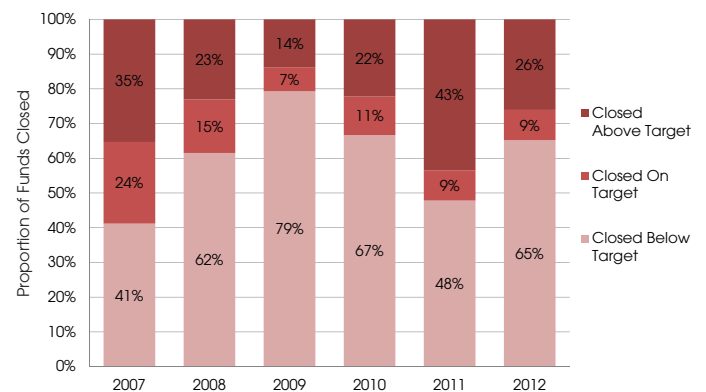
Although fundraising remains extremely challenging, there are signs that European investor appetite for real estate is improving. A recent study of institutional investors in real estate conducted by Preqin found that a growing proportion of investors based in Europe expect to commit to private real estate in the coming year. Thirty-nine percent of Europe-based real estate investors interviewed are planning to make new commitments in the next 12 months, compared to 32% that expected to invest in the 12 months from H2 2012 and 30% each in the 12 months from H1 2011 and H1 2012 (Fig. 4). As shown

Fig. 1: Europe-Focused Closed-End Private Real Estate Fundraising, 2007 - April 2013



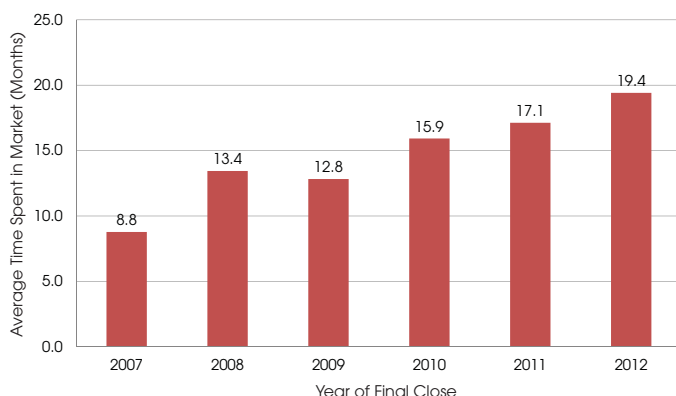
Source: Preqin Real Estate Online

Fig. 2: Proportion of Europe-Focused Private Real Estate Funds Closing Above, On or Below Target, 2007 - 2012



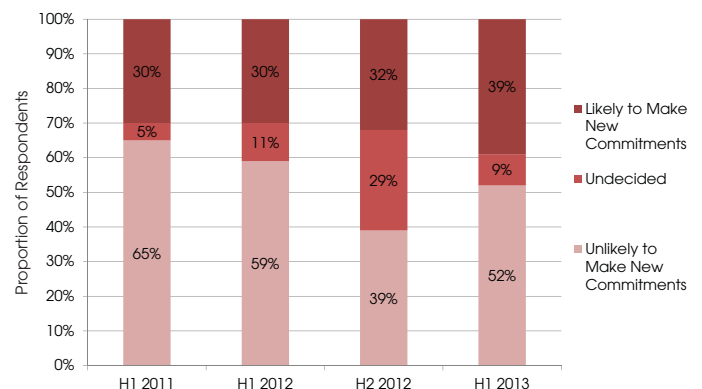
Source: Preqin Real Estate Online

Fig. 3: Average Time Taken for Europe-Focused Closed-End Private Real Estate Funds to Achieve a Final Close, Funds Closed 2007-2012



Source: Preqin Real Estate Online

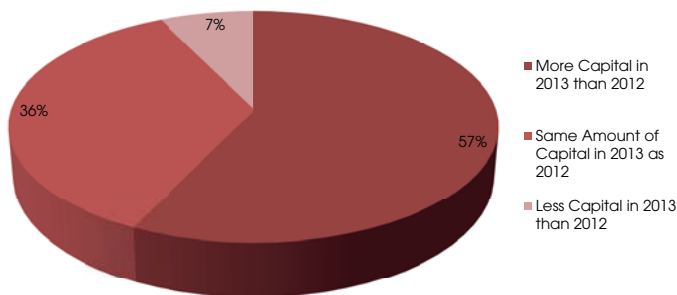
Fig. 4: Europe-Based Investors' Intentions For Private Real Estate Fund Investments in the Following 12 Months, H1 2011 - H1 2013



Source: Preqin Investor Interviews, H1 2011 - H1 2013



Fig. 5: Europe-Based Investors' Expected Capital Commitment to Private Real Estate Funds in 2013 Compared to 2012

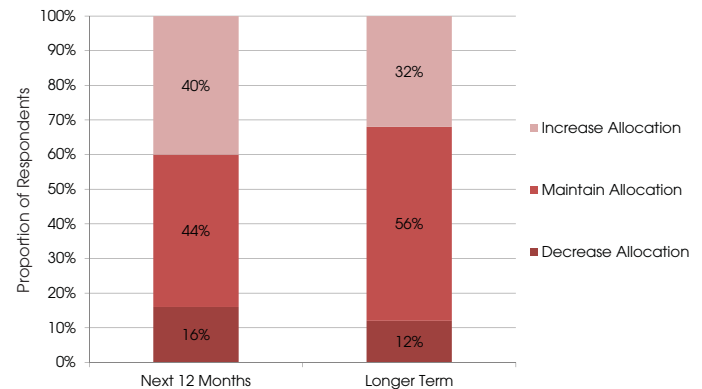


Source: Preqin Investor Interviews, H1 2013

in Fig. 5, the majority of institutions interviewed also expect to invest more capital in the asset class this year than they did in 2012. A greater proportion of North America- and Asia-based investors do expect to be active however, with 48% of North American investors and 83% of Asia-based institutions planning commitments in 2013.

Most Europe-based investors remain committed to real estate, with very few expecting to reduce their exposure to the asset class. Forty-four percent of Europe-based investors plan to maintain their

Fig. 6: Europe-Based Investors' Intentions For Real Estate Allocations in Next 12 Months and Longer Term



Source: Preqin Investor Interviews, H1 2013

allocations to real estate in the next 12 months and 40% expect to increase their allocations (Fig. 6). In the longer term, 88% of investors plan to increase or maintain their real estate allocations.

Preqin's Future Fund Searches and Mandates tool tracks investors that are actively seeking investments in the next 12 months by drawing on Preqin's conversations with real estate investors around the world every day. It reveals that while core remains the most widely targeted strategy by Europe-based investors, the proportion

6,000 Reasons to Contribute Data to Preqin

Over **6,000 investment professionals** across **2,200 investors and consultants** rely on Preqin data and Preqin Investor Network to source fund investment opportunities and conduct initial due diligence on their real estate, private equity, and infrastructure investments. Stand out among:

- **1,900 funds in market** with fundraising data and key contact information.
- **5,000 active fund managers** with key firm level investment criteria.
- **6,200 funds** with key performance metrics investors use to make fund commitment choices.

Contribute data to Preqin and help investment professionals cut through the crowded marketplace and find out what makes your offering unique.

Get in contact to view and update your firm or fund profiles:

New York
+1 212 350 0100

London
+44 (0)20 7645 8888

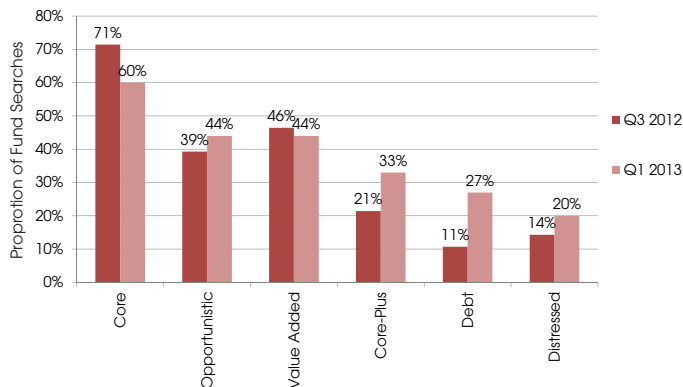
Singapore
+65 6305 2200

Silicon Valley
+1 650 632 4345

Email: feedback@peqin.com



Fig. 7: Strategies Targeted by Europe-Based Investors, Q3 2012 - Q1 2013



Source: Preqin Real Estate Online

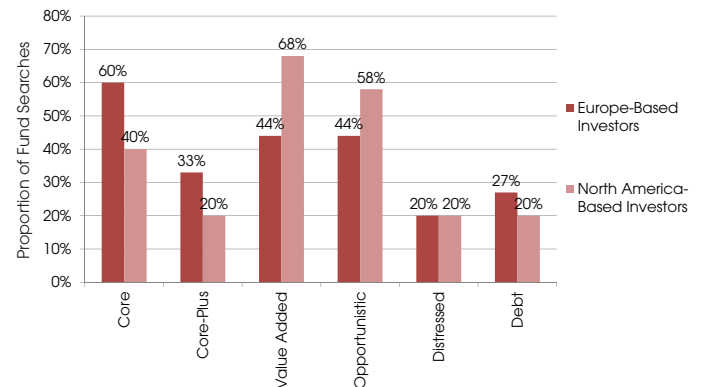
of real estate investors in the region targeting core funds has fallen from 71% in Q3 2012 to 60% in Q1 2013 (Fig. 7). Investor appetite for opportunistic, distressed and debt funds has increased in the same period. However, Europe-based investors are more likely to be targeting lower-risk strategies than those based in North America, with a greater proportion targeting core or core-plus strategies and fewer planning new commitments to value added or opportunistic funds (Fig. 8).

Interest in debt funds has seen the largest increase, with 27% of European institutions seeking debt funds in the next 12 months, up from the 11% that were seeking such funds in Q3 2012. The number of Europe-focused debt funds on the road has grown significantly in the last 12 months. As can be seen in Fig. 9, there were only five debt funds targeting Europe in April 2012, aiming to raise €1.3bn in equity, but this has increased to 18 funds with an aggregate target of €9.6bn in April 2013. New fund managers are entering the debt market, while established managers are also creating new platforms to invest in real estate debt. This growth reflects both the opportunity that many believe exists in this segment of the market and the growing investor appetite for this strategy.

Outlook

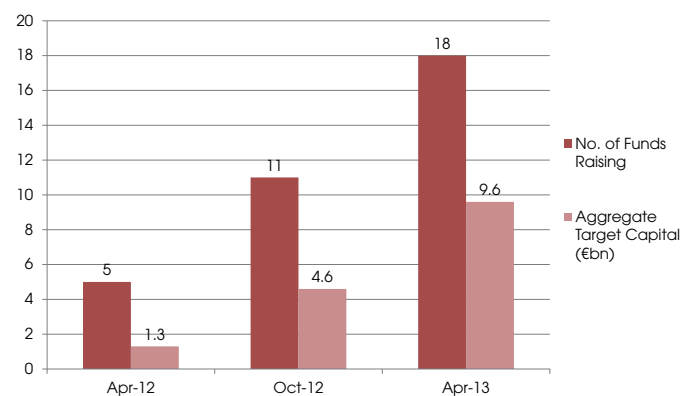
Raising capital for Europe-focused funds remains a challenging prospect, with the fundraising process a long one for most managers and many firms forced to close funds below target. Many Europe-based investors remain cautious and, as a result, lower-risk strategies are widely targeted. However, recent months have seen a notable increase in appetite for debt funds, and a growing number of managers are bringing such vehicles to market. Fundraising looks

Fig. 8: Strategies Targeted in Next 12 Months: Europe- vs. North America-Based Investors



Source: Preqin Real Estate Online

Fig. 9: Europe-Focused Real Estate Debt Funds in Market, April 2012 - April 2013



Source: Preqin Real Estate Online

certain to remain tough in 2013, but a growing proportion of Europe-based investors are planning new commitments, and the majority expect to commit more capital in 2013 than they did in 2012. Some firms raising Europe-focused funds will likely achieve considerable success in the coming months, but for many others fundraising looks set to remain a difficult process.

Subscriber Quicklink:

Subscribers to Preqin [Real Estate Online](http://www.preqin.com) can click [here](#) to use the Future Fund Searches and Mandates feature to view detailed profiles for 148 Europe-based institutional investors planning new commitments to private real estate funds.

Not yet a subscriber? To see how Preqin can help your fundraising efforts, please visit:

www.preqin.com/fundraising

— Preqin Investor Network — has expanded.

In addition to key information on real estate, private equity, and infrastructure **Preqin Investor Network** now includes extensive hedge fund data to help investors with all of their alternatives allocation decisions.



- **View** all funds currently raising
- **Track** fund-level past performance for managers with a fund in market
- **Connect** with fund managers
- **Benchmark** management and performance fees by fund strategy, geographic location and fund size
- **Access** valuable market analysis and performance benchmarking research
- **Request** a more detailed third party evaluation of any private equity fund in market.

Designed around the needs of accredited and qualified investors, **Preqin Investor Network** focuses exclusively on helping investors make alternative asset allocation and investment decisions, and is already used by 2,700 investor professionals.

Signing up to **Preqin Investor Network** is easy – for more information please visit:

www.preqin.com/pin

New York
+1 212 350 0100

London
+44 (0)20 7645 8888

Singapore
+65 6305 2200

Silicon Valley
+1 650 632 4345

pin.info@preqin.com