



Preqin Industry News

Jessica Sutro explores the latest news from the European real estate market, featuring exclusive data from Preqin's analysts. Real Estate Online subscribers can click on the investor/firm/fund names to view the full profiles.

Private real estate funds with a focus on Europe have suffered in recent years. Since the financial crisis, the Europe-focused closed-end private real estate fundraising market has experienced a steady decline, with few signs of improvement. As shown in the Chart of the Month, in 2007 118 funds closed on an aggregate €23.2bn, but in 2012 so far, only 16 funds have closed on an aggregate €4.6bn. Despite this significant decrease in fundraising, which reflects declining investor appetite for the region, the Europe-focused market has seen activity in recent months.

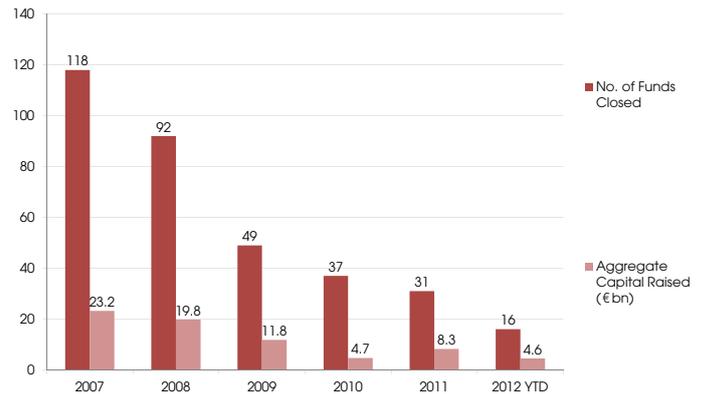
A number of investors based in the region are planning to make new commitments to Europe-focused funds. The €26bn Germany-based [Gothaer Insurance Company](#) plans to invest in private real estate funds in the next 12 months in order to reach its target allocation of 10%. The insurance company invests solely in private real estate funds, as it feels they provide the greatest diversification, and targets vehicles with a wide range of strategies, including core, value added, opportunistic, and debt. It is looking to invest in North America and Western Europe, including Germany, France, and the Nordics, but not the UK, as it has reached its target allocation to the country. Regarding investment size, Gothaer is looking to make €30mn commitments and is not interested in co-investments.

Another Europe-based investor, [Milltrust International](#), is planning to make a maiden commitment to a private real estate fund in the next 12 months, and expects to invest in excess of \$50mn. However, the UK-based asset manager will not target vehicles based in its own region; instead it is seeking to invest in vehicles focusing on commercial and retail properties located in Asia, Latin America, and Africa. Milltrust International has plans to grow its real estate portfolio into one that constitutes a significant proportion of its total assets.

Encouragingly, a number of Europe-focused funds have recently held final closes. [Patron Capital Fund IV](#) held a final close on €880mn in September 2012. The fund, managed by UK-based [Patron Capital](#), will invest in distressed property assets and property-backed corporate investments across Europe, including property companies, hotels and leisure, and healthcare. Istanbul-based [BLG Capital](#) also held a final close on its [BLG Turkish Real Estate Fund](#), having collected €142mn in capital commitments. The fund makes opportunistic investments in city centre hotels, high-end for-sale residential developments, speciality residential schemes, and city centre mixed-use projects. It will target properties located in Turkey, particularly Istanbul.

Though the European private real estate fundraising market remains challenging, some fund managers are launching vehicles focused on the region. [Whitewood Capital](#), based in Belgium, recently launched [Whitewood CAPE III](#), an unlisted Central

Chart of the Month: Annual Europe-Focused Closed-End Private Real Estate Fundraising, 2007 - September 2012



Source: Preqin Real Estate Online

Europe-focused real estate fund hoping to raise an initial equity tranche of €60mn, while operating a core-plus and value added approach. It plans to invest mainly in properties that fall under the commercial offices and retail categories across Central Europe, with a strategic allocation to the Czech Republic, Poland, Austria, and select Slovak and Hungarian geographies.

What's New?

Do you have any news you would like to share with the readers of Spotlight? Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.

All of Preqin's exclusive intelligence is available on Real Estate Online, the industry's leading source of information on private real estate funds, managers and investors in the asset class.

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