

Real Estate Spotlight is the monthly newsletter published by Preqin packed full of vital information and data, all based on our latest research into the private equity real estate industry. Real Estate Spotlight combines information from our online products Real Estate Online and Real Estate Capital Sources.

December 2011  
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#### FEATURED PUBLICATION:

The 2011 Preqin Private Equity Real Estate Investor Review



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# Real Estate Spotlight

December 2011

## Private Equity Real Estate in 2011

As the asset class struggles to recover from the market downturn, we take a look at activity throughout 2011 and the outlook for 2012. Is recovery on the horizon, or is the forecast bleak? Find out in this month's feature.

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## Fund Managers

A look at Europe-focused fund managers, their property preferences, location and annual fundraising statistics.

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## Investors

Which fund strategies do foundations favour? Find out this, and their other investment preferences in Investor Spotlight.

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## Fundraising

The latest statistics from the private real estate fundraising market.

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## Industry News

A round-up of the latest news from the Asian private real estate market. Includes Asian investment plans announced by Strathclyde Pension Fund and Clwyd Pension Fund, and the news of the latest fund offering from Fortress Investment Group

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## Conferences Spotlight

All the details on forthcoming industry conferences around the world.

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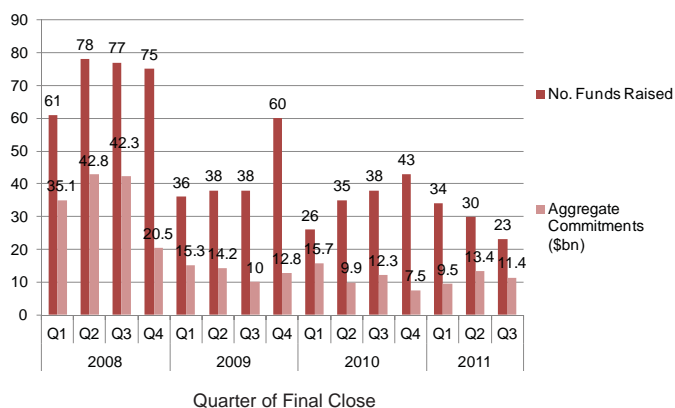
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# Private Equity Real Estate in 2011

Andrew Moylan takes a look at how private equity real estate has fared in 2011 and the outlook for the industry in 2012.

Fig. 1: Quarterly Closed-End Private Real Estate Fundraising, Q1 2008 - Q3 2011



Source: Preqin

The years since the global downturn have been extremely challenging for the private equity real estate industry, with performance of many funds dramatically affected. The recovery has been a slow one, with many problems still remaining.

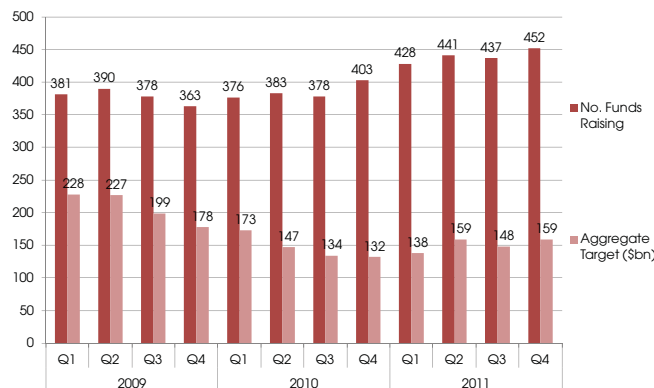
## Fundraising

Fig. 1 illustrates quarterly closed-end private real estate fundraising from Q1 2008 to Q3 2011. Clearly fundraising remains a challenging prospect. \$34.3 billion was raised in the first three quarters of 2011, compared with the \$37.9 billion raised during the same period in 2010.

The private real estate fundraising market has remained extremely competitive throughout 2011, with the number of funds of the road increasing from 403 in Q4 2010 to 452 in Q4 2011. The aggregate target of all funds in market has also increased, rising from \$138 billion to \$159 billion during the same period. It is clear that many firms believe that they can be successful in the current market, and several large funds have been launched in 2011, including Blackstone Real Estate Partners, which has a \$10 billion fundraising target, as well as Rockpoint Real Estate Fund IV, Starwood Distressed Opportunity Fund IX and Westbrook Real Estate Fund IX, which are each targeting \$2.5 billion in commitments.

With more funds coming to market, the firms already on the road will find fundraising even tougher. As the November edition of *Real Estate Spotlight* illustrated, 96% of funds to reach a final close in 2010 or 2011 so far, did so having held a first close within 12 months of commencing fundraising. For the firms that have been on the road for over a year without holding an initial close, fundraising is likely to be a very challenging prospect.

Fig. 2: Closed-End Private Real Estate Funds in Market over Time



Source: Preqin

## Investor Appetite

The slow fundraising is a result of many investors deciding not to make new commitments. The results of Preqin's studies of institutional investors are shown in Fig. 3, which demonstrates that the proportion of investors not planning new commitments has remained consistent since February 2011, but the proportion of investors likely to invest has fallen by 10 percentage points, with a growing number undecided on their plans for the coming year. Just 35% of investors are likely to commit to new real estate funds in the next 12 months.

Increasing investor caution has also led to a decline in the number of investors willing to invest with new managers in recent years. Overall, 26% of investors will definitely invest in first-time funds, a decline from 2010 when 34% would invest with new managers.

## Dry Powder

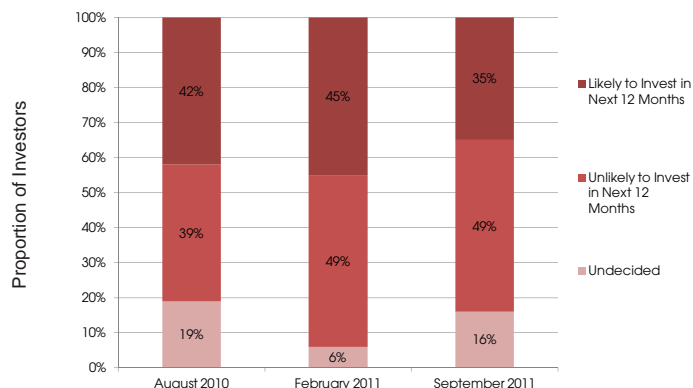
Fig. 4 shows how levels of private equity real estate dry powder have changed since December 2006. The level of dry powder available for private equity real estate fund investments was at its highest in December 2009, when there was \$184 billion available to fund managers for investment. This fell to \$158 billion by December 2010 and has remained near this level up to November 2011. Of the dry powder currently available, \$87 billion is held by primarily North America-focused funds, \$38 billion by Europe-focused funds and \$33 billion by funds primarily focused on investment in Asia and Rest of World.

## Performance

Fig. 5 illustrates the average change in NAV for real estate funds in the four quarters to the end of March 2011. All four quarters saw a positive average change in NAV, with a non-weighted increase of 4.5% in Q1 2011. This was a smaller increase than in Q4 2010, when



Fig. 3: Investors' Intentions for Private Real Estate Fund Investments in Next 12 Months

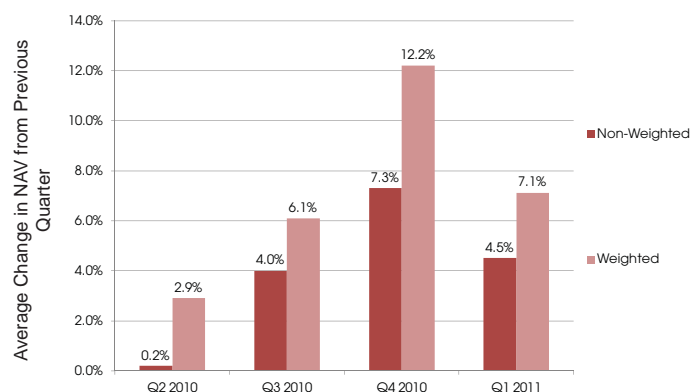


Source: Preqin

there was a non-weighted increase of 7.3%. The weighted increase in NAV, which takes fund size into account, was 7.1% in Q1 2011. The weighted increase in NAV was also higher than the non-weighted in the previous three quarters, suggesting that the larger funds are showing larger increases in NAVs than smaller funds. It is important to note, however, that many of the larger funds were more adversely affected by the economic downturn.

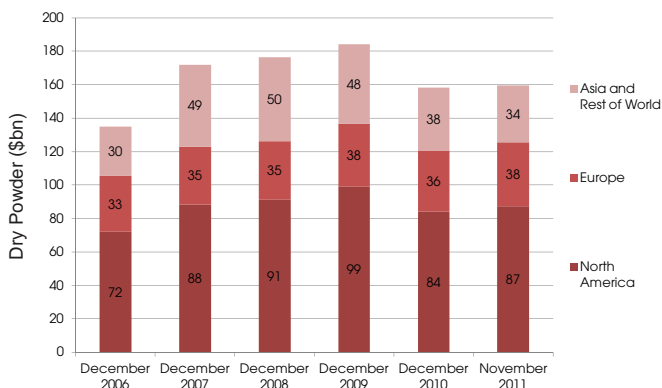
Fig. 6 plots the 'J-curves' of real estate funds by vintage year, showing the annual median net IRR at each quarter-end for funds of 2002 to 2008 vintage years. Evidently the performance of 2004, 2005 and 2006 vintage year funds was significantly affected by the downturn and the median IRRs of the 2005 and 2006 vintages remain in the red. The performance of 2007 vintage funds has seen notable improvement in the quarters to Q1 2011, while the performance of 2008 vintage funds also offers some encouragement, with a median IRR in positive territory as of Q1 2011, and the early indications are that 2008 vintage funds are more likely to follow a typical 'J-curve' trajectory.

Fig. 5: Closed-End Private Real Estate Funds - Change in NAV by Quarter



Source: Preqin

Fig. 4: Closed-End Private Real Estate Dry Powder by Primary Regional Focus, December 2007 - November 2011



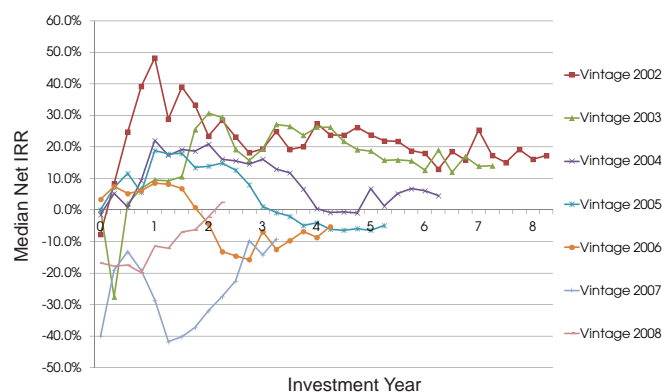
Source: Preqin

Outlook for 2012

Private equity real estate fundraising looks set to remain extremely challenging going into 2012. The number of firms on the road remains very high and with a significant proportion of investors content to remain inactive, competition for LP capital is likely to be intense. While the largest, brand-name firms will be able to raise capital, many others will have to work hard to stand out. Fund managers will need an excellent marketing strategy and must be able to prove to investors that they have performed in both good and bad markets.

Despite inactivity among much of the private real estate investor community, a significant number of investors are still looking to make new commitments, and 41% of those that are active have said they expect to commit more capital in 2012 than they did in 2011, while only 29% expect to invest less capital. There remain however many institutions content to delay commitments given the current economic uncertainty, particularly if they have committed capital to real estate funds which has yet to be called up. The high level of dry powder available to many fund managers does mean they are in an excellent position to take advantage of opportunities in real estate markets worldwide.

Fig. 6: Closed-End Private Real Estate Fund J-Curves - Annual Median Net IRRs by Vintage Year at Each Quarter-End



Source: Preqin

# 2011 Preqin Private Real Estate Investor Review

Featuring profiles for over 1,500 of the most important investors in private equity real estate funds worldwide, plus over 60 pages of analysis and league tables, the [2011 Preqin Private Real Estate Investor Review](http://www.preqin.com/reir) is the most comprehensive printed guide to institutional investors in private equity real estate ever produced. The 2011 review represents a vital resource for all those involved in the marketing of private equity real estate funds, investor relations, investment advisors, and those considering launching a new vehicle in 2011/12.

LP Profiles include the following key information:

- Direct contact information for key personnel
- Key financial information
- Sample investments
- Fund preferences by type, geography and experience
- Plans for investments in 2011/12

Over 60 pages of vital analysis are also provided, including:

- A detailed look at the investor universe including changing allocations, preferences and plans for the next 12 months
- Key investors to watch in 2011/12
- Individual analysis sections for investors in all major countries and regions worldwide
- Analysis of the current fundraising environment
- Full listings for every private equity real estate fund currently in market



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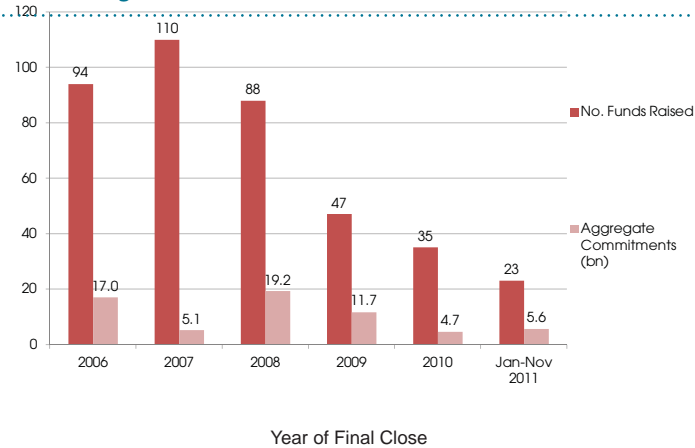
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# Europe-Focused Fund Managers

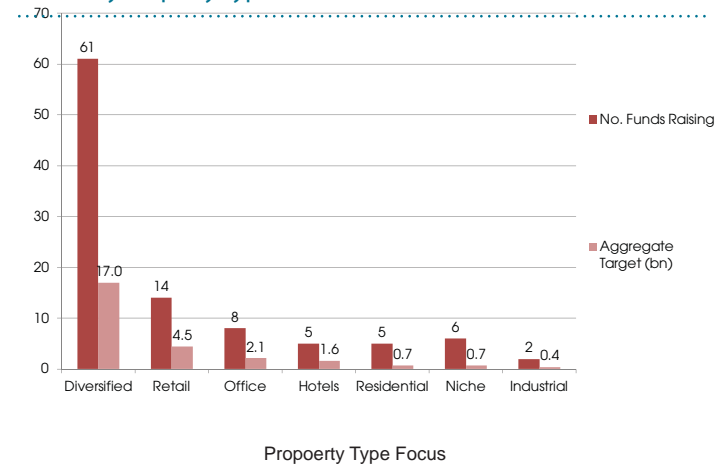
Jonathan Ma takes a look at private real estate fund managers investing in Europe

Fig. 1: Annual Europe-Focused Closed-End Private Real Estate Fundraising, 2006 - November 2011



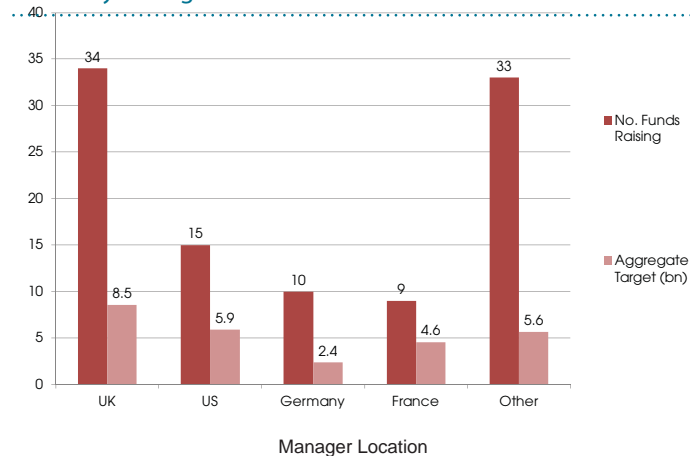
Source: Preqin

Fig. 2: Europe-Focused Closed-End Private Real Estate Funds in Market by Property Type Focus



Source: Preqin

Fig. 3: Europe-Focused Closed-End Private Real Estate Funds in Market by Manager Location



Source: Preqin

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Subscribers to Preqin's Real Estate Online - the industry's leading source of intelligence on the private real estate fund market - can click [here](#) to access a list of 746 firms investing in Europe, featuring key information on contacts, funds, performance and investment criteria.

Not a subscriber? For an online demonstration of the database please register your interest [here](#) or email [info@preqin.com](mailto:info@preqin.com) for a walkthrough of the databases.

Fig. 4: Top 10 Europe-Focused Managers by Capital Raised for Closed-End Private Real Estate Funds, 2006 - November 2011

Firm Name	Aggregate Capital Raised, 2006 - November 2011 (€bn)	Country Headquarters
<a href="#">Blackstone Group</a>	3.1	US
<a href="#">Grove International Partners</a>	2.5	US
<a href="#">Carlyle Group</a>	2.2	US
<a href="#">LaSalle Investment Management</a>	2.0	US
<a href="#">Henderson Global Investors - Property</a>	2.0	UK
<a href="#">CBRE Global Investors</a>	1.9	US
<a href="#">AXA Real Estate</a>	1.9	France
<a href="#">Cordea Savills</a>	1.8	UK
<a href="#">Orion Capital Managers</a>	1.5	UK
<a href="#">Tishman Speyer</a>	1.4	US

Source: Preqin

# Foundations

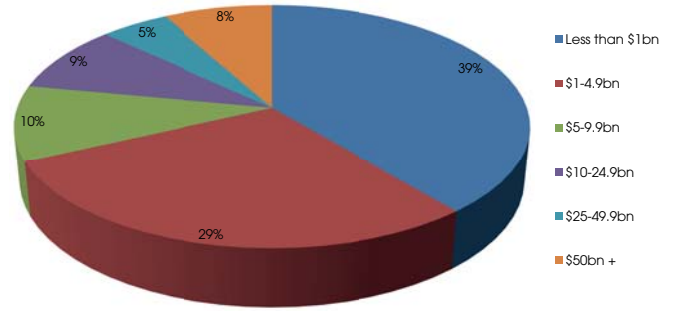
Carla Henry takes a look at the foundations that invest in private real estate

Fig. 1: Key Facts

Average Allocation to Real Estate (% of AUM)	9.2%
Average Target Allocation to Real Estate (% of AUM)	10.8%

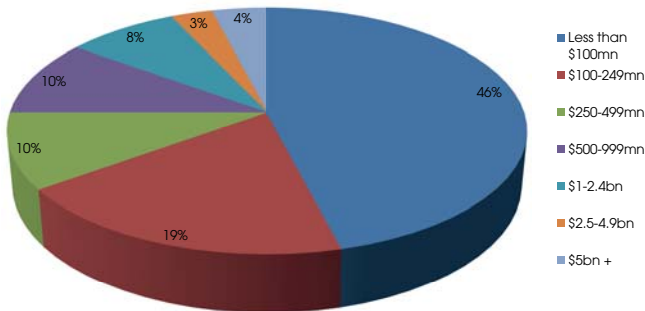
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Fig. 2: Breakdown of Foundations that Invest in Private Real Estate by Assets under Management



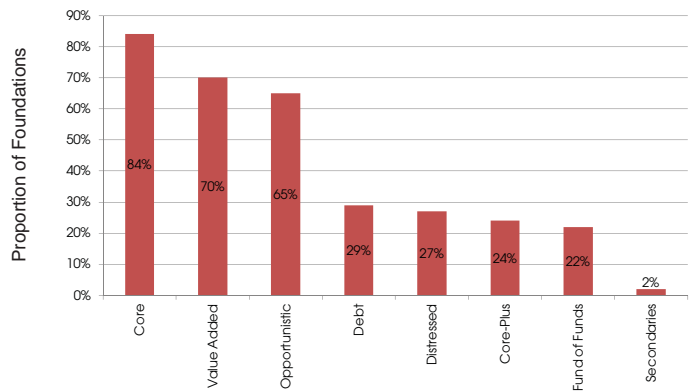
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Fig. 3: Breakdown of Foundations that Invest in Private Real Estate by Overall Real Estate Allocation



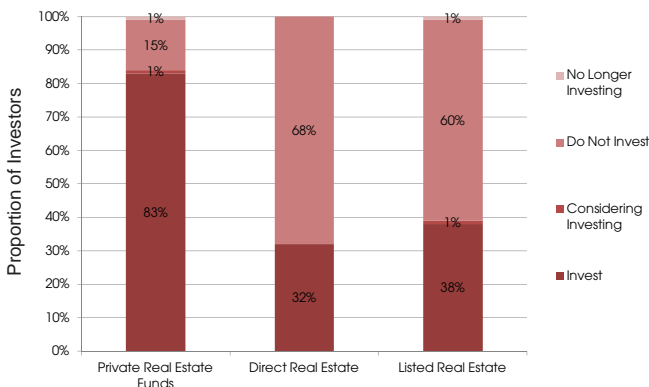
Source: Preqin

Fig. 4: Fund Strategy Preferences of Foundations that Invest in Private Real Estate



Source: Preqin

Fig. 5: Real Estate Investment Preferences of Foundations that Invest in Private Real Estate



Source: Preqin

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# Fundraising

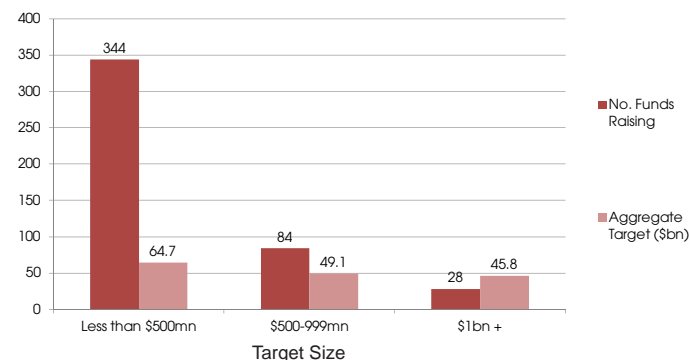
Farhaz Miah gives a round-up of the latest real estate fundraising statistics

Fig. 1: Closed-End Private Real Estate Funds in Market

	No. Funds Raising	Aggregate Target Size (\$bn)	Average Target Size (\$mn)
US	260	89.6	357
Europe	101	36.3	375
Asia and Rest of World	95	33.7	379

Source: Preqin

Fig. 2: Closed-End Private Real Estate Funds in Market by Target Size



Source: Preqin

Fig. 3: Largest UK-Focused Funds on the Road

Fund	Manager	Target Size (mn)	Strategy	Property Focus
<a href="#">Henderson Central London Office Fund II</a>	Henderson Global Investors - Property	400 GBP	Core-Plus	Office
<a href="#">Threadneedle Low-Carbon Workplace Trust</a>	Threadneedle Property Investments	350 GBP	Value Added	Commercial, Office
<a href="#">Devonshire UK Opportunities Fund</a>	F&C REIT Asset Management	300 GBP	Distressed, Opportunistic and Value Added	Commercial
<a href="#">Sovereign Land Fund I</a>	Sovereign Land	300 GBP	Opportunistic	Retail, Shopping Centre
<a href="#">Prime London Residential Development Fund</a>	Cordea Savills	250 GBP	Debt and Opportunistic	Residential
<a href="#">Cairn Property Debt Fund</a>	Cairn Capital	250 GBP	Debt	Commercial
<a href="#">Pradera UK Retail Fund</a>	Pradera	250 GBP	Core-Plus and Value Added	Retail
<a href="#">St Bride's London Industrial Fund</a>	St Bride's Managers	250 GBP	Core and Core-Plus	Industrial
<a href="#">Grosvenor London Office Fund II</a>	Grosvenor	200 GBP	Value Added	Office
<a href="#">Matrix Commercial Mortgage Fund</a>	Matrix Property Fund Management	200 GBP	Debt	Commercial, Logistics, Office, Retail

Source: Preqin

Fig. 4: Recently Closed Funds

Brazil Real Estate Opportunities Fund II	
Manager:	VBI Real Estate
Strategy:	Opportunistic
Target Net IRR:	20%
Property Focus:	Industrial, Office, Residential, Retail
Geographic Focus:	Brazil
Final Close:	USD 500mn (Nov 2011)
Placement Agents:	First Avenue Partners, Park Madison Partners
Sample Investors:	Ohio Police and Fire Pension Fund, Oregon State Treasury, West Midlands Pensions Fund

Source: Preqin

Fir Tree Real Estate Opportunity Fund II	
Manager:	Fir Tree Partners
Strategy:	Debt, Opportunistic
Property Focus:	Commercial, Residential, RE Companies
Debt Types:	Senior Debt, Mezzanine, Non-Performing Loan
Geographic Focus:	US
Final Close:	USD 628mn (Nov 2011)



## Consultant Review

A good source of intelligence on the alternatives investment consultant industry is a vital tool in helping fund managers and marketers build relationships with these important custodians of institutional investor capital. The [2012 Preqin Alternatives Investment Consultant Review](#) is the ultimate guide to this important sector within the alternatives sphere, containing profiles for over 350 different investment consultancy firms. Consultant profiles within the Review contain information on the types of services offered, asset classes covered, key financial information, direct contact information for relevant contacts and more.

Key content includes:

- Vital analysis on all aspects of the alternatives investment consultant universe. Includes key trends plus information on the market's make-up.
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- See which firms operate a buy-list, which firms consider first-time managers, and what they look for when considering new opportunities.
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- League tables.



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# Industry News

The inside scoop from the world of private real estate gathered by Preqin's team of researchers.

Asia-focused funds are attracting investments from across the globe.

Q1 2011 was the strongest quarter for Asia-focused funds in terms of aggregate capital raised since the downturn. Six funds closed having raised a combined \$2.5bn. In the past month a number of investors have announced plans to invest in funds focused on the Asia region.

[Strathclyde Pension Fund](#) is looking to invest in two new funds in 2012, one of which will be focused on Asia. The £10.2bn public pension fund, which is currently below its target real estate allocation, has set aside £70mn for new investments and is likely to invest in opportunistic funds. It is hoping to make the commitments in Q1 2012.

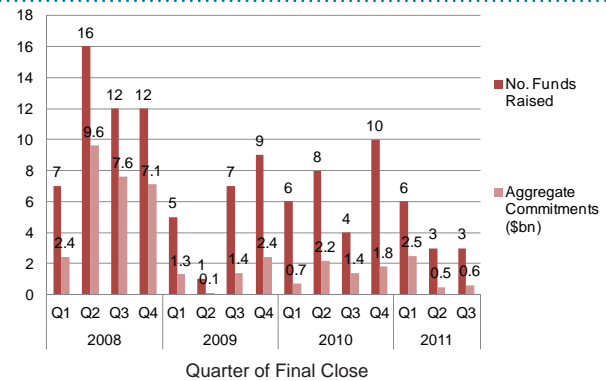
Another British public pension fund, [Clwyd Pension Fund](#), is pursuing opportunities in Asia as it plans to make commitments to four new funds in 2012. The £1bn pension fund, which has a 7% allocation to the asset class, is also looking for Europe-focused funds. It is yet to decide on the amount of capital it will invest.

Over in the US, [City of Phoenix Employees' Retirement System](#) is preparing to invest in an Asia-focused follow-on fund. The \$1.7bn public pension fund, which has a portfolio of six real estate funds, has set aside \$100mn to invest in three real estate funds in 2012.

One Asia-focused real estate fund has held a final close in the past couple of weeks. [DREAM Real Estate Mezzanine Fund](#) closed on JPY 10,500mn. The fund invests exclusively in Tokyo, targeting residential and retail buildings, and is particularly interested in shopping centres. Another fund has held a first close. [CITIC Capital China Retails Properties Investment Fund](#) has raised \$225mn as of 5th November, over one-third of its \$600mn target. The China-focused fund invests in retail properties and mixed-use developments, and is the fourth real estate fund to be managed by CITIC Capital.

About to begin its fundraising journey, [Fortress Japan Opportunity Fund II](#) has just been launched. The debt fund, targeting JPY 100,000mn, will invest in sub- and non-performing commercial mortgages.

## Quarterly Asia-Focused Closed-End Private Real Estate Fundraising, Q1 2008 - Q3 2011



Source: Preqin

### 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 [cwilson@preqin.com](mailto:cwilson@preqin.com) and we will endeavour to publish them in the next issue.

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Bank & Financial Inst. Conference on Real Estate Workouts	5 - 6 December 2011	Dallas	IMN
New York National Conference	5 - 6 December 2011	New York	ICSC
Western Non-Traded REIT Industry Symposium	7 - 8 December 2011	Dana Point, CA	IMN
Public Fund Boards Forum	11 - 13 December 2011	New Orleans	IIR
Forum on Real Estate Opp. & Private Fund Investing	18 - 20 January 2011	Laguna Beach	IMN
MIPIM 2012	6 - 9 March 2012	Cannes	Reed Expositions