

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.

July 2011
Volume 5 - Issue 7

FEATURED PUBLICATION:

The 2011 Preqin Private Equity Real Estate Fund of Funds Review



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Real Estate Spotlight

July 2011

Real Estate Investment Consultants: Survey Findings

We reveal the results of our latest survey of investment consultants, establishing their current view of the market, the issues facing the industry and the short and long term outlook for the private real estate sector.

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Fund Manager Experience

Which country is home to the most, and least, experienced real estate fund managers? Find out this and much more in this month's fund manager focus.

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UK-Based Investors

An in-depth look at the UK-based investors in private real estate, including investment and strategic preferences and a sample list including AUM, investor type and location preferences.

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Fundraising

How many funds are on the road, and how much is being sought by managers in the various global regions? All the data can be found in Fundraising Spotlight.

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Industry News

Each month Preqin's analysts speak to hundreds of investors and fund managers from around the world, uncovering exclusive intelligence on real estate investment plans. Thailand Government Pension Fund, United Mine Workers of America Health and Retirement Fund and Harrison Street Real Estate Partners III are amongst those featured this month.

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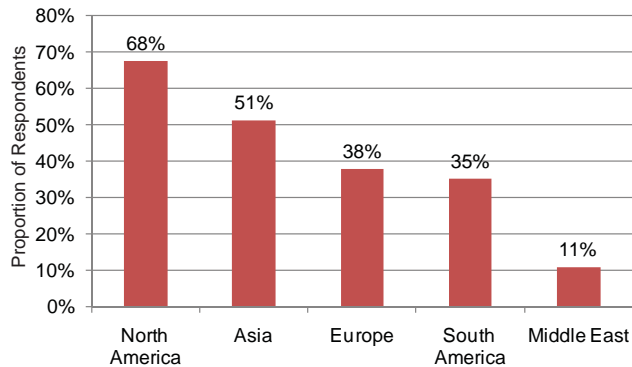
You can download all the data in this month's Spotlight in Excel. Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. You are welcome to use the data in any presentations you are preparing, please cite Preqin as the source.



RE Investment Consultants Survey

Drawing on the results from the forthcoming Preqin Investment Consultants Outlook, [Dami Sogunro](#) examines investment consultants' views of where the best real estate investment opportunities lie, and the biggest issues affecting the market

Fig. 1: Regions Viewed as Presenting the Best Opportunities in Private Real Estate



Source: Preqin

Current conditions in the private real estate market make the geography and investment strategy followed by investment consultants and their clients extremely important. Private real estate investment consultants and their clients will seek high quality real estate assets that can produce attractive returns while preserving and increasing their capital in the long term.

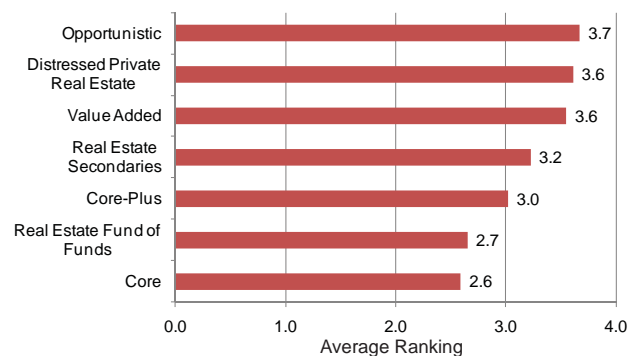
In May 2011 Preqin conducted a survey of over 70 alternative investment consultants to establish their current view of the various asset classes, and the outlook for the alternative assets industry over both the short and longer term. The article that follows looks specifically at the data received from private real estate consultants.

Just over two-thirds of respondents believe that North America will present the best investment opportunities over the coming 12 months. The global economic downturn was precipitated by the sub-prime mortgage crisis in the US; it is possible that investment consultants and investors alike feel the real estate market in this region is yet to fully recover and there will be an abundance of distressed opportunities.

Half of respondents believe that Asia, with its developing markets, will offer attractive opportunities in the next year, while around a third believe Europe and South America will present lucrative openings. The South American private real estate market is still in its infancy, but with many consultants seeing good opportunities to invest the region, it seems likely that more funds with a focus on the region will be raised in the future. The Middle East was the least popular region amongst those surveyed.

Respondents were asked to rank fund types on a scale of 1 to 5, with 5 being the most attractive and 1 being the least attractive in the current market. Opportunistic real estate was ranked highest, with an average ranking of 3.7. However, this is just 0.1 higher than both distressed private real estate and value added which both have an average ranking of 3.6.

Fig. 2: Private Real Estate Investment Consultant Attitudes to Different Fund Types



Source: Preqin

Surprisingly the more conventional core funds were the lowest ranked strategy with an average score of 2.6. It could be that consultants believe core properties are now overpriced as a result of increased demand during the downturn. Core-plus also received a relatively low ranking of 3.0. The results indicate that consultants and their clients currently have more of an appetite for risk, with the medium-to-high risk and return strategies ranked higher by investment consultants.

Levels of Investment & Key Issues in Private Real Estate in 2011

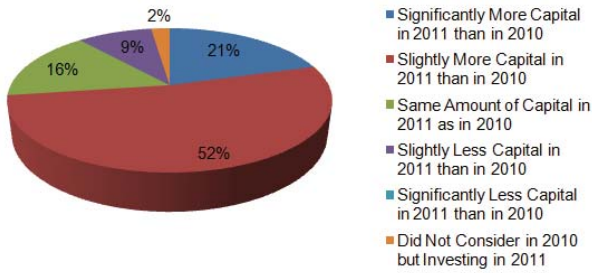
As private real estate investment was severely affected by the financial crisis, investment consultants and the clients they advise will play a pivotal role in turning around the fortunes of the asset class. Addressing any concerns and issues they have with the market would help accelerate the process. However, investments in the asset class did increase slowly in 2010 and into 2011, and respondents were asked how much capital they plan to commit to private real estate in the near future.

The vast majority expect to commit more capital to the private real estate market than they did in 2010; 72% of consultants will either be significantly or slightly increasing their commitment level to the asset class. As Fig. 3 shows, more than half of respondents plan to slightly increase the level of their capital commitments in 2011 compared to the prior year. These results are more positive than those of Preqin's February 2011 survey of over 100 institutional investors in private real estate funds, reported in Preqin Investor Outlook: Real Estate, where only 45% of investors stated that they would be likely to commit to private real estate funds in 2011.

9% of investment consultants will be slightly reducing their level of commitment to the asset class over the next 12 months, and none will be making any significant reductions.

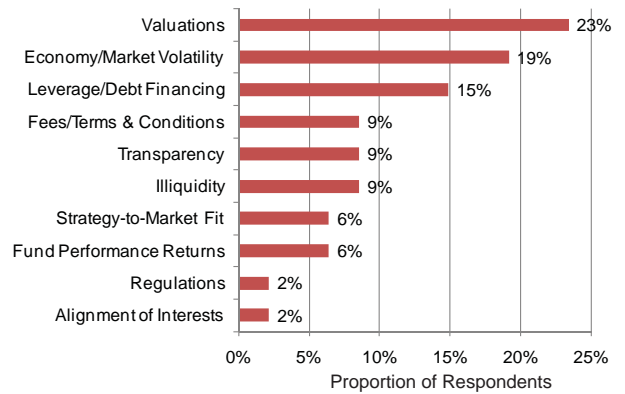
Respondents were asked about the key issues in the real estate market at the present time and unsurprisingly, given current

Fig. 3: Amount of Capital Consultants & Their Clients Plan on Committing to Private Real Estate in 2011 Compared to 2010



Source: Preqin

Fig. 4: Investment Consultants' Perception of Key Issues in the Private Real Estate Market



Source: Preqin

conditions, valuations of investments was most frequently cited; just under a quarter of respondents claimed this was an issue.

Consultants, just like 28% of investors surveyed previously, cite the economic climate and the resulting volatility as one of the more prevalent issues in the market; 19% stated this was an issue. 2% of those surveyed stated that industry regulations and the alignment of interests between fund investors and fund managers in the private real estate market were key issues.

Outlook

The private real estate market is showing evidence of year-on-year improvement from the nadir reached post-2008. Investment consultants and their private real estate investor clients will be looking to commit greater amounts of capital over the course of 2011 than in the previous year, particularly targeting opportunistic and distressed strategies in North America and Asia.

However, despite the expected increase in investment activity, the private real estate market is still recovering. Concerns with market valuations and possible volatility in the market remain and the opinions and investment plans of these investors are easily swayed by changes in the global economy.

Data Source:

Preqin's Real Estate Online Service features detailed profiles for over 300 real estate investment consultants.

For more information or to arrange a demo please visit: www.preqin.com/reo

2011 Preqin PE Real Estate Fund of Funds Review

The [2011 Preqin PE Real Estate Fund of Funds Review](#) is the ultimate guide to the real estate fund of funds market, with data, analysis and profiles on fundraising, firms, performance, terms and conditions and investors.

Key features of this publication include:

- Comprehensive profiles for all 59 PERE fund of funds managers, including contact details, history, sample investments, plus detailed investment plans at a fund specific level.
- Also includes profiles for 10 private equity fund of funds managers with a significant allocation to real estate.
- Full listings for funds closed and currently in the market.
- Profiles for over 120 current institutional investors in PERE fund of funds, with contact details, sample investments made and investment plans for the future.
- Detailed analysis on all aspects of the market, identifying trends in fundraising, performance, fund terms and conditions, investors, fund focus and much more.



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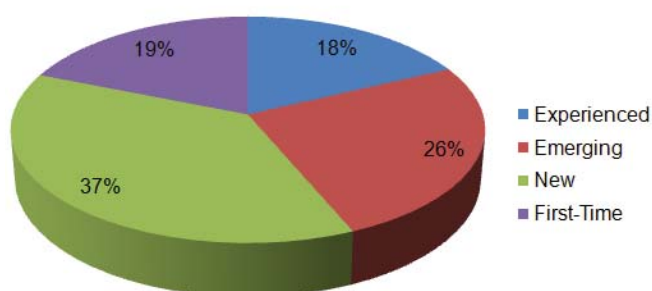


Fund Managers' Experience

Andrew Moylan takes a look at private real estate fund managers' experience around the globe

First-Time - seeking to close first fund; New - closed one fund; Emerging - closed two or three funds; Experienced - closed four or more funds

Fig. 1: Breakdown of Experience of Current Private Equity Real Estate Universe



Source: Preqin

Fig. 3: 10 Countries with the Highest Proportion of Experienced Firms

Country	First-Time	New	Emerging	Experienced	No. of Firms
Italy	8%	38%	8%	46%	13
Netherlands	0%	42%	17%	42%	12
Canada	13%	47%	0%	40%	15
Japan	29%	29%	14%	29%	7
Singapore	8%	31%	38%	23%	13
Sweden	0%	44%	33%	22%	9
Australia	8%	33%	38%	21%	24
US	21%	32%	26%	21%	555
Austria	20%	40%	20%	20%	5
France	27%	33%	20%	20%	15

Data Source:

Real Estate Online

Preqin's industry-leading product Real Estate Online features detailed profiles on over 1,300 real estate managers worldwide.

For more information please visit: www.preqin.com/reo

Fig. 2: Maturity of Fund Managers Currently Seeking Capital, by Geographic Location

Firm Location	First-Time	New	Emerging	Experienced	No. of Firms
Africa	67%	33%	0%	0%	6
Asia	32%	32%	26%	11%	38
Europe	52%	17%	16%	16%	90
Latin America	40%	60%	0%	0%	5
Middle East	83%	17%	0%	0%	6
North America	45%	24%	14%	18%	263

Source: Preqin

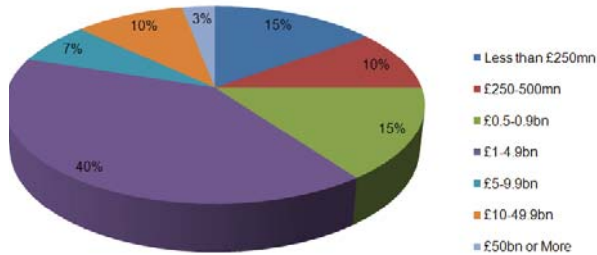
Fig. 4: 10 Countries with the Highest Proportion of New Firms

Country	First-Time	New	Emerging	Experienced	No. of Firms
United Arab Emirates	15%	69%	8%	8%	13
Bahrain	0%	67%	17%	17%	6
Switzerland	11%	67%	11%	11%	9
Norway	0%	67%	33%	0%	6
China	22%	67%	11%	0%	9
India	8%	56%	28%	8%	25
Luxembourg	17%	50%	17%	17%	6
Brazil	13%	50%	25%	13%	8
Russia	17%	50%	33%	0%	6
South Africa	50%	50%	0%	0%	6

UK Real Estate Investors

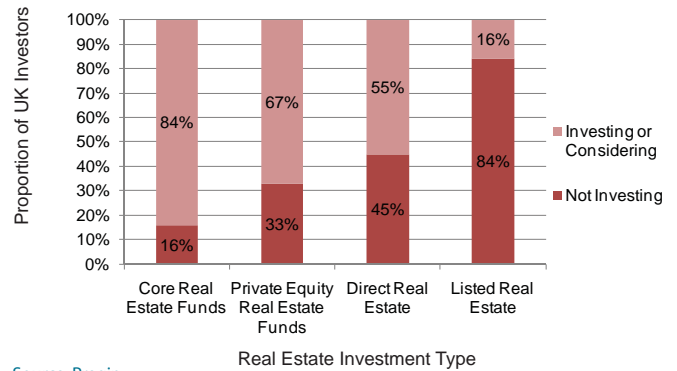
Forena Akthar takes a look at UK-based investors in real estate

Fig. 1: Breakdown of UK Investors That Invest in Real Estate by Assets Under Management



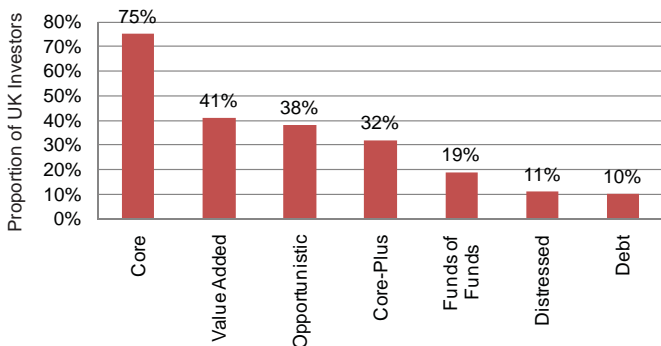
Source: Preqin

Fig. 2: Real Estate Investment Type Preferences of UK Real Estate Investors



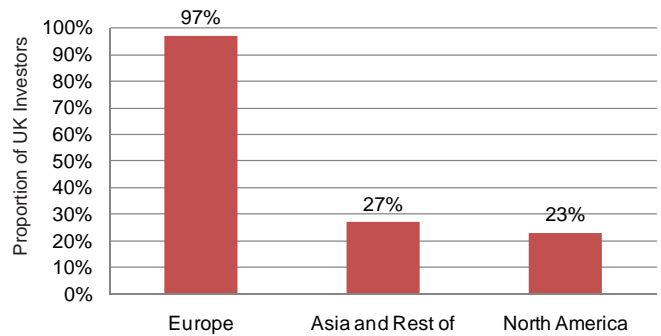
Source: Preqin

Fig. 3: Strategic Preferences of UK Real Estate Investors



Source: Preqin

Fig. 4: Unlisted Location Preferences of UK Real Estate Investors



Source: Preqin

Fig 5: Sample UK Investors in Private Real Estate Funds

Investor	Type	AUM (£mn)	Target Allocation to Real Estate (%)	Actual Allocation to Real Estate (%)
Friends Provident	Asset Manager	122,154		2.6%
BT Pension Scheme	Private Sector Pension Fund	34,000	13.0%	11.8%
Co-operative Insurance Society	Insurance Company	12,000	6.5%	7.5%
Greater Manchester Pension Fund	Public Pension Fund	10,500	10.0%	5.1%
London Pensions Fund Authority	Public Pension Fund	4,000	7.0%	6.3%

Source: Preqin

Data Source:

There are currently profiles for 355 UK-based institutional investors actively investing in real estate on Preqin Real Estate Online. Subscribers can click on the investor name to view the profile. For more information please visit www.preqin.com/reo



The Fundraising Lowdown

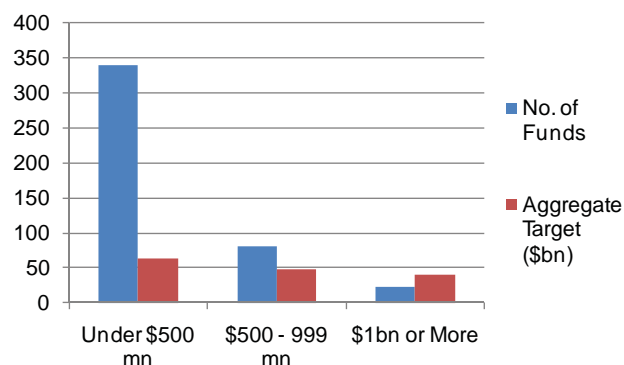
Andrew Moylan gives a round-up of the latest real estate fundraising statistics

Fig. 1: Real Estate Funds in Market

	North	Europe	Asia and Rest of World	Overall
Number of Funds	254	104	84	442
Aggregate Target Size (\$bn)	84.2	40.0	26.0	150.2
Average Target Size (\$mn)	340	408	356	359

Source: Preqin

Fig. 2: Funds in Market By Target Size



Source: Preqin

Fig. 3: Notable Office-Focused Funds on the Road

Fund	Manager	Target Size (mn)	Strategy	Geographic Focus
Blumberg Strategic Asset Fund	Blumberg Capital Partners	1,000 USD	Value Added	North America
Paramount Group Real Estate Fund VII	Paramount Group	1,000 USD	Core-Plus	US
AltaFund Value-Add I	Altarea Cogedim	600 EUR	Value Added	France
Next Estate Income Fund	BNP Paribas Real Estate Investment Services	500 EUR	Core	Europe
Parmenter Realty Fund IV	Parmenter Realty Partners	500 USD	Distressed and Value Added	Southeast and Southwest US
Rosemont Real Estate Acquisition Fund	Rosemont Realty	500 USD		US
St Bride's London Office Fund	St Bride's Managers	250 GBP		UK
Crocker Partners V	Crocker Partners	400 USD	Value Added	US
Paramount Group Real Estate Fund V	Paramount Group	400 USD	Core-Plus	US
U.S. Government Properties Income & Growth Fund	PRP Real Estate Investment Management	400 USD	Core-Plus, Debt and Value Added	US

Recently Closed Funds

Harrison Street Real Estate Partners III

Manager: Harrison Street Real Estate Capital

Strategy: Opportunistic

Property Focus: Student Housing, Senior Home, Medical/Health-care, Self Storage

Geographic Focus: US

Target IRR (Net): 18%

Final Close: 596 USD (Jun 2011)

Placement Agents: Not Used

Lawyer: DLA Piper

Sample Investors: Arizona State Retirement System, Kansas Public Employees' Retirement System, San Francisco City & County Employees' Retirement System

Prosperitas Real Estate Partners III

Manager: Prosperitas Investimentos

Strategy: Value Added, Opportunistic

Property Focus: Industrial, Residential

Geographic Focus: Brazil

Target IRR (Gross): 20%

Final Close: 750 USD (May 2011)

Placement Agents: Park Hill Real Estate Group

Sample Investors: New Hampshire Retirement System, Penn Square Real Estate Group, Washington State Investment Board

Preqin News Exclusives

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

Un-Thai-ed from domestic investment

[Thailand Government Pension Fund](#) is considering making offshore real estate commitments.

The pension plan, which has a portfolio of direct domestic assets, could start investing in private real estate as early as Q4 2011 as it seeks to diversify its real estate holdings. It is allocating 2% of AUM to these investments, which will increase its real estate allocation to 7.5%.

Initially it is looking for opportunities in the developed markets in Europe and the US, though it may widen the net over time. It will consider core and core-plus funds, and could invest in other fund types in the future.

Three is the magic number

[Pennsylvania Public School Employees' Retirement System](#) has invested in three private real estate funds.

The new commitments are worth USD 600 million. It has a 9% target allocation to the asset class, with private funds accounting for 95% of its portfolio.

It invested USD 300 million in Blackstone Real Estate Partners VII, USD 200 million in Carlyle Realty Partners and USD 100 million in DRA Growth and Income Fund VII.

No Holds on Commitment

[Ahold Pensioenfonds](#) is likely to make a private real estate investment in the next 12 months.

The private sector pension fund, which has a 10% target and current allocation to the asset class, will commit as and when a suitable opportunity arises. It is particularly interested in the European core market.

Private real estate investments offer the EUR 2.4 billion pension plan the opportunity to build a risk-adjusted, diversified portfolio, something it believes would be difficult to attain otherwise as a small investor.

Digging for more opportunities

[United Mine Workers of America Health and Retirement Funds](#) has announced plans to continue its real estate investment program over the next 12 months.

The USD 4.5 billion private sector pension fund will invest in attractive US-focused core and value added funds on an opportunistic basis. It currently has a 10% allocation to the asset class, but does not have a specific target allocation.

Interim and Final Closes

A number of funds have held a close in the past few weeks.

[HB Reavis Central European Real Estate Fund](#) held a first close, having raised half of its target EUR 100 million. The core fund, managed by Slovakian [HB Reavis Group](#), focuses on prime commercial properties in Central European countries. The fund's seed portfolio includes five newly constructed properties: two office blocks in Bratislava, a shopping mall and two logistics parks.

[Harrison Street Real Estate Partners III](#) held a final close on USD 596 million, above its USD 500 million target. The fund invests in off-campus student housing, senior housing, medical offices and storage properties and secured commitments from US and European investors, including [Arizona State Retirement System](#), [Kansas Public Employees' Retirement System](#) and [San Francisco City & County Employees' Retirement System](#).

US-focused [IMT Capital Fund II](#) has closed. The USD 350 million fund invests in multi-family properties in major markets in the western and southern regions of the United States. This second fund will continue [IMT Capital Partners'](#) strategy to invest in undervalued and/or underperforming multifamily assets. It held a first close in February this year.

[CR China Retail Real Estate Development Fund I](#) has also reached a final close, having raised USD 466 million. It was established for the purpose of developing income-generating retail complexes in Tier

2 and Tier 3 cities in the People's Republic of China (excluding Hong Kong, Macau and Taiwan).

The Fund's portfolio strategy will target the retail sector in the PRC, focusing on developing retail malls, and investments are expected to be located in cities with strong macro-economic fundamentals, favourable retail market conditions and high growth potential.

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 and we will endeavour to publish them in the next issue.

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Conferences Spotlight

Conference	Dates	Location	Organizer
2011 Low-Tier Cities Real Estate Investment Summit	21 - 22 September 2011	Beijing	JFPS Group China
5th Real Estate Private Equity Summit	October 2011 (TBC)	California	iGlobal Forum
Real Estate Investment World Latin America	25 - 27 October 2011	Miami	Terrapinn
NAREIT Annual Convention	15 November 2011	Dallas	NAREIT
MIPIM Asia 2011	15 November 2011	Hong Kong	Reed MIDEM