

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.

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The 2012 Preqin Sovereign Wealth Fund Review

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# Real Estate Spotlight

June 2012

## Emerging Markets-Focused Private Real Estate Fundraising

Global fundraising remains depressed; however, are investors increasingly attracted to the opportunities available outside of traditional developed economies? What is the region of choice? This month's feature article analyzes the fundraising market for emerging markets-focused private real estate vehicles.

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## UK-Headquartered Real Estate Fund Managers

A rundown of all the key stats regarding UK-based real estate GPs. What are their investment preferences? Who are the biggest players currently in market?

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## Conferences

A look at the forthcoming industry conferences around the world.

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You can download all the data in this month's Spotlight in Excel.

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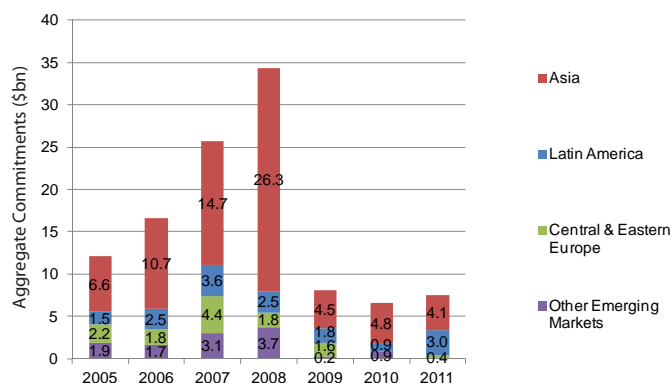
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# Emerging Markets-Focused Private Real Estate Fundraising

Andrew Moylan looks at trends within the emerging markets-focused private real estate market, examining which regions investors have the greatest appetite for, and which types of fund are having the most success in the current market.

Fig. 1: Annual Emerging Markets-Focused Closed-End Private Real Estate Fundraising by Geographic Focus, 2005 - 2011

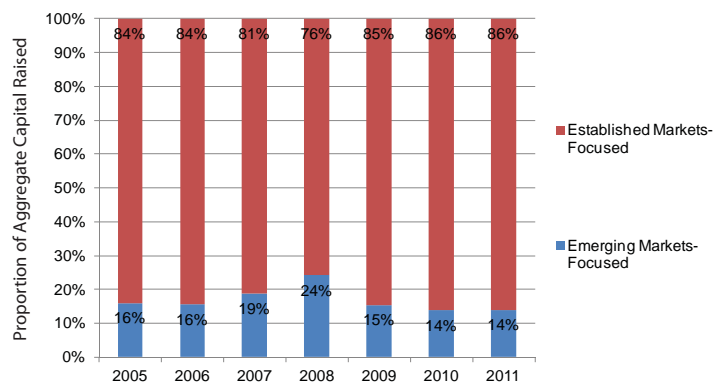


Source: Preqin Real Estate Online

The private real estate fund market has undergone significant changes in the past few years and this is particularly true for emerging market-focused funds. Many institutional investors are increasingly global in outlook, and demand for emerging markets exposure remains, but the picture of emerging markets-focused real estate fundraising is very different to the one seen before the global economic downturn. For the purposes of this article, all funds which are primarily investing in markets other than North America, Western Europe, Japan or Australasia are classified as emerging markets-focused.

Fig. 1 shows emerging markets-focused private real estate fundraising from 2005 to 2011. As with all private real estate fundraising, capital raised for emerging markets-focused funds has declined in recent years, falling from a total of \$34.2 billion raised by the 77 funds that closed in 2008, to just \$7.5 billion raised by the 33 funds that closed in 2011. As illustrated in Fig. 2, in 2008 emerging markets-focused funds accounted for 24% of all private real estate fundraising globally, with the \$3.9 billion MGPA Asia Fund III and the \$3 billion LaSalle Asia Opportunity Fund III among the largest funds to close that year. Emerging markets-focused funds' share of total capital raised has declined since then, and they accounted for 14% of the capital raised globally by funds that closed in 2011. In the years leading up to 2008, many institutional investors had increasingly been looking to create geographically diversified portfolios and the result was an growing amount of capital being raised by private real estate funds investing in emerging economies. In recent years, however, a number of institutions have focused more on established, liquid real estate markets, resulting in less capital being raised for emerging markets-focused funds.

Fig. 2: Annual Closed-End Private Real Estate Fundraising, 2005 - 2011: Established vs Emerging Markets



Source: Preqin Real Estate Online

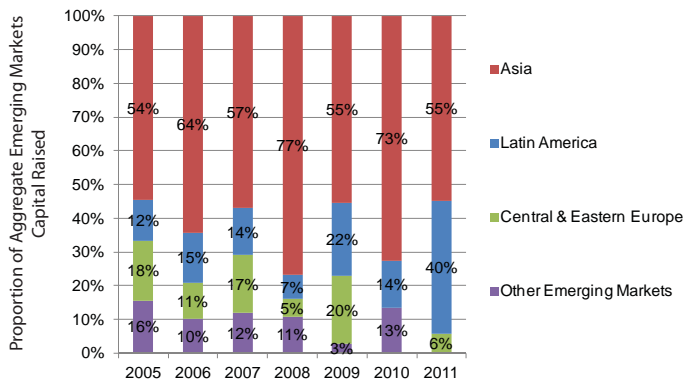
The fundraising figures from 2011 give some interesting indications as to how investor appetite for emerging markets is changing. \$3 billion was raised by the seven Latin America-focused funds that closed in 2011, including the \$750 million Prosperitas Real Estate Partners III and the \$550 million Pátria Brazil Real Estate Fund II. This was the second highest annual total for Latin America after 2007, when eight funds raised \$3.6 billion, and accounted for 40% of all emerging markets-focused fundraising. Brazil appears to be attracting growing attention from investors, with five of the seven Latin American funds to close in 2011 focusing on Brazil. Another Brazil-focused fund, GTIS Brazil Real Estate Partners, held a final close on \$810 million in Q1 2012.

\$4.1 billion was raised by Asia-focused funds closing in 2011, significantly less than the \$26.3 billion raised in 2008. While Asia-focused funds still accounted for a sizeable 55% of emerging markets-focused fundraising in 2011, this was less than in 2008, when over three quarters of capital raised for emerging markets funds was targeted at Asia. In particular, appetite for specifically India-focused funds has declined in recent years. 2010 and 2011 saw \$0.8 billion and \$0.7 billion raised respectively, compared with \$5.4 billion in 2007 and \$4.7 billion in 2008. In contrast, there is still a significant level of appetite for specifically China-focused funds, with \$3 billion being raised in 2011. The record year for China-focused fundraising was 2008, when \$5.4 billion was raised.

Fig. 4 illustrates that the proportion of capital raised for emerging markets funds accounted for by domestic fund managers has increased in recent years. In 2005, 82% of capital raised for emerging markets investments was by firms headquartered outside the region. In 2010, however, 77% of capital was raised by managers



Fig. 3: Annual Emerging Markets-Focused Closed-End Private Real Estate Fundraising by Emerging Markets Focus



Source: Preqin Real Estate Online

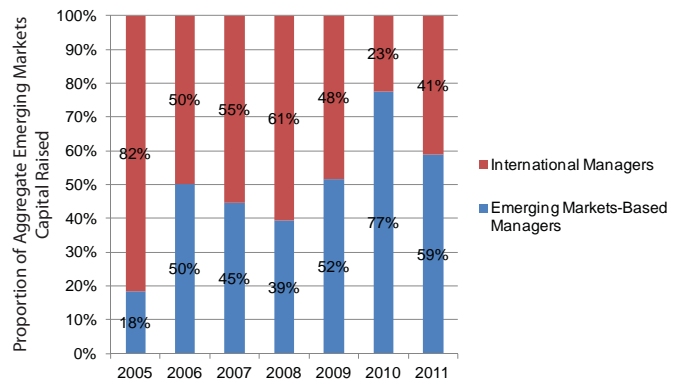
headquartered within emerging markets. This declined to 59% in 2011, but still highlights an increased ability for firms which are based in emerging markets to raise capital for private real estate funds.

It is also clear that there is increased appetite for more focused offerings within emerging markets. Funds with a focus on a single country, or a small number of countries accounted for 53% of capital raised in 2005 and just 33% in 2009. In 2011, however, the \$6.5 billion raised by these funds accounted for 87% of capital raised. Global or pan-continental funds are attracting far less capital than before the downturn. These funds raised \$21.7 billion in 2008 and just \$1.0 billion in 2011. This reflects a shift in the attitude of investors, many of which are increasingly looking for firms who are specialists in a particular region or property sector.

There are currently 87 funds with a primary focus on emerging markets seeking investor capital, targeting aggregate commitments of \$28.1 billion. These funds make up 17% of the aggregate capital targeted by all private real estate funds globally. Asia-focused funds make up the largest number of these funds, with 44 Asia-focused funds in market targeting aggregate commitments of \$15.7 billion. Seventeen Central and Eastern Europe-focused funds are targeting \$4.9 billion in commitments, while 16 funds targeting Latin America are seeking commitments of \$3.2 billion.

The largest emerging markets-focused funds currently being marketed include Asia-focused offerings by ARA Asset Management, which is targeting \$1 billion for ARA Asia Dragon Fund II to invest in office, retail and residential properties in Asia. Aetos Capital Asia IV and Alpha

Fig. 4: Annual Emerging Markets Fundraising: Emerging Markets vs. Established Market-Based Firms



Source: Preqin Real Estate Online

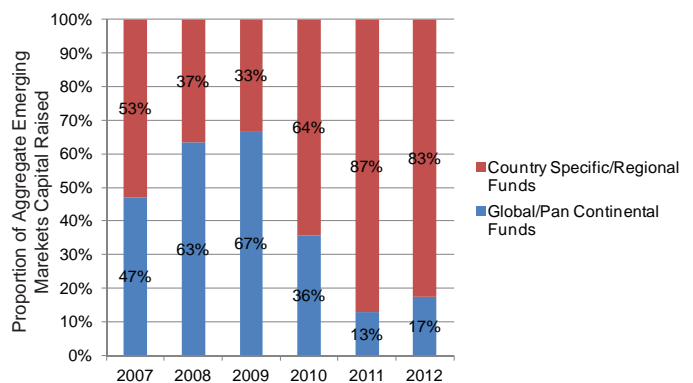
Asia Macro Trends Fund II are also each targeting commitments of \$1 billion. Brookfield Asset Management is also seeking commitments of \$1 billion for its Dubai Real Estate Fund.

Of the 16 Latin America-focused funds currently being marketed, Hemisferio Sul Investimentos Fund IV is the largest, with a \$650 million fundraising target. The fund will focus on income-producing properties in Brazil. Another Brazil-focused offering, SDI Desenvolvimento Imobiliário's SDI Brazil FIP, is targeting \$450 million to develop commercial and industrial projects in Brazil. Paladin Realty Partners' fourth Latin American fund is targeting \$400 million.

Within Central and Eastern Europe, VTBC-Ashmore Real Estate Partners I is targeting €500 million to make investments in commercial and residential real estate development projects in Moscow, St Petersburg and other substantial Russian metropolitan areas, while Hines recently closed its Hines Russia & Poland Fund on €390 million.

The private real estate fund market in Africa remains very much in its infancy. Nine funds with a primary focus on Africa have closed since 2005, raising a combined \$0.7 billion. A further five are currently being marketed and have an aggregate target of \$1.2 billion. These include Ivora Africa Property Fund, which is targeting \$500 million to invest in

Fig. 5: Annual Emerging Markets Fundraising: Global/Pan Continental Funds vs Country Specific/Regional Funds



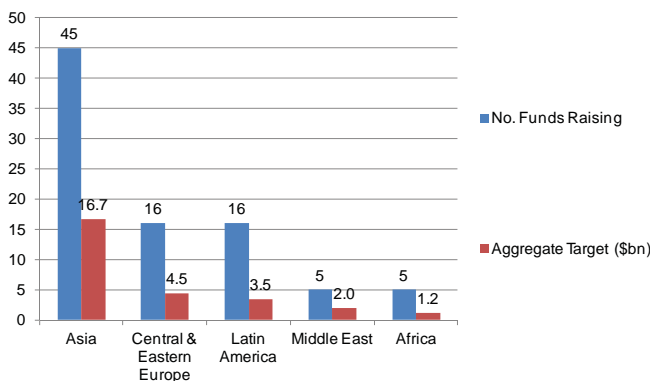
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Fig. 6: Emerging Markets-Focused Closed-End Private Real Estate Funds in Market by Geographic Focus

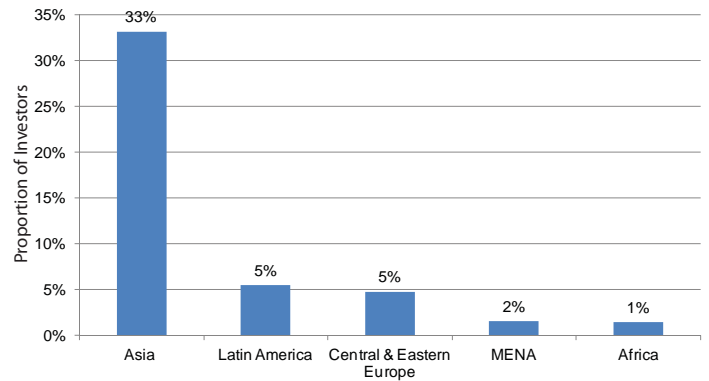


Source: Preqin Real Estate Online

commercial rental properties situated in growth regions across Africa. RMB Westport Real Estate Development Fund is seeking \$250 million to invest in real estate developments in sub-Saharan Africa.

Fig. 7 shows the investor appetite for different emerging markets. While it shows that emerging markets exposure is not a consideration for a large proportion of investors, many others, particularly the larger and more sophisticated institutions, are interested in having a globally diversified portfolio. In terms of emerging markets, Asia has the largest private real estate fund market outside North America and Europe, and has typically been the region targeted first by investors looking for emerging markets investments. One-third of investors in private real estate funds have, or are interested in gaining, exposure to Asia. Other emerging markets are on the radar of fewer investors, with 5% stating a preference for Latin America, a similar proportion attracted to Central and Eastern Europe, 2% interested in MENA and 1% interested in Africa.

Fig. 7: Investor Appetite for Emerging Markets-Focused Funds by Region



Source: Preqin Real Estate Online

Many institutional investors see the value of including emerging markets exposure in their real estate portfolios, both for diversification purposes and because of the potential for strong returns. In the short term, with many investors not actively looking for new investments or focusing on markets closer to home, fundraising for emerging markets-focused funds is likely to remain challenging. In the medium to long term, however, it seems likely that emerging markets-focused offerings will become more important to the private real estate market as a whole.

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# UK-Headquartered Real Estate Fund Managers

Carla Henry looks at the key stats regarding fund managers based in the UK.

Fig. 1: Key Facts: UK-Headquartered Real Estate Fund Managers

Number of UK Fund Managers	198
Total Number of Real Estate Funds Closed 2005-2012	368
Aggregate Capital Raised (\$bn) 2005-2012	93.1
Number of Funds currently on the Road	44

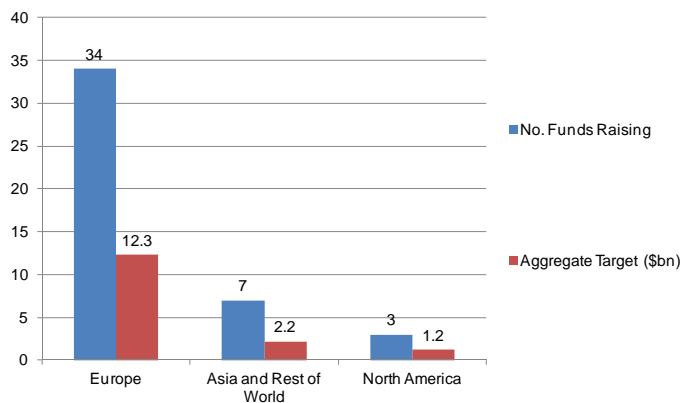
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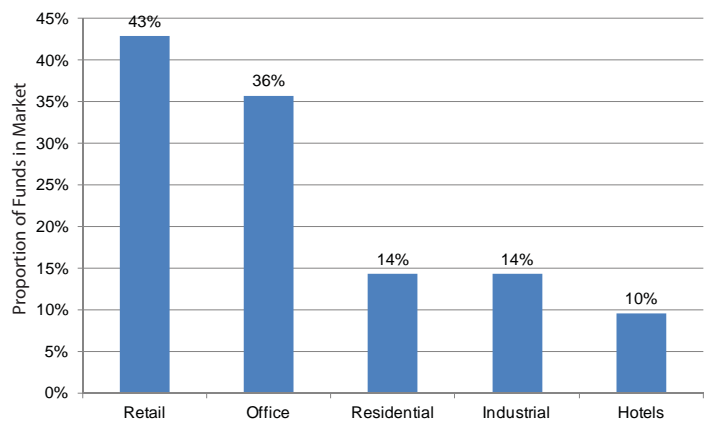
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Fig. 2: Primary Location Focus of Funds on the Road Managed by UK-Headquartered Firms



Source: Preqin Real Estate Online

Fig. 3: Property Types Targeted by Funds on the Road Managed by UK-Headquartered Firms



Source: Preqin Real Estate Online

Fig. 4: Largest Funds Currently on the Road Managed by UK-Headquartered Firms

Fund	Manager	Target Size (mn)	Strategy	Geographic Focus
Orion European Real Estate Fund IV	Orion Capital Managers	1,300 EUR	Opportunistic	West Europe
MGPA Europe Fund IV	MGPA	750 USD	Opportunistic and Value Added	Europe
The Avingstone Fund	Avingstone	500 EUR	Distressed	Europe
Pradera Turkish Retail Fund	Pradera	500 EUR	Value Added	Turkey
TransEuropean Property V	Rockspring Property Investment Managers	450 EUR	Core, Core-Plus, Distressed and Value Added	Europe
Threadneedle Low-Carbon Workplace Trust	Threadneedle Property Investments	350 GBP	Value Added	UK

Source: Preqin Real Estate Online

# US-Based Private Sector Pension Funds

Farhaz Miah takes a look at US-based private sector pension funds investing in real estate.

Fig. 1: Key Facts: US-Based Private Sector Pension Funds

Average Allocation to Real Estate (% of AUM)	4.7
Average Target Allocation to Real Estate (% of AUM)	6.6

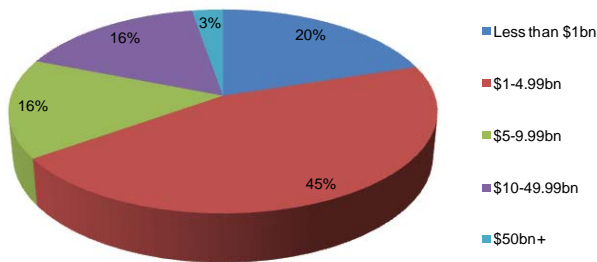
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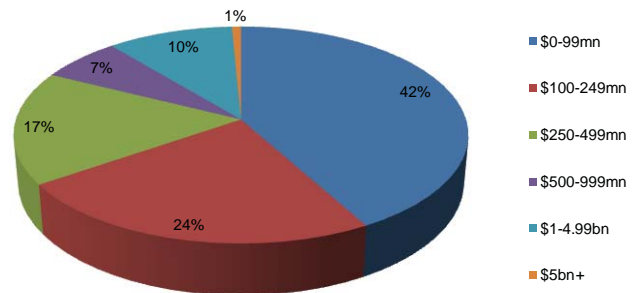
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Fig. 2: Breakdown of US-Based Private Sector Pension Funds That Invest In Real Estate By Assets Under Management



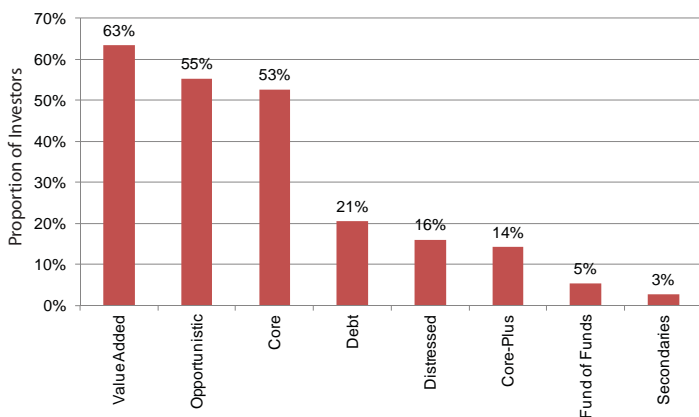
Source: Preqin Real Estate Online

Fig. 3: Breakdown of US-Based Private Sector Pension Funds That Invest in Real Estate by Overall Real Estate Allocation



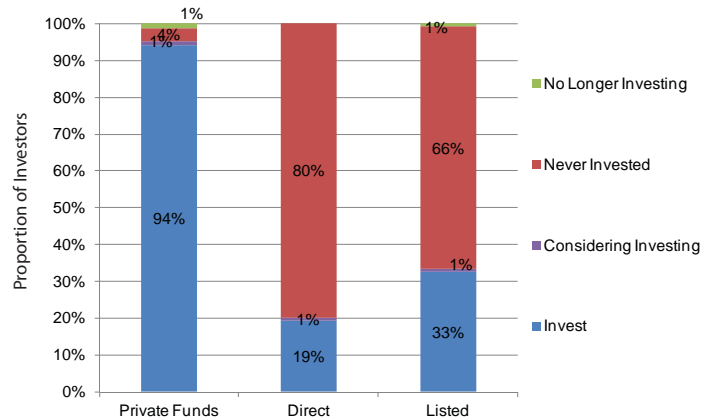
Source: Preqin Real Estate Online

Fig. 4: Fund Strategy Preferences of US-Based Private Sector Pension Funds



Source: Preqin Real Estate Online

Fig. 5: Real Estate Investment Preferences of US-Based Private Sector Pension Funds



Source: Preqin Real Estate Online



# Fundraising Update

Ee Fai Kam provides a round-up of the latest real estate fundraising statistics.

Fig. 1: Closed-End Private Real Estate Funds in Market by Primary Geographic Focus

	No. of Funds	Aggregate Target Size (\$bn)
North America	255	96.6
Europe	105	38.7
Asia and Rest of World	90	29.9

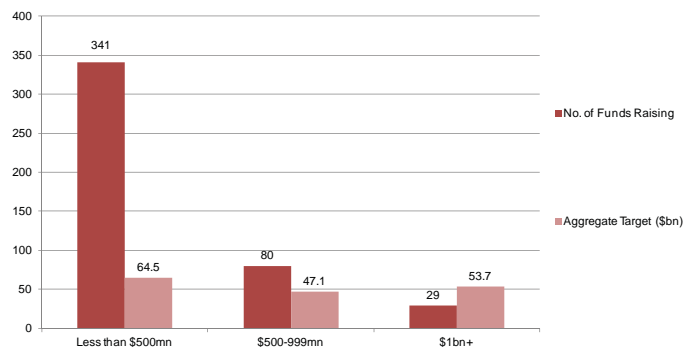
Source: Preqin Real Estate Online

## Data Source:

Preqin's [Real Estate Online](http://www.preqin.com/reo) features detailed profiles for all 450 private real estate funds currently in market, including strategy, geographic focus, property focus, target size, anticipated closings and more.

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



Source: Preqin Real Estate Online

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

Fund	Manager	Target Size (mn)	Strategy	Property Focus
European Diversified Property	AXA Real Estate	1,500 EUR	Core and Core-Plus	Any, Industrial, Logistics, Office, Retail
Orion European Real Estate Fund IV	Orion Capital Managers	1,300 EUR	Opportunistic	-
Perella Weinberg Real Estate Fund II	Perella Weinberg Partners	1,200 EUR	Opportunistic	Any
UBS (D) European Mega Core Property Fund	UBS Global Real Estate	1,000 EUR	Core	Office, Retail
RREEF Real Estate Partners III	RREEF Real Estate	1,000 EUR	Opportunistic	-
CBRE European Shopping Centre Fund	CBRE Global Investors	750 EUR	Core-Plus	Shopping Centre
MGPA Europe Fund IV	MGPA	750 USD	Opportunistic and Value Added	Office, Retail
UII Shopping Nr. 1	Union Investment Real Estate	500 EUR	Core	Retail, Shopping Centre
The Avingstone Fund	Avingstone	500 EUR	Distressed	Hotels
VTBC-Ashmore Real Estate Partners I	VTB Capital Infrastructure and Real Estate Investment Funds	500 EUR	Opportunistic	Commercial, Hotels, Office, Residential
CVI Europe Real Estate Partners	CarVal Investors	500 EUR	Distressed, Opportunistic and Value Added	Industrial, Mixed Use, Multi-Family, Office
Global Hospitality Recovery Fund II	Waldeck Capital	500 EUR	Distressed, Opportunistic and Value Added	Hotels

Source: Preqin Real Estate Online

Fig. 4: Recently Closed Funds

Niam Nordic V	
Manager	Niam
Strategy	Opportunistic
Target IRR (Gross)	20%
Property Focus	Any, Commercial, Residential
Geographic Focus	Nordic
Final Close	€719mn (May 2012)
Sample Investors	Nestle USA Pension Plan, Al-Ahleia Insurance Company and Teachers' Retirement System of the State of Illinois
Placement Agent	Greenhill Fund Placement Advisory Group

Forum Asian Realty Income III	
Manager	Forum Partners
Strategy	Opportunistic
Target IRR (Net)	18-20%
Property Focus	Operating Companies
Geographic Focus	Asia, Australia
Final Close	\$374mn (April 2012)
Sample Investors	Church Pension Group, Teacher Retirement System of Texas, PGGM
Placement Agent	Atlantic-Pacific Capital

Source: Preqin Real Estate Online



# 2012 Preqin Sovereign Wealth Fund Review

The 2012 Preqin Sovereign Wealth Fund Review has been completely updated and expanded to include new information on every area of sovereign wealth fund investment portfolios. It represents a vital purchase for all fund managers, consultants, advisors and other finance professionals seeking to gather intelligence on this reclusive group of investors. Now in its fifth edition, this year's publication is the most comprehensive yet, featuring full profiles for 63 sovereign wealth funds worldwide.

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# Industry News

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

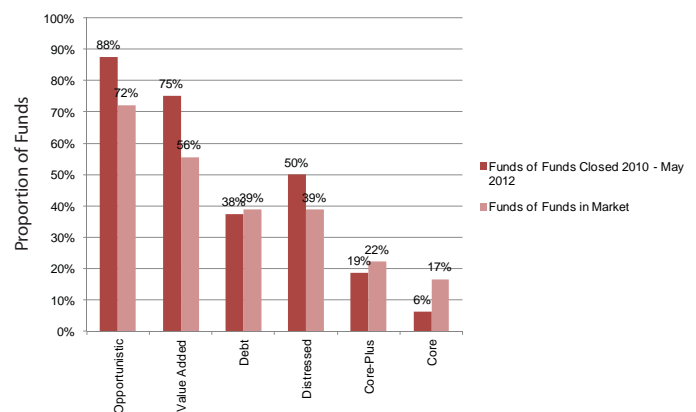
As shown in the chart of the month, opportunistic real estate strategies are most favoured amongst real estate fund of funds managers; however, the firms currently in market are willing to consider a variety of underlying fund types. As a result, real estate fund managers across the spectrum of fund types can benefit from keeping an eye on the multi-managers looking to allocate capital in the near future. Interested in finding out more about the latest trends in real estate fund of funds industry? Please click to view our new special report: [Real Estate Fund of Funds](#).

Several Europe-based funds of funds are planning on making new investments in the next 12 months. Dutch-based real estate multi-manager [Syntrus Achmea Vastgoed](#), which operates three real estate fund of funds vehicles targeting investment in Europe, North America and Asia respectively, intends to commit across all of its platforms. The fund of funds manager is opportunistic in its approach and assesses each opportunity on a case-by-case basis; however it is likely to commit larger amounts of capital than before. Elsewhere, German-based [HCI Capital](#) intends to commit €20mn to a single emerging markets-focused, country-specific opportunistic private real estate fund by Q3 2012. The firm will favour funds managed by GPs that can demonstrate a strong track record, entrepreneurial spirit, and an ability to utilize localized knowledge complemented by demonstrable skin in the game. It could, however, also consider first-time fund managers.

Still in Europe, [4IP Management AG](#) – the Switzerland-based real estate fund of funds manager – is considering launching a new platform to invest in Europe-focused funds that target core, core-plus and value added opportunities. At present, 4IP is looking to get one or two cornerstone investors on board and is hoping to attract at least €100mn in AUM for the new fund of funds. The firm closed its last Europe-focused vehicle, [4IP European Real Estate Fund of Funds](#), in April 2008 and is currently full committed, having invested in eight underlying real estate funds. Approximately 20% was committed to core vehicles, 20% to value added vehicles, and 60% to core-plus vehicles.

Over in the US, [Versus Capital](#) is hoping to commit \$750mn across 10-11 real estate funds over the coming year, through its [Versus Capital Multi-Manager Real Estate Income Fund](#). This vehicle is sub-advised by [Callan Advisors](#) and targets core and core-plus funds in North America (80%), Europe (10%) and Asia (10%). At present, the fund has already committed \$750mn to eight underlying investments. Also looking for new investments is [Portfolio Advisors](#), which intends to make three or four commitments over the next 12 months, via its [Portfolio Advisors Real Estate Fund IV](#) vehicle. It has already made five commitments in the past year and will continue to target global opportunistic and value added funds, but could also acquire private real estate fund interests on the secondary market. Finally, [Investors Diversified Realty](#), the Cleveland-based real estate fund of funds manager, intends to remain active in the coming year having made four fund commitments through its [Investors Diversified Realty Fund](#) over the past 12 months. While it is unsure as to how much capital it will deploy for new investments, it is likely to commit to two US debt funds going forwards and anticipates this process will begin in Q2 2012.

## Chart of the Month: Targeted Strategies of Real Estate Funds of Funds



Source: Preqin Real Estate Online

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

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# Conferences Spotlight

Conference	Dates	Location	Organizer
China GRI 2012	6 - 7 June 2012	Shanghai	Global Real Estate Institute
Real Estate Investment World Asia	26 - 28 June 2012	Singapore	Terrapinn
Opportunities and Challenges with Private Equity Real Estate (PERE)	04 July 2012	Zurich	Lucerne University
GRI Europe Summit 2012	11 - 12 September 2012	Paris	Global Real Estate Institute

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