

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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# Real Estate Spotlight

October 2011

## The Changing Private Real Estate Investor Universe

As the asset class continues to struggle in the aftermath of the downturn we take a look at the impact the crisis has had on investor attitudes to private real estate. How have their preferences changed and how is the industry evolving? Find out more in this month's feature article.

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## Nordic-Based Fund Managers

An in-depth look at real estate fund managers investing in the Nordic region, considering their strategic and property preferences and fundraising in the region over the past few years.

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## Real Estate Investor Focus

An analysis of the insurance companies that invest in the asset class, taking a look at their strategic and geographic 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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## Secondary Market

A look at the secondary market for real estate funds and the investors that are looking to buy and sell on the secondaries market.

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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. University of Rochester Endowment, LACERS and Allianz Real Estate are amongst those featured this month.

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## Conferences Spotlight

A round up of forthcoming industry conferences from around the world.

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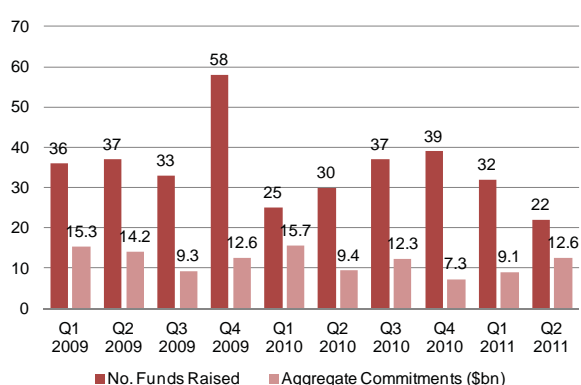
You can download all the data in this month's Spotlight in Excel. Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. You are welcome to use the data in any presentations you are preparing, please cite Preqin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



# The Changing Private Real Estate Investor Universe

Recent years have seen huge changes in the private real estate fund market, and institutional investor attitudes to the asset class are constantly evolving. [Forena Akthar](#) reveals how investor attitudes, preferences and allocations are changing and what this means for the fundraising market.

Fig. 1: Quarterly Private Equity Real Estate Fundraising, Q1 2009 - Q2 2011



Source: Preqin

The last three years have been particularly difficult for investors and fund managers in the private real estate fund market, and organizations across the industry are still feeling the long-lasting effects of the financial crisis. In response to uncertain market conditions, a significant number of investors have halted their indirect real estate activity, and those that are making fund investments are doing so on a much smaller scale. There are some recent signs of improvement, but as the fundraising market remains extremely competitive, fund managers will need to work hard to stand out from the crowd.

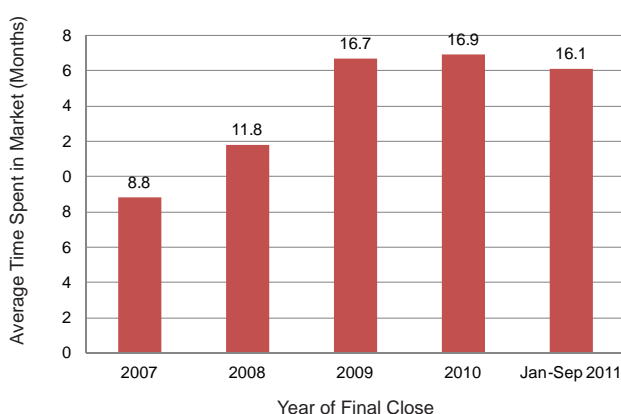
In the course of researching the newly released [2011 Preqin Private Real Estate Investor Review](#), the most comprehensive publication ever produced on the private real estate investor universe, Preqin has spoken to over 1,500 investors, providing a unique insight into the evolving attitudes of these institutions.

## The Fundraising Market

Real estate fundraising has been slow since 2009, with quarterly totals ranging from \$15.7bn in Q1 2010 to as little as \$7.3bn in Q4 2010 (see Fig. 1). At the end of June 2011, only 54 funds had reached a final close in the year so far, raising an aggregate \$21.7bn in investor equity. 2011 fundraising may therefore fall short of 2010 figures, when 131 funds raised a total of \$44.7bn.

It is also taking firms significantly longer to hold final closes for their funds, with vehicles that closed in 2010 spending an average of 16.9 months in market, almost double the time funds that closed in 2007 spent in market before reaching a final close (see Fig. 1.2). Funds that held final closes between January and September 2011

Fig. 2: Average Time Taken for Funds to Achieve a Final Close



Source: Preqin

needed an average of 16.1 months in market before reaching a final close. Although there has been a slight improvement in 2011, it is clear from these figures just how difficult it has been for fund managers to identify investors that are willing to invest, as well as how competitive the market is.

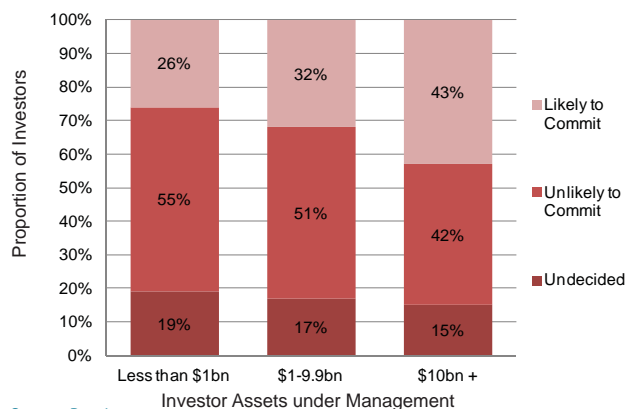
## Investor Appetite

Despite slow fundraising, there are signs that the market may be improving, with recent research conducted by Preqin suggesting that an increasing number of the larger investors in the asset class are returning to market. A series of extensive interviews with 400 private real estate fund investors of varying size, location, and type, revealed that 35% of respondents expect to make fund commitments in the next 12 months, 49% of respondents are unlikely to invest, and a further 16% have yet to decide whether they will be active in the coming year. Fig. 3 shows that the likelihood of committing to funds in the next 12 months increases parallel to respondents' total assets, and 43% of institutions with more than \$10bn in assets under management are looking to invest in private real estate funds in the next 12 months. The 2011 Preqin Private Real Estate Investor Review includes profiles for over 1,500 investors that have an interest in private real estate funds, including a selection of 20 key institutions to watch which are likely to be particularly active in the next 12 months.

Another encouraging sign for fund managers is that the majority of investors are seeking to maintain their target allocations to real estate. As outlined in more detail in the body of The 2011 Preqin Private Real Estate Investor Review, 69% of all investors in private real estate funds are currently below their overall target allocations

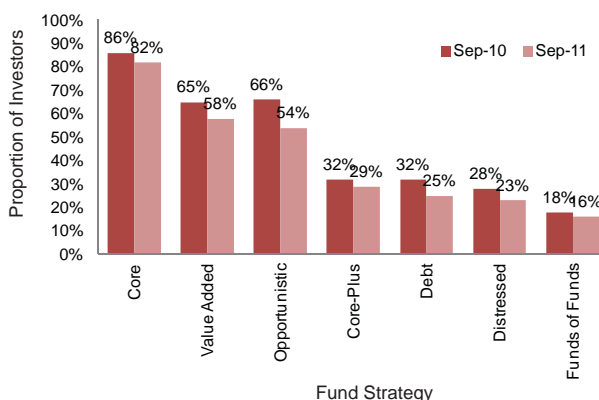


Fig. 3: Investors' Intentions for Private Real Estate Funds in Next 12 Months by Investor Assets under Management



Source: Preqin

Fig. 4: Unlisted Fund Strategy Preferences of Investors in Private Real Estate Funds



Source: Preqin

to real estate, 20% are at their targets and 11% are above their target allocations. This means that fundraising should pick up in the next few years as property markets stabilize, valuations improve, and investors seek to meet their targeted level of exposure to the asset class.

### Changes in the Market

Market conditions have caused a shift in the strategic preferences of institutional investors. Higher-risk strategies are viewed less positively and there has been an increase in appetite for lower risk core funds. As can be seen in Fig. 1.4, appetite for value added and opportunistic funds has decreased in the last 12 months, and although there has also been a small decline in appetite for core funds in 2011, these vehicles are still the most favoured strategy for investors in private property funds.

Increasing investor caution has 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, with an additional 15% willing to consider first-time vehicles; the corresponding figures in 2010 were 34% and 16% respectively. 11% will only commit to first-time funds if they are operated by spin-off firms (16% in 2010) and the proportion of investors not willing to invest with first-time managers has increased from 34% in 2010 to 48%.

Investors are scrutinizing potential investments more closely than ever, and while the largest, brand-name firms will still be able to raise large funds, many institutions are looking for firms which can prove they are specialists in their particular market. A number of firms that have successfully raised capital in 2011 are managing funds which are focused on particular sectors and/or locations and where the team has a proven track record in these markets.

### Competition in the Market

In September 2011, there were 442 private equity real estate funds on the road targeting an aggregate \$151.5bn in investor commitments, more than the 400 funds that were in market in September 2010, targeting a total of \$129bn.

Fund managers that can demonstrate that they will be able to navigate a difficult market, achieve successful returns for their investors, and are managing funds that are consistent with the revised aims of the institutional investor universe are likely to see some improvement in fundraising conditions in the coming months. However, as many institutions have either placed their private real estate investments on hold, or have reduced their usual capital outlay to the industry, competition for investor capital will remain intense in the next 12 months and identifying investors that are willing to make commitments will be critical.

#### Data Source:

The 2011 Preqin Private Real Estate Investor Review

Featuring profiles for over 1,500 of the most important investors in private real estate funds worldwide, plus over 60 pages of analysis and league tables, the 2011 Preqin Private Real Estate Investor Review is the most comprehensive printed guide to institutional investors in private equity real estate ever produced.

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# 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](#) 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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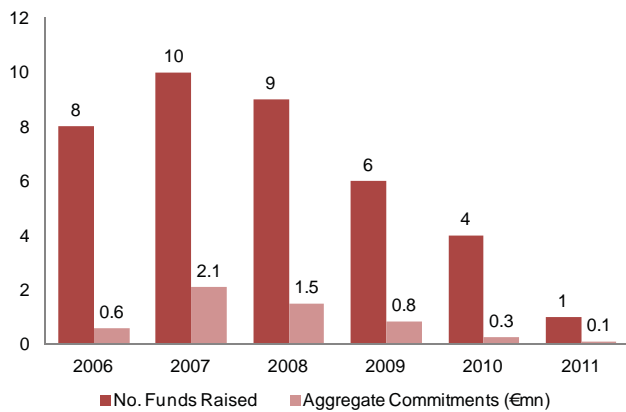
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# Nordic-Focused Fund Managers

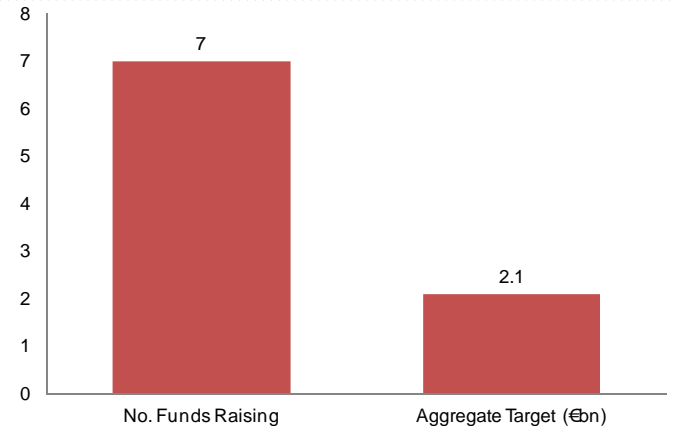
Sarah Unsworth takes a look at private real estate fund managers investing in the Nordic region

Fig. 1: Annual Nordic-Focused Fundraising, 2006 - September 2011



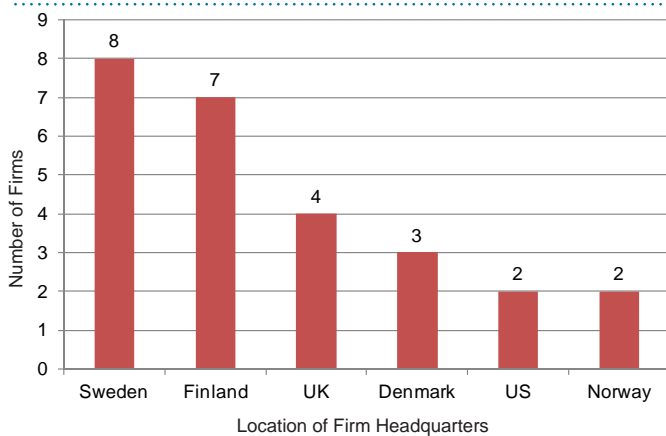
Source: Preqin

Fig. 2: Nordic-Focused Funds on the Road



Source: Preqin

Fig. 3: Nordic-Focused Fund Managers by Firm Headquarters



Source: Preqin

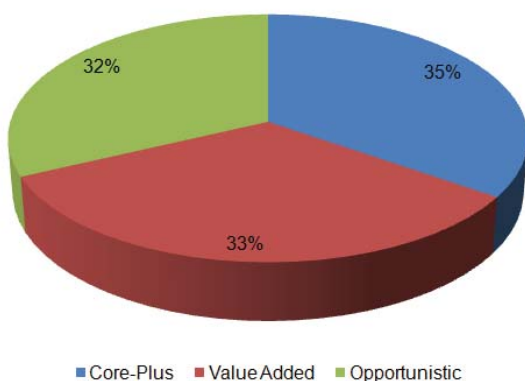
Data Source:

Real Estate Online

There are currently profiles for 74 Nordic-focused fund managers on Preqin Real Estate Online.

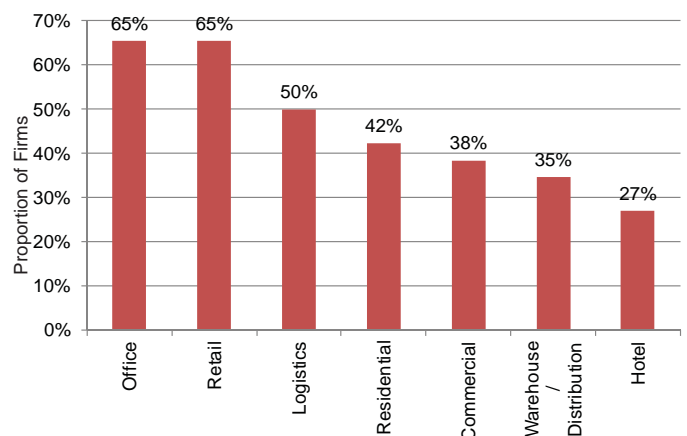
For more information please visit: [www.preqin.com/reo](http://www.preqin.com/reo)

Fig. 4: Breakdown of Aggregate Nordic-Focused Capital Raised by Strategy, 2008 - September 2011



Source: Preqin

Fig. 5: Property Preferences of Nordic-Focused Real Estate Fund Managers



Source: Preqin

# Insurance Companies

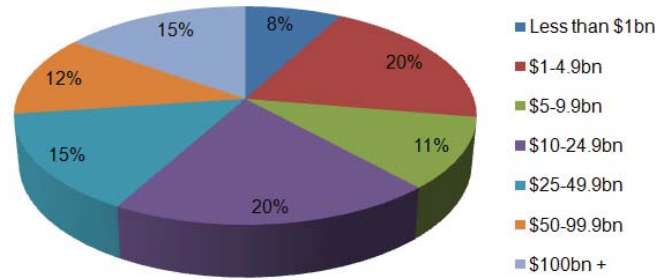
Farhaz Miah takes a look at the insurance companies that invest in private real estate

Fig. 1: Key Facts

Average Allocation to Real Estate	6.8%
Average Target Allocation to Real Estate	10.4%

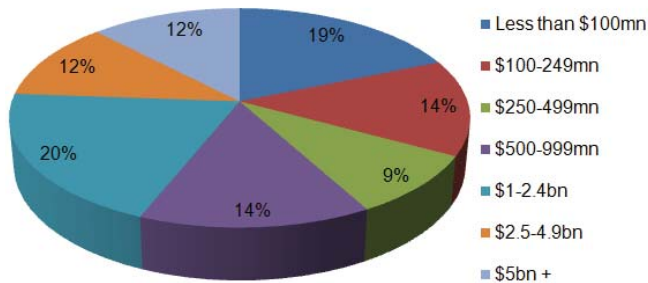
Source: Preqin

Fig. 2: Breakdown of Insurance Companies by Assets under Management



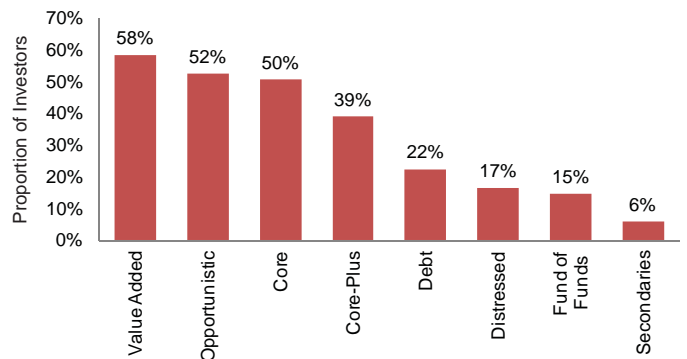
Source: Preqin

Fig. 3: Breakdown of Insurance Companies by Overall Real Estate Allocation



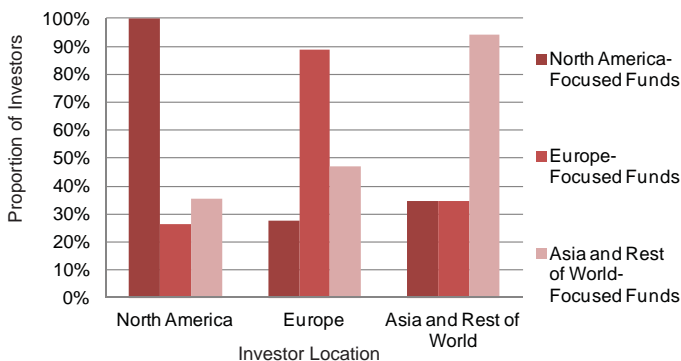
Source: Preqin

Fig. 4: Fund Strategy Preferences of Insurance Companies



Source: Preqin

Fig. 5: Unlisted Fund Location Preferences of Insurance Companies by Investor Location



Source: Preqin

### Data Source:

Real Estate Online

There are currently profiles for 215 insurance companies actively investing in real estate on Preqin Real Estate Online.

For more information please visit: [www.preqin.com/reo](http://www.preqin.com/reo)





# The Fundraising Lowdown

Jonathan Ma gives a round-up of the latest real estate fundraising statistics

Fig. 1: Real Estate Funds in Market

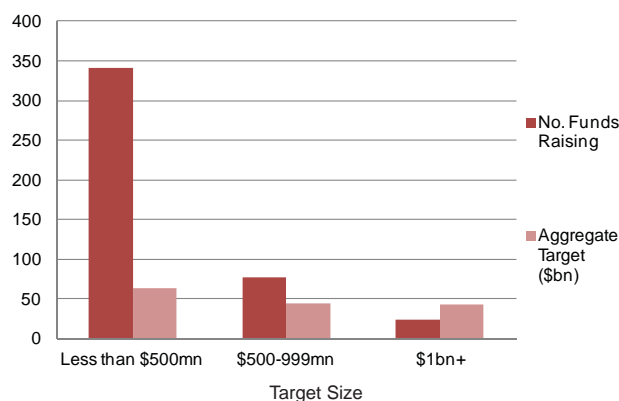
	North America	Europe	Asia & RoW	Overall
No. of Funds	257	100	85	442
Aggregate Target Size (\$bn)	88.2	36.0	27.4	151.5
Average Target Size (\$mn)	356	387	357	363

Source: Preqin

## Data Source:

Real Estate Online  
For the latest and historical fundraising stats visit:  
[www.preqin.com/reo](http://www.preqin.com/reo)

Fig. 2: Funds in Market by Target Size



Source: Preqin

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

Fund	Manager	Target Size (mn)	Strategy	Property Focus
<a href="#">European Diversified Fund</a>	<a href="#">AXA Real Estate</a>	1,500 EUR	Core and Core-Plus	Industrial, Logistics, Office, Retail
<a href="#">UBS (D) European Mega Core Property Fund</a>	<a href="#">UBS Global Real Estate</a>	1,000 EUR	Core	Office, Retail
<a href="#">UK Property Income Fund</a>	<a href="#">Legal &amp; General Property</a>	700 GBP	Core and Core-Plus	Industrial, Office, Retail
<a href="#">ING REIM European Shopping Centre Fund</a>	<a href="#">ING Real Estate Investment Management</a>	750 EUR	Core-Plus	Shopping Centre
<a href="#">AXA Development Venture III</a>	<a href="#">AXA Real Estate</a>	600 EUR	Opportunistic	Hotels, Logistics, Mixed Use, Office, Retail
<a href="#">Niam Nordic V</a>	<a href="#">Niam</a>	600 EUR	Opportunistic	Any
<a href="#">CRE Senior 1</a>	<a href="#">AXA Real Estate</a>	500 EUR	Debt	Hotels, Industrial, Logistics, Office, Residential, Retail
<a href="#">Curzon Capital Partners III</a>	<a href="#">Tristan Capital Partners</a>	500 EUR	Core-Plus and Value Added	Logistics, Office, Residential, Retail
<a href="#">Pradera Turkish Retail Fund</a>	<a href="#">Pradera</a>	500 EUR	Value Added	Retail, Shopping Centre
<a href="#">The Avingstone Fund</a>	<a href="#">Avingstone</a>	500 EUR	Distressed	Hotels

## Recently Closed Funds

**Fund:** [Green Courte Real Estate Partners III](#)  
**Manager:** Green Courte Partners  
**Strategy:** Value Added  
**Property Focus:** Mixed Use, Residential, Retail  
**Geographic Focus:** US  
**Final Close:** 407 USD (Sep 2011)  
**Sample Investors:** University of Michigan Endowment

**Fund:** [Activum Fund II](#)  
**Manager:** Activum SG Capital Management  
**Strategy:** Opportunistic, Distressed  
**Target Net IRR:** 20%  
**Property Focus:** Office, Retail  
**Geographic Focus:** Germany  
**Final Close:** 238 EUR (Sep 2011)

# The Secondary Market

Antonia Lee takes a look at the preferences of investors looking to purchase fund stakes on the secondary market

Interest in real estate secondaries has increased over the past few years as the market has evolved. Of the institutional investors Preqin has spoken to with an interest in purchasing private real estate fund stakes on the secondary market, 22% are highly likely to do so, 59% would possibly do so, and a further 19% said they would do so on an opportunistic basis in the next 24 months.

As illustrated in Fig. 2, a wide range of institutional investor types are interested in buying secondary fund stakes. Public pension funds make up the largest proportion (22%) of investors looking to purchase real estate fund interests on the secondary market within the next 24 months. Of the public pension funds that are actively seeking secondary market opportunities, 74% expect to make a secondary market purchase within the next 12 months.

The secondary market for real estate was previously dominated by primary and secondary real estate fund of funds managers, but institutional investors looking to take part in secondary transactions now make up a significant proportion of secondary market buyers. The proportion of traditional secondary market vs. non-traditional secondary market buyers is illustrated in Fig. 3. While the proportion of non-traditional buyers is higher at 76%, traditional buyers do still dominate the market as they account for the majority of the secondary market deal volume.

Fig. 1: Investors Looking to Buy Real Estate Fund Stakes on the Secondary Market: Likelihood of Buying in Next 24 Months

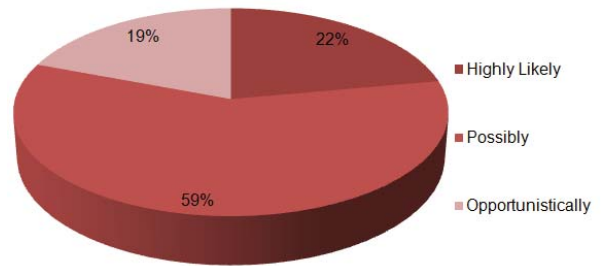
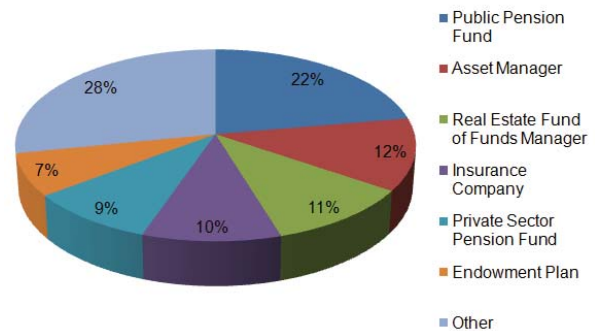
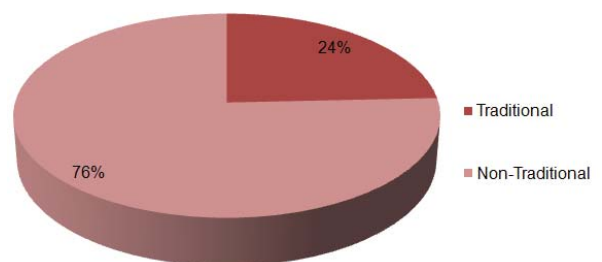


Fig. 2: Make-up of Investors Looking to Buy on the Secondary Market in the Next 24 Months by LP Type



Source: Preqin

Fig. 3: Traditional vs. Non-Traditional Buyers



Source: Preqin

Data Source:

Preqin's Secondary Market Monitor Product contains profiles for 140 buyers of secondary stakes in real estate funds and 53 investors looking to exit real estate funds via the secondary market

For more information please visit: [www.preqin.com/smm](http://www.preqin.com/smm)





# Industry News

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

## Investment Plans

[Los Angeles City Employees' Retirement System](#) has invested USD 25 million in [Cornerstone Enhanced Mortgage Fund I](#). The fund focuses on mortgages that are unlikely to default. The USD 10.7 billion public pension plan has a 7% target allocation to real estate and the new commitment will form part of its core real estate strategy.

Five investors have announced plans to follow in LACERS's footsteps and will make varying commitments to real estate in the course of the coming year.

[Shell Asset Management Company](#) is to invest in six core or value added funds, although it is yet to decide the value of these investments. The EUR 50 billion asset manager, which has a 7.5% target allocation to the asset class, is looking for funds focused on Europe or North America and generally invests through regional or country-specific funds. Although it usually invests with experienced managers, it will consider first-time managers that offer attractive opportunities and a strong strategic plan.

[Allianz Real Estate](#) is also looking to invest in core and value added funds in the next year. The EUR 21.9 billion asset manager will commit between EUR 50 million and EUR 150 million per fund, and will consider joint ventures and co-investment opportunities.

Over in the US, the USD 1.7 billion [University of Rochester Endowment](#) is planning to invest in one or two real estate funds. The endowment plan, which has a target and actual allocation of 9% to the asset class, is looking to invest in attractive value added and opportunistic funds managed by firms with a good track record. It generally invests USD 10 million per fund.

[AustralianSuper](#) meanwhile expects to invest between AUD 400 million and AUD 500 million in real estate over the next 12 months. It focuses largely on the domestic market, although it will invest overseas if an appropriate opportunity materializes, while it has a preference for core vehicles managed by experienced managers. The

superannuation scheme will also consider co-investing. In addition to unlisted real estate funds, Australian Super is looking at direct investment opportunities. Its current real estate portfolio is 99% allocated to unlisted funds.

## Fund Closes

[Duet European Real Estate Debt Fund](#) has closed having raised GBP 300 million. The fund invests in real estate assets with strong commercial backing that have either an over-leveraged capital structure or need refinancing.

[Exeter Industrial Value Fund II](#) held a third close a few weeks ago, and anticipates holding another before closing for good around February next year. To date the fund has raised USD 264 million of its USD 425 million target. It acquires, develops, re-develops, operates, leases and sells industrial properties in major markets throughout the Eastern, Central, and Southern US.

## 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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# Conferences Spotlight

Conference	Dates	Location	Organizer
The Real Estate General Counsel's Forum	3 - 4 October 2011	New York	IMN
Expo Real 2011	4 - 6 October 2011	Munich	Messe Munchen
Distressed Assets	4 - 5 October 2011	Texas	ALM
5th Real Estate Private Equity Summit	5 October 2011	New York	iGlobal Forum
2011 REISA Annual Conference	16 - 18 October 2011	Las Vegas	REISA
Plan Sponsor Real Estate Conference	17 - 19 October 2011	Chicago	PREA
Real Estate Investment World Latin America	18 - 20 October 2011	Miami	Terrapinn
12th Annual European Real Estate Opportunity & Private Fund Investing Conference	25 - 26 October 2011	London	IMN
ANREV Annual Conference 2011	31 October - 1 November 2011	Singapore	ANREV
The Women's Alternative Investment Summit	3 - 4 November 2011	New York	Falk Marques Group
PERE Forum: New York	9 - 10 November 2011	New York	PEI Media
Financing, Investing & Real Estate Dev. for Data Centers	9 - 10 November 2011	Los Angeles	IMN
NAREIT Annual Convention	15 - 17 November 2011	Dallas	NAREIT
MIPIIM Asia 2011	15 - 17 November 2011	Hong Kong	Reed MIDEM
Real Estate Expo 2011	15 November 2011	New York	NYC Network Group
PERE Forum: Germany	17 - 18 November 2011	Frankfurt	PEI Media
Capital Markets in Real Estate	17 November 2011	New York	NYU Schack
IPD/IPF Property Investment Conference 2011	24 - 25 November 2011	Brighton	IPD
Real Estate Subordinated Debt Origination & Investment	29 - 30 November 2011	New York	IMN
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
MIPIIM 2012	6 - 9 March 2012	Cannes	Reed Expositions