

Real Estate Spotlight

June 2007 / Volume 1 - Issue 1

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To coincide with the release of Preqin Real Estate, the industry's leading online source of information on private equity real estate, we are launching Real Estate Spotlight, a monthly newsletter packed full of vital information and data based on our latest research.

Preqin Real Estate is an online service providing constantly updated data and analysis, with information on fundraising, fund performance and institutional investor profiles. For more information and to register for a free trial, please visit: realestate.preqin.com

Investor Feature: The Real Estate Boom Explained

Private Equity Real estate has grown from being a minor fund type in the private equity world to becoming second in popularity only to buyout funds in terms of aggregate capital raised in 2006. In this month's feature article we examine why investors are currently seeing private equity real estate funds as such an attractive investment prospect.

Please see page 1 for more information

Investor News

The latest news from institutional investors from around the world, including:

- Seattle City Employees' Retirement System
- Shropshire County Council Pension Fund
- Schindler Pensionkasse
- AP-Fonden 3

Please see page 6 for more information

Fundraising

In this month's look at fundraising we examine the latest trends for fundraising in 2007 so far.

- How much has been raised?
- Which regions are most popular?
- Who is on the road?
- What are our predictions for 2007 and beyond?

Please see page 4 for more information

Preqin Real Estate in the Spotlight

Launched this month, Preqin Real Estate is the industry's leading online source of information on private equity real estate, with data for:

- Fundraising
- Fund Performance
- Investor Profiles
- Plus more...

We take an in-depth look at the product, and how it can help you. Includes information on ordering and registering for your free trial.

Please see page 7 for more information

If you would like to receive Real Estate Spotlight each month please email respotlight@preqin.com.

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Preqin Real Estate Investor Feature: The Real Estate Boom Explained

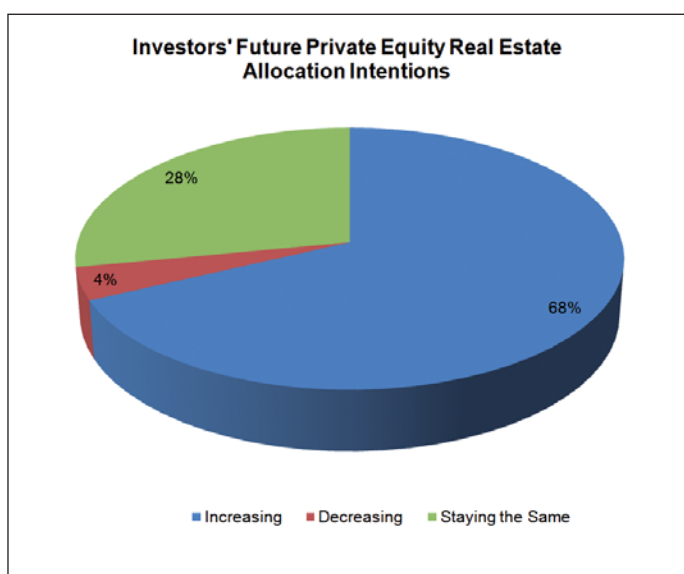
Investors' allocations to private equity real estate funds are continuing to grow after the record-breaking fundraising year of 2006. As of May 2007 an aggregate \$8.4 billion has been raised so far this year, and with a further \$69 billion worth of funds on the road seeking capital, 2007 is set to be another successful fundraising year for the asset class.

Preqin Real Estate recently completed a survey of investors in real estate funds worldwide in order to assess their future investment intentions. A total of 1000 investors were interviewed of which 631 stated that they are active investors in private real estate funds. Of these investors a significant 68% intended to increase their allocations to the asset class, whilst only 4% intended to reduce them. The remaining 28% stated that they will maintain their allocations at the current level. Why are investors increasing their allocations to the asset class and what is it that is making private equity real estate funds so popular?

Over the last 12 months the popularity of core funds have diminished amongst institutional investors. Core property yields have been at their lowest for a long time and are not presenting as attractive an investment prospect as they once did. This has subsequently moved investors to commit to more opportunistic and value added strategies in a bid to gain access to high returns. The fact that these funds have managed to perform consistently well in the last few years, combined with the relatively low risk profile for funds of this type, has contributed greatly to their surge in popularity.

Examples can be seen in recent allocations to the asset class. The \$15 billion San Francisco City & County Employees' Retirement System decided to cut out core strategies completely for its allocation to the asset class for the fiscal year 2008. It feels that returns from core strategies are too low, and does not envisage this changing in the near future. Its focus will now be on value added, opportunistic and international funds.

For many investors, committing to private real estate funds represents a convenient way to gain access to international real estate. The last twelve months have seen many investors increase their allocations to international



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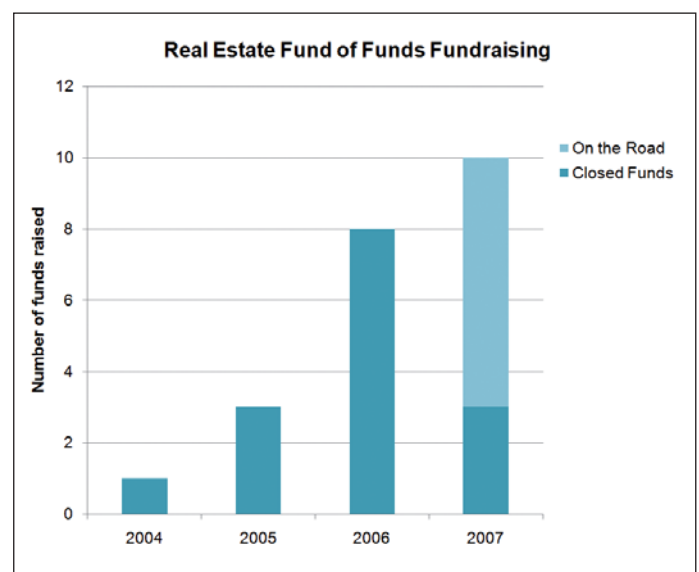
real estate in order to take advantage of booming market conditions across the globe. Fund managers have responded to this increased interest by raising more funds with an international focus.

Data from the Preqin Real Estate: Funds in Market database shows that a third of US-based managers currently raising funds will be investing these vehicles outside of the US. The last 12 months have also seen a great deal of US investors investing directly into funds raised by Asian and European GPs. Many investors believe that international real estate is an effective way to achieve diversity through gaining exposure to different economies, countries and types of development. Asia in particular is a popular investment target due to the economic growth of countries such as China and India, and due to the recent economic recovery of Japan. Real estate consultants such as the Townsend Group have been advising their clients to commit more to international real estate funds.

For LPs private real estate funds are an essential tool for investing in international property, as it can be difficult, and highly risky for them to invest directly due to a lack of experience and knowledge of the foreign markets. Some investors will invest directly into domestic property that they are familiar with, and will then use private funds to gain international exposure. Geographical diversification is very important for a real estate portfolio as it prevents

the whole portfolio being affected in a negative way if a country's market was to experience a dramatic crash.

The rise in popularity of private equity real estate funds has led to the emergence of private equity real estate fund of funds vehicles. Although still a small and growing market, as more smaller and less experienced investors seek to gain exposure to private real estate, more real estate fund of funds will appear to satisfy this demand. For many smaller investors, real estate fund of funds offer the opportunity to gain access to international property funds and the opportunity to diversify their portfolio with the helping hand of an experienced fund manager. Fund of funds also provide a means for smaller and less experienced investors to gain access to the top managers and most in-demand new vehicles. More focused fund of



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funds vehicles investing in specific markets or regions can also assist larger investors to gain access to new markets where they lack experience.

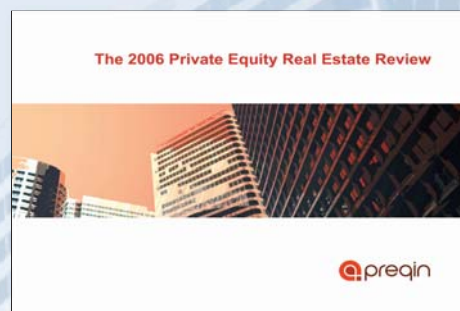
Managers such as Aberdeen Property Investors have already got several fund of funds vehicles in market, and it is expected that firms such as ING, CB Richard Ellis, La Salle, and Goldman Sachs will be launching real estate fund of funds throughout the year.

The growth in the market for real estate funds is clear, and all the signs show that this growth is set to continue, with an excellent stock of funds on the road, and with funds of ever increasing size being raised. However, increased fundraising activity can in turn lead to increased competition for fund managers seeking capital. With so many new vehicles vying for attention it is vital that managers hitting the road understand the needs and requirements of their potential investors if they are to be successful.

The Private Equity Real Estate Review

The 300 page Private Equity Real Estate Review is the world's most comprehensive guide to private equity real estate:

- **LP Investors:** See profiles for nearly 300 LP investors who have previously invested in or have a preference for real estate private equity funds.
- **Profiles:** View details of the 225 most significant global real estate private equity firms including details of funds raised and key contacts.
- **Performance:** Key fund performance metrics for 245 funds, comparing each fund against our real estate benchmark.
- **Fundraising:** In depth listings of all real estate funds closed since 2005, funds currently raising and funds predicted to be raising in the near future.
- **Fund Terms:** Data on typical fund terms: management fees, carry, hurdles, fee rebates, key man provisions etc.
- **Analysis:** Detailed analysis on all aspects of real estate funds, examining current market conditions and industry trends.



Please visit www.preqin.com/rereview for more information, including sample pages, executive summary, and information on ordering your copy.

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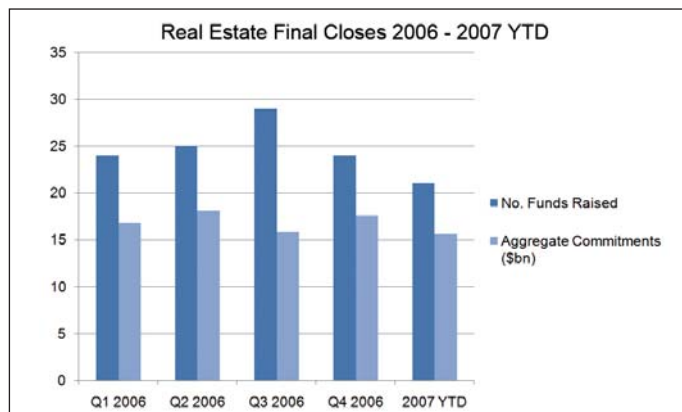
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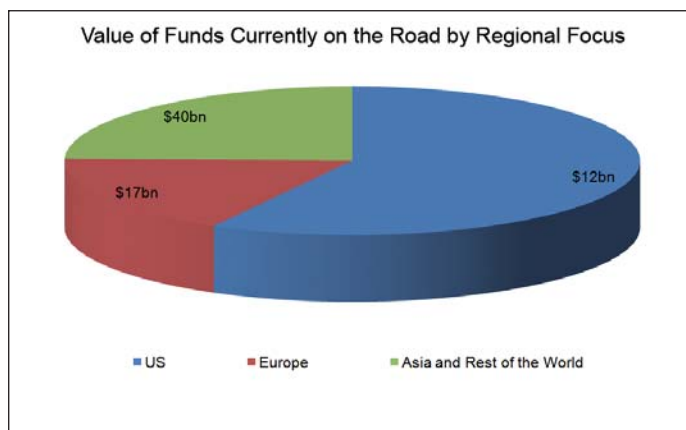
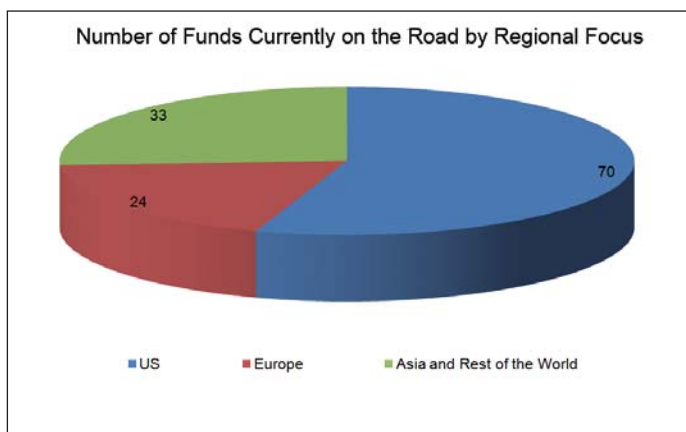


Preqin Real Estate: Fundraising Update

Private equity real estate fund managers enjoyed a successful year in 2006, with a total of 99 funds raising an aggregate \$64 billion over the course of the year. 2007 has got off to a relatively slower start in comparison with 2006, with fewer funds closed than at this point last year. However, with a significant 127 funds on the road seeking an aggregate \$69 billion in new commitments, real estate funds are set have more success. With even more funds expected to hit the road, and with investor appetite for real estate running high, it is certainly possible that 2007 could prove be another record-breaking year.



Of all regions, it is real estate funds focusing on the US that are looking to raise the most capital, with 70 funds on the road seeking an aggregate \$40 billion, 57% of the global total currently being sought. This is a slight reduction from 2006, when US-focused real estate funds represented 69% of the total amount raised, suggesting that investors are increasingly looking to other regions when making real estate investments. In addition, a third of all funds being raised by US managers will be making investments internationally as well as domestically, reflecting the increasingly global nature of the asset class.



European focused funds are looking to raise an aggregate \$12 billion from a total of 24 funds, an 18% share of the global market.

There are currently a total of 33 funds in the market focusing on Asia and the Rest of the World, with an aggregate target of \$17 billion. This represents 25% of the global market, a significant increase from the 14% global market share that this region represented for funds closed in 2006.

Preqin Real Estate: Fundraising Update

Real Estate Mega Funds

With investor appetite running high, 2007 has seen real estate managers able to raise funds of ever increasing size. Blackstone is prominent amongst these managers, launching a potentially record breaking \$10 billion fund, returning to the market only a year after the close of its last real estate vehicle. Blackstone Real Estate Partners VI is a global opportunistic fund investing in all property types. It is almost double the size of its predecessor, Blackstone Real Estate Partners V which raised \$5.25 billion in 2006. Investors in fund VI include Allstate Investments, New Jersey State Investment Council, Ohio Police and Fire

Pension Fund, Ohio Public Employees' Retirement System, Pennsylvania Public School Employees' Retirement System, Pennsylvania State Employees' Retirement System and Teacher Retirement System of Texas.

Also in the market with a mega-sized real estate fund is Morgan Stanley, which is looking to raise \$8 billion for its Morgan Stanley Real Estate VI International fund. This global value added vehicle will be investing 75% of capital in developed markets such as Japan, with 25% allocated to emerging markets such as China.

Largest Real Estate Funds Currently on the Road

Fund	Manager	Target Size (Mn)	Manager Country
Blackstone Real Estate Partners VI	Blackstone Real Estate Group	10,000 USD	US
Morgan Stanley Real Estate Fund VI Intl	Morgan Stanley Real Estate	8,000 USD	US
Beacon Capital Strategic Partners V	Beacon Capital Partners	3,000 USD	US
Walton Street Real Estate VI	Walton Street Capital	2,500 USD	US
Capri Urban Investors	Capri Capital	2,000 USD	US
IRUS European Retail Property Fund	NEINVER	1,400 EUR	Spain
Carlyle Realty Partners V	Carlyle Group	1,500 USD	US
TA Realty Associates VIII	TA Associates Realty	1,500 USD	US
Aberdeen European Shopping Property Fund	Aberdeen Property Investors	1,000 EUR	Sweden
Colyzeo II	Colony Capital	1,000 EUR	US

Preqin Real Estate: Investor News

Each month Investor News brings you the latest institutional investor news from around the globe. All information comes from our online Preqin Real Estate Investor Profiles database.

Seattle City Employees' Retirement System in search for Real Estate consultant:

The USD 1.7 billion pension fund is currently looking for a real estate advisor in order to revamp its strategy. The pension fund, which considers private real estate funds to be its best performing asset class, is keen to complete this task as it has put off all investment decisions until an advisor is found.

Shropshire County Council Pension Fund on quest for European real estate fund manager:

The GBP 833 million pension fund is currently looking for a real estate fund manager who will give it access to European property investments. The pension fund is keen to add diversification to its real estate portfolio and take advantage of burgeoning real estate markets.

Schindler Pensionskasse looking to make maiden investment in private real estate funds:

The CHF 13 billion pension fund is currently considering proposals from several fund managers as it looks to add diversity and value to its real estate portfolio. The pension fund is considering investing in opportunistic and value added funds and will consider those investing in the Organisation for Economic Co-operation and Development (OECD) countries.

AP-Fonden 3 (AP3) awards mandate to Aberdeen Property Partners to invest in Asia:

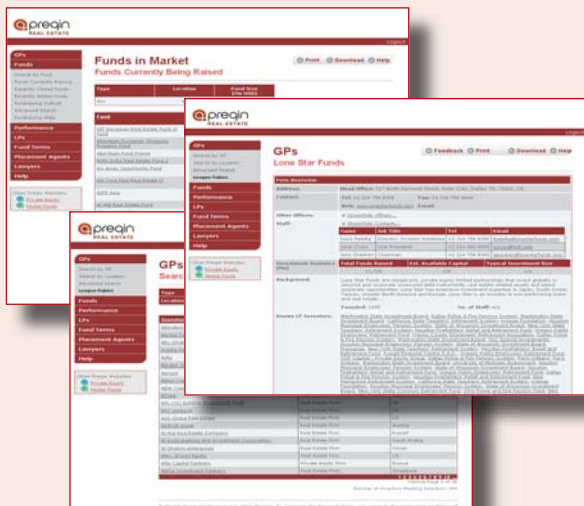
The EUR 2.3 billion pension fund awarded a mandate of EUR 250 million to Aberdeen Property Partners to assist the pension fund in building a portfolio of Asian property funds. It is expected that this money will be committed to around 10 funds in 4 years. This is the second mandate awarded to Aberdeen by AP3, as in December 2006, AP3 mandated Aberdeen to create a portfolio of European funds of a similar size.

Finnish Local Government Pensions Institution has increased its allocation to value added real estate funds in a bid to diversify its real estate portfolio:

Over the next 12 months the EUR 22 billion pension fund is planning to reduce its allocation to core funds from 80% to 30% and increase its allocation to value added funds from 20% to 60%. It is also planning to allocate 10% of its portfolio to opportunistic real estate funds. The pension fund in particular is looking to invest in European funds as it seeks to benefit from the high returns real estate is currently experiencing.

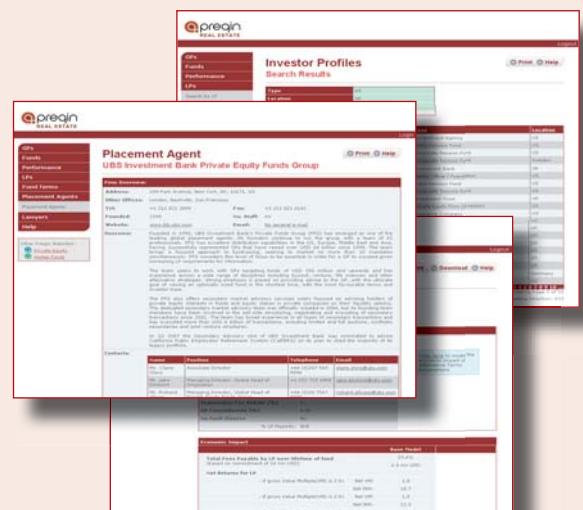
Preqin Real Estate Online

Real Estate Online is the most comprehensive resource available to private equity real estate professionals today. Whether you're a GP, LP, fund of funds, placement agent, lawyer, consultant or advisor this is a vital information service for you.



- **GPs:** View detailed profiles on over 300 Private Equity Real Estate GPs from around the world including background, key contacts and funds raised. Carry out advanced searches to find GPs who focus on particular property types, strategies or locations.
- **Performance:** View performance benchmarks for private real estate funds including details of the performance of individual funds. See which GPs have the best track records.
- **Fundraising:** See who is currently on the road raising a fund and who will be coming to market soon. Analyse fundraising over time by fund strategy, property type and location.
- **LPs:** See detailed profiles for over 600 investors who are actively investing in private real estate. LP investors include Real Estate Fund of Funds, Pension funds, Endowments, Family Offices and other asset managers. Detailed profiles include background, contact details, investment plans, preferred fund strategies and known previous investments in real estate funds.

- **Fund Terms:** What are the typical terms that a real estate fund charges? What are the implications of making changes to different fees? How do these fees vary between Opportunistic and Value-added funds? Model fee changes in our unique online Fund Terms Calculator.
- **Placement Agents:** Which agents are currently working with or have previously worked with real estate funds and which are willing to work with them in future? Includes detailed profiles for each placement agent.
- **Lawyers:** Which lawyers are the most active with real estate private equity funds currently? Which lawyers have worked with real estate funds previously? See detailed profiles for each lawyer.



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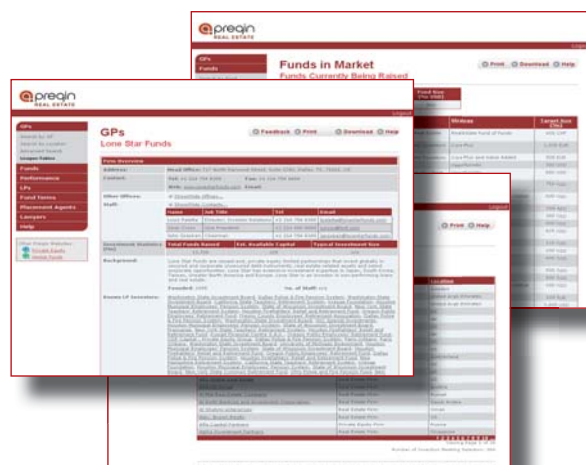


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