

Real Estate Spotlight

June 2008 / Volume 2 - Issue 5

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Real Estate Spotlight is the monthly newsletter published by Preqin Real Estate packed full of vital information and data all based on our latest research into the private equity real estate industry.

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Feature Article: The Globalisation of the Real Estate Investment World

An exclusive report into the increasing globalisation of the real estate investment world in which we look at:

- **The increasing demand for international investments amongst institutions.**
- **How are investors making these cross border investments?**
- **Why are investors looking to other shores for property investments?**

Please see page 2 for more information

Fundraising News:

We take a look at global real estate private equity fundraising, including recently closed global funds and those which are hitting the road. This month's news includes information on:

- **Which are the largest global real estate funds ever raised?**
- **How many global funds are currently in the market?**
- **Which managers are raising funds focused on Asia and the rest of the World?**

Please see page 6 for more information

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Investor News:

We take a look at some of the latest news amongst investors in private equity real estate. This month's news includes information on:

- **Teachers' Retirement System of the State of Illinois (TRS)**
- **Finnish State Pension Fund (VER)**
- **Credit Suisse Alternative Investments**

Please see page 11 for more information

Preqin Real Estate in the Spotlight

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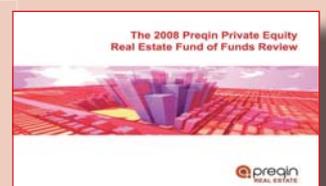
We take an in-depth look at the product, and how it can help you. Includes information on ordering and registering for your free trial.

Please see page 9 for more information

OUT NOW

The 2008 Preqin PERE Fund of Funds Review

More information available at:
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Feature Article: The Globalisation of the Real Estate Investment World

In recent years the real estate asset class has become increasingly globalised as institutions and fund managers make a growing number of cross border investments each year. This has affected all aspects of the real estate asset class, including private equity real estate funds. The amount of funds closed offering a global portfolio of real estate investments or access to international investments has increased each year as investors look to add international real estate to their portfolios.

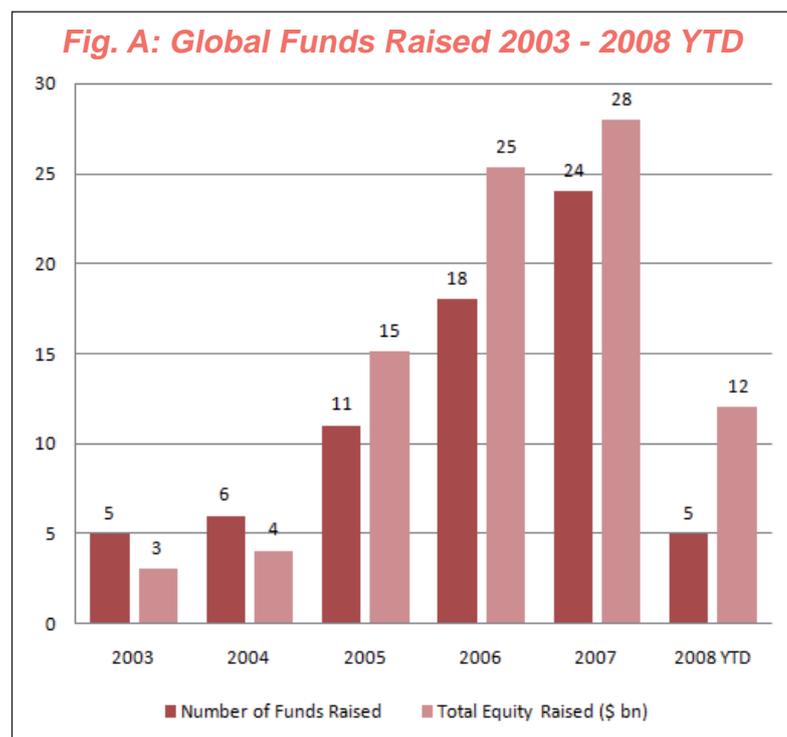
Growth of Globally Focused Real Estate Funds

Investors can invest into international real estate through a variety of means. Real estate funds with global mandates have taken off in recent years as investors look to invest in regionally diversified funds. During 2007 a total of 180 real estate funds reached a final close raising a total of \$92 billion. Of these funds a total of 24 are what we would describe as having a global mandate, investing across two continents or more, or investing in established markets as well as emerging markets. These funds raised an aggregate of \$28 billion, 30% of the overall total raised during this time period. As fig. A shows the number of funds with a global mandate reaching a final close has increased each

year. With a further 39 global funds on the road seeking an aggregate \$54 billion in capital, global focused funds are set to grow as they become a popular investment vehicle for institutional investors.

When investing in international property real estate investors can either invest with an international manager operating overseas or with a domestic manager investing in their own region. Of all the funds currently in market seeking capital, 33% are being raised by a manager operating overseas.

In comparison only 11% of funds closed during 2004 were raised by managers operating overseas showing an increase in demand for international property investments over years. Fig. B shows the proportion of funds raised each year by overseas managers.



There are many examples of managers who are raising funds investing outside of their locality. Tishman Speyer is based in New York but manages funds such as the Tishman Speyer India fund, China Fund and Brazil fund. Investors in these funds include the New York City Employees' Retirement System and real estate fund of funds manager Penn Square. LaSalle is another noted manager of international focused funds. In November 2007 the US based firm closed the USD 2.5 billion LaSalle Asia Opportunity Fund III with commitments from institutions such as the California Public Employees' Retirement System (CalPERS), Michigan Department of Treasury and Teachers' Retirement System of the State of Illinois. From these examples it is clear that amongst US institutions there is a demand for international real estate. Investors looking to gain international property are more likely to invest with managers that they have relationships with

“Of all the funds currently in market seeking capital, 33% are being raised by a manager operating overseas...”

already and have proven track records. That is why many established US fund managers are launching international products for their investors. This is a trend seen around the globe. For Australian investors international property investments are popular. The Franklin International Real Estate Fund (FIRE) series of fund of funds were set up to allow investors based in Australia and New Zealand the opportunity to gain access to foreign property funds.

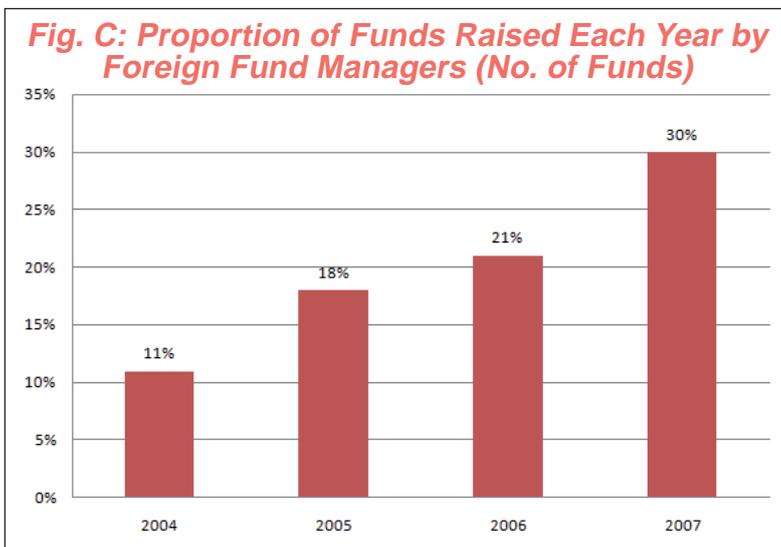
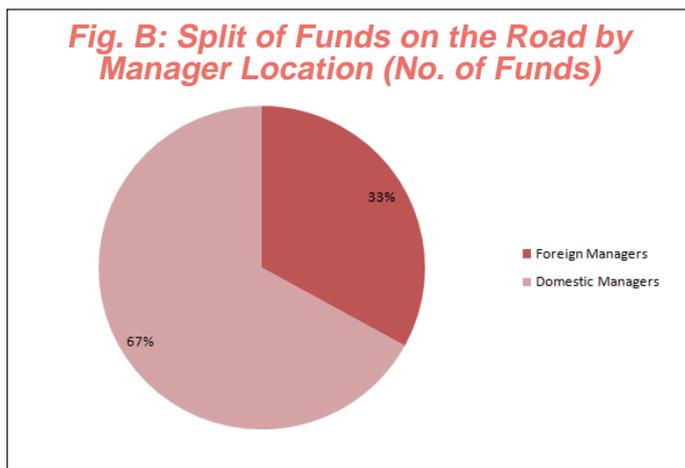
Investor Demand for International Real Estate Funds

Investors are attracted to international real estate investments for a number of reasons. Over the years emerging markets have become increasingly profitable and investors are keen to take advantage of this. Areas such as Asia have experienced a recent boom in construction. Real estate consultants are recognising this and are encouraging their clients to invest in these areas. The Townsend Group told the Pennsylvania State Employees Retirement System that it should invest in more Asia focused opportunistic funds as it felt that there are good opportunities to be found in the region. Maine Public Employees Retirement System (MainePERS), under the guidance of advisors Ennis Knupp, has decided to start investing in international property in 2008. The firm’s entire 5% allocation to real estate is currently invested in US core.

Investors also look to international investments for the purpose of diversification. By spreading their property pool across several regions investors are able to protect their investments against potential regional market fluctuations. The Arizona State Retirement System for example made a commitment to the AIG Asia Real Estate Partners II Fund as it felt that the fund would give Arizona’s portfolio an additional layer of diversification.

Globalisation Due to Credit Problems

The globalisation of the real estate market has been accelerated by recent credit and economic problems experienced by the US and Western Europe. Some investors feel that with the recent problems, Asia and other markets need to be looked at as a considerable focus for their portfolio. Arto Tuunanen, real estate portfolio manager at the Finnish Local Government Pensions Institution (LGPI) stated in a recent press release, that “Asia is expected to remain an important driver of global economic growth in the future with projected growth rates exceeding those predicted for North America and Europe. As a result, the real estate market in



Feature Article: The Globalisation of the Real Estate Investment World

Asia will benefit from this scenario and we feel that Asia should be a part of any long-term investment strategy.” On the alternative side investors from places such as Asia and Russia are looking to take advantage of conditions in the west and exploit the opportunities that the economic crisis has created. In April 2008 it was announced that the National Pension Service of South Korea was planning to double its 2007 allocation to foreign property. The fund is planning to take advantage of falling property prices by purchasing low-price assets and targeting high yield returns. The mandate will include a higher allocation to property in the US.

Fund of Funds as a Means of Gaining Access to International Investments

The growth of real estate fund of funds has had an affect on the globalisation of the real estate asset class, allowing more investors the opportunity of investing in international property. Both smaller and experienced investors are attracted to real estate fund of funds as a way of gaining access to international property investments. In producing the Preqin Private Equity Real Estate Funds of Funds Review we saw several examples of investors using fund of funds as a means of accessing international real estate. Some investors may have a significant portfolio of direct fund investments in their local region but may find it difficult to invest outside of it, so they will outsource investments in these areas to a real estate fund of funds. These investors may lack the experience of investing in this region or may be too small to make the minimum commitments required of some of these funds. Ilmarinen Mutual Pension Insurance Company of Finland for example invests directly into European funds but uses fund of funds as a means of gaining access to Asia.

Direct Investments

Investors not only invest through funds to gain access to global real estate investments but also make investments directly into property on a global scale. Using data from our publication the Preqin Sovereign Wealth Fund Review

we are able to see examples of large and sophisticated sovereign wealth funds making extensive direct property investments on a global scale. A noted example is the Qatar Investment Authority which makes investments into property through the Qatari Diar Real Estate Investment and Development Company. In February 2008 Qatar purchased the Chelsea Barracks in London from the Ministry of Defence. The sovereign wealth funds of the Middle East are investing in global property in an attempt to diversify their economies and make them less reliant on oil revenue. Some sovereign wealth funds have gone one step further and taken interests in US groups with sizeable assets. Both Morgan Stanley and Blackstone have received investment from China Investment Corporation. Globalisation is affecting all aspects of real estate investment.

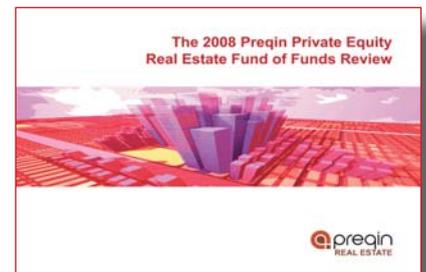
Conclusion

The globalisation of the real estate market is set to continue as investors increasingly look to other shores for their property investments. Fund managers have responded to this demand by increasing each year the amount of funds investing overseas. Real estate fund of funds have made it easier for some investors to gain access to international property investments, providing investors with the opportunity of investing in international funds under the guiding hand of an experienced manager. Credit markets have created the perfect opportunity for investors to look at other regions or to take advantage of countries experiencing problems. Globalisation looks set to continue over the foreseeable future.

2008 Preqin Private Equity Real Estate Fund of Funds Review: Order Form

The 2008 Preqin PERE Fund of Funds Review is the most comprehensive guide to the private equity real estate fund of funds industry ever created. Preqin Real Estate has contacted managers, investors and real estate professionals from around the world in order to ensure that this year's 200 page publication is as accurate as possible, featuring exclusive information not available anywhere else.

- Comprehensive profiles for all PERE fund of funds managers, including contact details, history, sample investments, plus detailed investment plans at a fund specific level.
- Profiles for over 50 current 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, fund terms and conditions, investors, fund focus and much more.



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Prequin Real Estate: Fundraising Review

Global Fundraising

Many of the largest real estate funds ever raised are vehicles which invest on a global basis. Firms which raise billion dollar funds are the most likely to have the resources to source investment opportunities from across the globe. Fig. 1 shows the ten largest real estate funds ever raised, all of which invest across multiple continents.

Morgan Stanley Real Estate VI International is one of the most significant of these funds. The fund raised USD 8 billion, making it the second largest fund of all time, and has a truly global investment strategy. It invests in developed markets such as Western Europe, Japan and Australia as well as emerging markets like China, India, Russia, Turkey and Latin America. Lone Star Fund V raised USD 5 billion in 2005, making it the largest ever real estate fund at that time. The fund which focuses on acquiring portfolios of distressed mortgages and real estate assets, is primarily Asia-focused and also makes investments in Europe and the US.

Goldman Sachs Real Estate Principal Investment Area raised over USD 4 billion for its Whitehall Street Global Real Estate 2007 and USD 2.1 billion for its GS Developing Markets Real Estate Fund. The GS Developing Markets Real Estate Fund invests in real estate and real estate related assets in non-Japan Asia, Central and Eastern Europe, South America, the Middle East and Africa.

The number of global funds on the road suggests that investors remain keen to gain exposure to international real estate portfolios. 39 funds on the road will be making investments on a global basis, equating to 12% of all funds in market. In terms of the targeted aggregate capital, however, global real estate funds are even more significant. Global funds currently in market are targeting aggregate commitments of USD 54.2 billion, 28% of the aggregate target for all real estate funds.

Global funds which are currently in market include Morgan Stanley Real Estate Fund VII Global, which is targeting commitments of USD 10 billion to make global distressed investments as well as to target development opportunities

Fig. 1: Largest Ever Global Real Estate Funds

Fund	Manager	Type	Size (USD Mn)	Close Date	Location Focus	Manager Country
Blackstone Real Estate Partners VI	Blackstone Real Estate Group	Opportunistic	10,900	2008	US, Global	US
Morgan Stanley Real Estate Fund VI Intl	Morgan Stanley Real Estate	Opportunistic	8,000	2007	China, India, Japan, West Europe, Asia	US
Blackstone Real Estate Partners V	Blackstone Real Estate Group	Opportunistic	5,250	2006	US, Global	US
Lone Star Fund V	Lone Star Funds	Opportunistic	5,000	2005	North America, West Europe, Asia, Global	US
Morgan Stanley Real Estate Fund V Intl	Morgan Stanley Real Estate	Opportunistic	4,200	2006	China, Japan, West Europe, Asia	US
Whitehall Street Global Real Estate 2007	Goldman Sachs Real Estate Principal Investment Area	Opportunistic	4,007	2007	US, Global	US
Colony Investors VIII	Colony Capital	Opportunistic	4,000	2006	North America, Europe, Asia, Pacific Rim, Global	US
Beacon Capital Strategic Partners V	Beacon Capital Partners	Value Added	4,000	2007	US, North America, West Europe	US
Whitehall Street Global Real Estate 2005	Goldman Sachs Real Estate Principal Investment Area	Opportunistic	3,200	2005	US, Global	US
Fortress Investment Fund IV	Fortress Investment Group - Real Estate	Opportunistic	3,045	2006	US, North America, West Europe	US

Preqin Real Estate: Fundraising Review

Fig. 2: Largest Global Funds on the Road

Fund	Manager	Type	Size (Mn)	Location Focus	Manager Country
Morgan Stanley Real Estate Fund VII Global	Morgan Stanley Real Estate	Opportunistic	10,000 USD	Global, Emerging Markets	US
Lone Star Fund VI	Lone Star Funds	Opportunistic	6,500 USD	Germany, Japan, US	US
Beacon Capital Strategic Partners VI	Beacon Capital Partners	Value Added	6,000 USD	US, North America, West Europe	US
Lehman Brothers Real Estate Partners III	Lehman Brothers' Global Real Estate Group	Opportunistic	4,000 USD	North America, Europe, Asia	US
NN Advanced Property Fund	Nauerz & Noell AG	Opportunistic	2,000 EUR	Singapore, United Arab Emirates, Dubai, Asia, Middle East	Germany

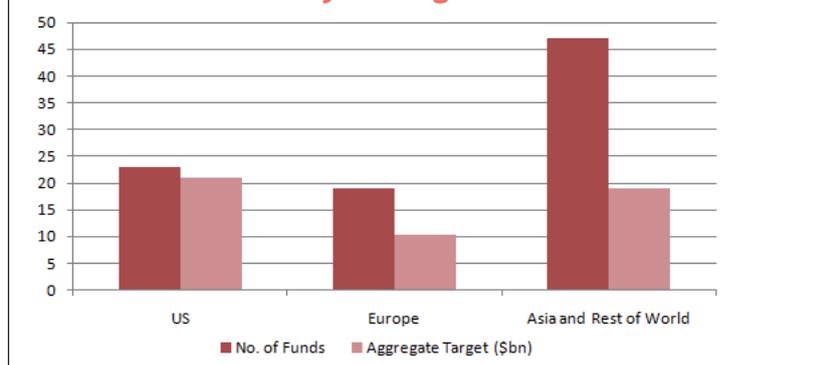
in the emerging markets, and Beacon Capital Strategic Partners VI which is targeting USD 6 billion to invest in North America and Europe.

Fig. 3 shows the location of managers who are currently raising funds primarily focused outside the US and Europe. Whilst local managers are raising the most funds, it is North American managers which are seeking the most capital. 47 Asia and Rest of World funds currently on the road are being raised by firms based in these regions, seeking aggregate commitments of USD 19.2 billion. North American managers are currently raising 23 funds focusing on Asia and Rest of World. These are seeking capital of USD 21 billion, which equates to 17% of all capital which is being sought by North American firms. The 19 Asia and Rest of World funds in market managed

by European Managers and are targeting commitments of USD 10.4 billion.

Asia-focused funds managed by US firms include Blackrock Realty's Merrill Lynch Asia Real Estate Fund. The fund is seeking capital commitments of USD 2 billion to invest in markets including Japan, China, India and Australia. Carlyle Group's Carlyle Asia Real Estate Fund II and Prudential Real Estate Investors' Latam Residential Fund III are each targeting USD 1 billion to invest in Asia and Latin America respectively. Amongst the European managers raising Asia-focused funds is Macquarie Global Property Advisors which is currently raising the USD 1.75 billion MGP Asia Fund III which will focus on investments in Japan, South Korea, Malaysia, Singapore, Taiwan, China, Hong Kong, India, Australia and Thailand.

Fig. 3: Asia and Rest of World-Focused Funds on the Road by Manager Location



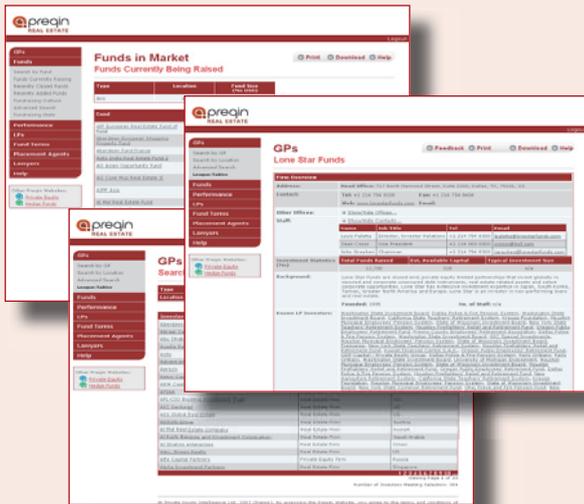
Conferences Spotlight: Up and Coming Events:

Conferences:

CONFERENCE/EVENT	ORGANISER	DATES	LOCATION
Investing in Infrastructure Assets Asia 2008	Terrapinn	10 - 12 June 2008	Singapore
The 7th Annual Real Estate Investment World Asia 2008	Terrapinn	23 - 26 June 2008	Singapore
Private & Non-Traded REIT Industry Symposium	IMN	23 - 24 June 2008	New York
Private Equity Real Estate Financing Forum	Financial Research Associates	26 - 27 June 2008	New York
Distressed Real Estate Investing	IMN	26 - 27 June 2008	Las Vegas
Private Equity Real Estate Financing Forum	FRA	26 - 27 June 2008	New York
Real Estate Investment World Latin America 2008	Terrapinn	16 - 18 September 2008	Florida
Infrastructure Investor	PEI Conferences	22 - 23 October 2008	New York
The PERE Forum	PEI Conferences	12 - 13 November 2008	New York

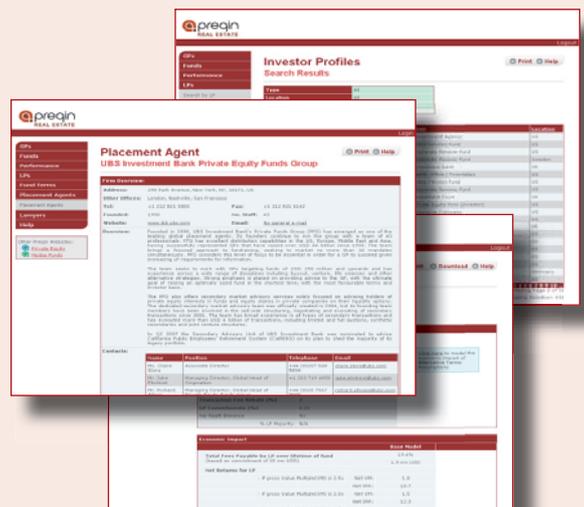
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- **Fund Managers:** View detailed profiles on nearly 800 fund managers from around the world including background, key contacts and funds raised. Carry out advanced searches to find GPs who focus on particular property types, strategies or locations.
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- **Performance:** View performance benchmarks for private real estate funds including details of the performance of individual funds. See which firms have the best track records.
- **Investors:** See detailed profiles for over 1,000 investors who are actively investing in private real estate. 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 fund type and strategy? 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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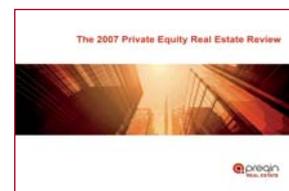
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Preqin Real Estate: Investor News

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

Teachers' Retirement System of the State of Illinois (TRS) to expand emerging managers' mandate to include real estate.

TRS will diversify its investment portfolio by allocating capital to emerging real estate firms that raise private equity real estate vehicles. The USD 41.7 billion public pension fund already uses this strategy in the public market asset classes and will now follow this approach with USD 500 million to be committed to developing managers in the private equity, real estate and absolute return asset classes. TRS is particularly interested in investing with firms that are expanding, but have a small asset base.

Finnish State Pension Fund's (VER) allocation increase to alternative assets set to include additional investment in real estate funds.

VER has decided to commit a greater percentage of its EUR 12.1 billion in assets under management to the real estate asset class. The pension fund spent the first months of 2008 considering its real estate allocation target. The decision is part of Finnish State's plan to increase funds to alternatives to 10%. This will be realised by annually raising the percentage allocation to alternatives by 3% for the next 2 years. This reassessment is partly due to the pension fund's over-commitment to oil companies. VER does not invest in direct real estate and will allocate the extra capital to real estate funds. Finnish State Pension Fund will look for investment opportunities that will afford it access to an Asian property portfolio.

Tennessee Consolidated Retirement System rehires The Townsend Group as its real estate investment consultant.

The USD 32.4 billion public pension fund was required under the state's competitive procurement process to rebid the contract, which was due to expire on June 30 2007. Tennessee Consolidated Retirement System allocates approximately 4% of its total assets to separate account real estate investments.

Credit Suisse Alternative Investments acquires interest in JER Real Estate Partners Europe II on the secondary market.

The secondary real estate manager acquired the interest from corporate investor Wachovia Capital Partners. The purchase was made through its CSFB Strategic Partners RE II and CS Strategic Partners IV RE funds.

Finnish Local Government Pensions Institution commits to Asia-focused fund of funds.

The EUR 24 billion public pension fund committed USD 75 million to Aberdeen Property Investors' AIPP Asia Select. This is the pension fund's second commitment to an Asian fund of funds, having previously invested in the Franklin Templeton Asian Real Estate Fund. Its other real estate fund commitments have been to European funds. AIPP Asia Select is Aberdeen's second Asia-focused fund of funds. The fund, which has raised USD 158 million of its USD 600 million target, will invest in at least 8 underlying funds across the Asia-Pacific region.