

Fundraising Difficulties Continue for Real Estate Fund Managers

Just 35% of investors plan to invest in new funds in 2012.

With a record number of funds on the road, and a smaller proportion of investors keen to make new commitments, conditions are set to remain tough for real estate managers, Preqin research suggests.

There are currently 454 funds in market seeking a combined \$159bn, up from 403 funds targeting \$138bn at the same time last year. The number of investors planning to invest, meanwhile, has declined from 45% to just over one-third, meaning that the fundraising market will be extremely competitive. Those managers raising their first fund are likely to find it even more difficult; as reported by Preqin earlier in the year, just 26% of investors will definitely invest in first-time funds.

The Outlook for Real Estate in 2012

- 16% of investors have yet to finalize their investment plans for 2012.
- Conversations between Preqin analysts and real estate investors over the course of November revealed that 41% of active investors plan to invest more in real estate in 2012 than they did in 2011; 29% anticipate investing less.
- There is around \$158bn in dry powder available to real estate fund managers at present.
- Over half of the available dry powder is held by North America-focused funds.
- Real estate fund average NAVs (net asset values) increased in each quarter between Q2 2010 and Q1 2011.
- The weighted NAV increase, which takes into account fund size, was 7.1% in Q1 2011 and was higher than the non-weighted figure, suggesting that larger funds are outperforming their smaller counterparts.
- While funds of vintages 2004, 2005 and 2006 have been negatively affected by the downturn, those of 2008 vintage are showing median IRRs in positive territory.

The full report can be found here: http://www.preqin.com/docs/newsletters/RE/Preqin_Real_Estate_Spotlight_Dec_2011.pdf

Comment:

“Fund managers will need to have an excellent marketing strategy if they are to succeed in this extremely competitive fundraising market. Although there are investors planning to make commitments, and a significant proportion of these investors are planning to invest more than they did last year, many are delaying their commitments due to uncertainty.

However, the high level of dry powder available to fund managers worldwide puts them in an excellent position to take advantage of investment opportunities in real estate markets worldwide. Successful investments made over the next 12 months could help to turn around the fortunes of the struggling asset class.”

Andrew Moylan – Manager, Real Estate Data

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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