
Increase in Private Real Estate Funds Closing on Capital Target

51% of funds closed between January and October 2011 have closed on or above their target, up from 16% in 2009

The proportion of private real estate funds raising at least the amount of capital they initially targeted has increased by 35 percentage points since 2009, the latest Preqin research shows. The proportion of funds raising less than 50% of their target, meanwhile, has fallen from 29% in 2009 to 9% for all funds closed between January and October 2011.

The time funds spend on the road has fallen in 2011 compared to the previous year; almost three-quarters of those that closed between January and October this year were able to secure commitments within 18 months, compared to 57% of funds that closed in 2010.

17% of funds had been in market for over two years while 49% closed short of their original targets, a sign that market conditions remain difficult.

The Real Estate Market

- 440 private real estate funds are in market targeting a combined \$151bn – more than three times the amount raised in 2010
- 71% of funds currently raising have been in market for 18 months or less
- 19% of funds are yet to hold an interim close and have been in market for over a year and a half
- 55 real estate funds have been abandoned or put on hold since the start of 2011

Fund Closures

- 96% of funds that closed in 2010 or 2011 held an interim close within 12 months of launch
- 44% of funds that raised less than \$500mn closed within 12 months
- 20% of funds raising more than \$1bn closed within 12 months, while 50% were in market for over two years
- 55 funds have been put on hold between January and October 2011 compared to 94 during 2010 and 117 in 2009

The full report is available here:

http://www.preqin.com/docs/newsletters/RE/Preqin_Real_Estate_Spotlight_Nov_2011.pdf

Comment:

There are signs of improvement in the fundraising market, with the number of abandoned funds, the number of funds failing to reach their targets and the time spent on the road by funds raising capital all declining during 2011. There are also signs of divergence, with funds targeting smaller amounts of capital spending less time in market, and both those taking a focused approach on areas in which they are specialists and brand-name managers are enjoying particular success.

However, the large number of funds on the road, paired with continued investor caution, suggests that fundraising conditions will remain difficult for managers, and it is likely that many will face difficult decisions about the future of their funds.

Andrew Moylan, Manager – Real Estate Data

About Preqin:

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Note to Editors:

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

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