

## **Investor appetite for private real estate increases: 53% of investors expect to commit to new funds in 2013 compared to just 36% in 2012**

### **A notable 34% of investors targeting real estate debt funds in 2013, compared to just 8% in 2012**

Preqin's latest survey of more than 100 investors in private real estate funds has revealed an increase in appetite for the asset class, with 53% of respondents expecting to make commitments to private real estate funds in 2013. In a similar study carried out a year ago just 36% of respondents expected to make investments in the following 12 months.

The majority of investors are also expecting to commit more capital to private real estate in the next 12 months. Fifty-four percent of respondents said that they expected to commit more capital to private real estate funds in 2013 than they did in 2012, with only 3% expecting to commit less capital.

Value added funds are being targeted by the largest proportion of investors, with 55% of respondents targeting the strategy, up from 45% a year ago. There has also been a notable increase in appetite for real estate debt funds, with 34% of respondents targeting debt funds, up from just 8% a year ago.

#### **Other Key Findings:**

- 83% of Asia-based investors expect to invest in private real estate funds in 2013; only 48% and 39% of investors based in North America and Europe respectively expect to make new commitments.
- 69% of investors with \$10bn or more in assets under management expect to make new commitments compared to 45% of investors with less than \$10bn in assets under management.
- 55% of investors plan to invest in value added funds; 45% are targeting core funds, with the same proportion targeting core-plus funds; 44%, 34% and 25% of investors will target opportunistic, debt and distressed funds respectively.
- 47% of respondents felt the performance of their private real estate investments had fallen short of their expectations, with just 3% stating it had exceeded expectations.
- 43% of real estate investors surveyed expect their real estate allocations to increase in the next 12 months, with 39% expecting to increase their allocations in the longer term. Only 7% and 9% expect to decrease their allocations in the next 12 months and the longer term respectively.

**To view the full report please see:**

[http://www.preqin.com/docs/reports/Real\\_Estate\\_Investor\\_Outlook\\_H1\\_2013.pdf](http://www.preqin.com/docs/reports/Real_Estate_Investor_Outlook_H1_2013.pdf)

#### **Comment:**

"There are strong signs that investor confidence in private real estate funds is returning. Not only has the proportion of investors planning new commitments increased, but the majority of investors are expecting to commit more capital to private real estate in 2013 than they did in 2012. Very few institutions are reducing their real estate allocations, and 43% of investors expect to increase their exposure to real estate in 2013.

While a large proportion of investors focused primarily on core investments following the financial downturn in 2008, many are now increasingly looking at opportunities higher up the risk/return spectrum. Investor interest in core remains strong, but there is also increased appetite for core-plus, value added and opportunistic strategies. There has also been increased investor interest in debt funds; many investors have cited the attractive risk/return profile as one of the reasons for investing in funds following a debt strategy.

The results of this study are encouraging for fund managers marketing real estate funds and suggest the fundraising environment will likely improve during 2013. However, with a large number of funds in market and many investors still expecting not to be active, fundraising will remain challenging in the coming months."

**Andrew Moylan – Manager, Real Estate Data**

**Note to Editors:**

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

**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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