

This report is an excerpt from: **Preqin Quarterly: Real Estate, Q3 2012**. To download the full report please visit: https://www.preqin.com/docs/quarterly/RE/Real_Estate_Quarterly_Q3_2012.pdf

Investor Outlook: Key Issues and Returns Satisfaction

Preqin conducted extensive interviews with over 100 institutional investors in private real estate in order to find out about their current views on the asset class. Investors were asked what they thought were the key issues facing the private real estate fund market, and whether the performance of their fund investments in this asset class had met their expectations.

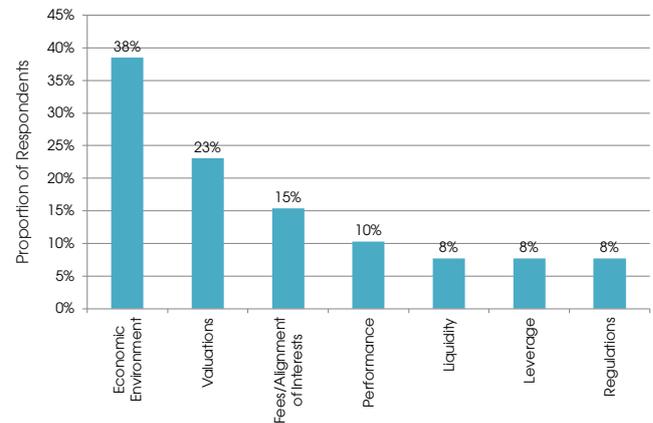
Many investors consider the general economic environment to be the main issue affecting the real estate fund market, with 38% of investors surveyed citing it as a key concern (Fig. 11). The economic downturn heavily affected the real estate industry and investors are still highly conscious that the overall economic climate can have a negative impact on the real estate fund market in general and on their investments in particular.

Many investors feel that valuations are an issue, with 23% of investors naming them when surveyed. Fifteen percent considered fees and the alignment of interests between investors and fund managers to be a key issue, suggesting that fund managers still have work to do to structure their funds in a way that ensures investors are convinced that their interests are aligned with those of the fund manager. Real estate fund performance was a key issue for 10% of investors, and liquidity, leverage, and regulations were each raised by 8% of investors. Lack of liquidity can be an issue, especially for smaller investors, and some LPs may feel that ultimately the performance of private real estate funds does not justify the investment's lack of liquidity.

The majority of investors surveyed (64%) said that the performance of their real estate fund investments had met their expectations, while 27% of investors felt that the performance had fallen short of their expectations, as shown in Fig. 12. Just 9% of investors surveyed felt that the performance of their private real estate fund investments had exceeded their expectations.

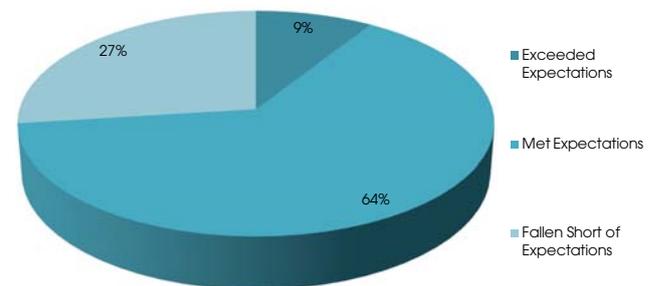
Despite the many challenges faced by the real estate fund industry in recent years, more investors appear to have been satisfied with the level of performance of their real estate fund investments than those that have been disappointed by them.

Fig. 11: Key Issues Facing the Private Real Estate Fund Market



Source: Preqin Investor Outlook: Real Estate, H2 2012

Fig. 12: Proportion of Investors that Feel Their Real Estate Fund Investments Have Lived up to Expectations



Source: Preqin Investor Outlook: Real Estate, H2 2012

This section uses data presented in the complimentary research report, Preqin Investor Outlook: Real Estate, H2 2012. This report, and others like it, represents a small portion of the valuable data that our research analysts gather on a daily basis for Preqin's Real Estate Online database. We contact investors directly to ensure that our information on their investment preferences, future fund searches and mandates, and contact details for key personnel is accurate, up-to-date, and reliable.

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