

Preqin Research Report

Private Equity Real Estate Fundraising in Q1 2010 (1)

The first quarter of 2010 was another slow quarter for private equity real estate fundraising, with 12 funds reaching a final close, receiving aggregate commitments of \$9.8 billion. This was the third successive quarter in which less than \$10 billion was raised. Q1 fundraising did represent a small increase on the \$9.4 billion which was raised in Q4 2009, but the pace of fundraising remains far slower than it has been in previous years.

Largest Funds to Close

The largest fund to close in the quarter was Morgan Stanley Real Estate Fund VII Global, which received aggregate commitments of \$5.2 billion, making it the fifth largest private equity real estate fund of all time. The opportunistic fund will target distressed real estate and make debt investments. It focuses on opportunities that arise from corporate spin-offs, liquidations and sales of real estate-related subsidiaries; investments in publicly traded or privately held real estate operating companies; and direct real estate assets that provide value-enhancement opportunities. Beacon Capital Strategic Partners VI was the second largest fund to close in the quarter. The fund is Beacon Capital's sixth value added fund and focuses on the acquisition, development, and management of office properties in select supply-constrained

Fig. 1: Quarterly Global Private Equity Real Estate Fundraising Q1 2003 - Q1 2010

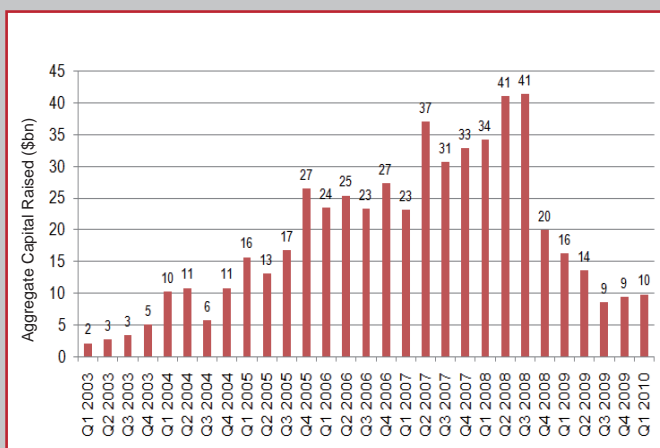


Fig. 2: Five Largest Real Estate Funds to Close in Q1 2010

Fund	Firm	Strategy	Size Closed (mn)	Manager Country	Geographic Focus
Morgan Stanley Real Estate Fund VII Global	Morgan Stanley Real Estate	Debt, Distressed and Opportunistic	5,200 USD	US	Global
Beacon Capital Strategic Partners VI	Beacon Capital Partners	Value Added	2,500 USD	US	US, West Europe
JBG Fund VII	JBG Companies	Opportunistic	577 USD	US	Washington DC
Garrison Opportunity Fund	Garrison Investment Group	Debt and Distressed	500 USD	US	US
NREP Logistics	Nordic Real Estate Partners	Value Added	1,600 SEK	Denmark	Denmark, Finland, Norway, Sweden

markets in the US and Western Europe. Other notable funds to close included the \$577 million JBG Fund VII, which acquires and develops a diverse mix of properties in the Washington metropolitan area, and the \$500 million Garrison Opportunity Fund, which makes investments in asset-based transactions, loan originations/acquisitions and corporate securities.

Region Focus

In terms of region focus, the largest amount of capital was raised by funds with a primary focus on Asia and Rest of World. Three Asia and Rest of World funds reached a final close, raising \$5.5 billion. The majority of this capital was raised by Morgan Stanley Real Estate Fund VII Global, which is primarily focused outside North America and Europe. Five North America-focused funds raised \$3.6 billion and four European funds reached a final close, raising \$0.6 billion.

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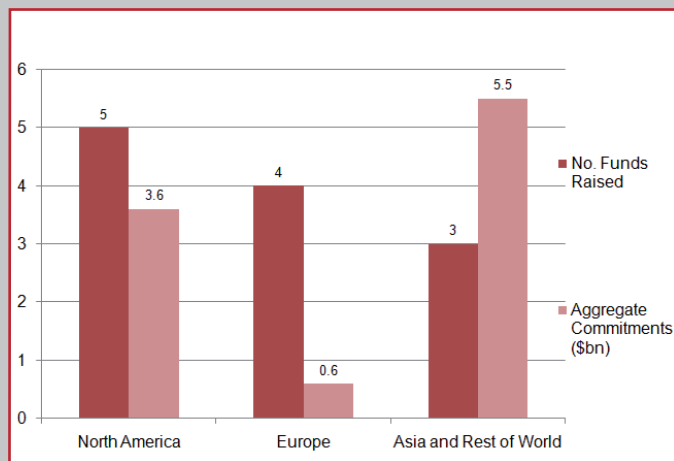
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Private Equity Real Estate Fundraising in Q1 2010 (2)

Fig. 3: Q1 2010 Fundraising by Fund Primary Geographic Focus



Time Spent in Market

The length of time funds spend in market is a good indicator of how competitive the fundraising environment is. Funds which closed during the first quarter of 2010 spent an average of 18.8 months in market, a small increase on the average of 18.2 months for funds which closed in 2009. The length of time funds spent in market has increased steadily since 2006, when fund managers spent an average of just 9.8 months marketing their funds.

Funds on the Road

There are currently 383 funds in market, seeking aggregate capital commitments of \$147 billion. Fig. 5 shows how the number and aggregate value of funds in market has changed since Q1 2007. The aggregate target of all funds in market has been declining steadily since the first quarter of last year as fund managers have reduced targets or abandoned funds altogether. The number of funds in market increased slightly between Q4 2009 and Q2 2010, but those firms that have started marketing new funds are typically setting more modest fundraising targets.

Fig. 4: Average Time Taken for Funds to Reach Final Close by Year Fund Closed

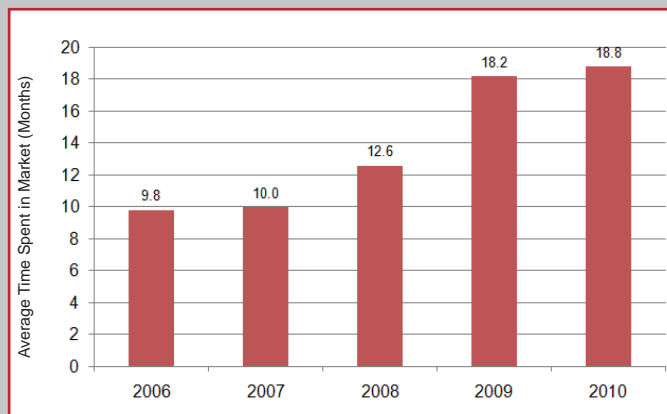
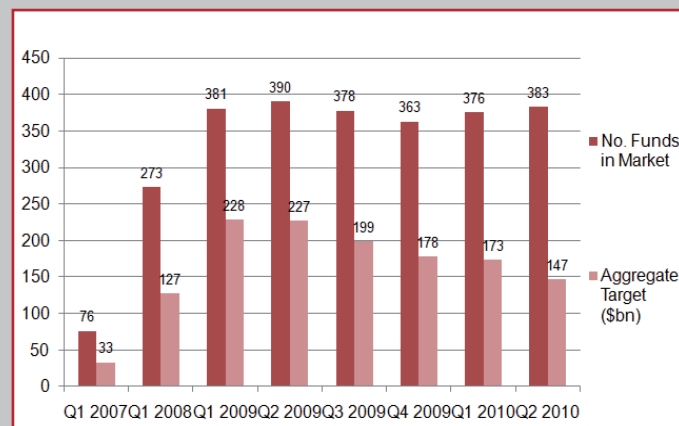


Fig. 5: Funds On the Road Over Time Q1 2007- Q2 2010



Data Source: Real Estate Online

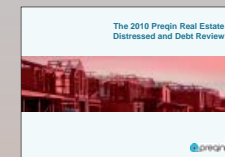
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