

# Preqin Real Estate Special Report: Future Fund Searches and Mandates

October 2012



# Methodology

Preqin, the alternative assets industry’s leading source of data and intelligence, welcomes you to *Preqin Real Estate Special Report: Future Fund Searches and Mandates*, a unique look into private real estate fund investors’ plans for the future.

This special report draws on Preqin’s Real Estate Online service, the industry’s most comprehensive and up to-date source of information on the private real estate industry. Real Estate Online contains detailed profiles for institutional investors actively investing in private real estate, with information gathered through regular direct contact with industry professionals. The database features profiles of over 3,400 active real estate investors, which include current fund searches and active mandates, investment preferences, past investments, direct contact information for key decision makers, and more.

Preqin’s Real Estate Online service also features exclusive data on investors’ future fund searches and mandates, allowing users to view up-to-date information on how these investors are planning to commit to real estate in the future. Subscribers can easily search investors’ future fund searches and mandates by geographic location, fund types and regions sought, the amount of capital investors expect to commit, and more.

For more information, please contact us at [info@preqin.com](mailto:info@preqin.com), or visit our website at [www.preqin.com/reo](http://www.preqin.com/reo).

We hope that you find the information in this report useful and interesting. All feedback and suggestions you may have for improvements to future editions of this study are welcome.

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# Institutions on the Hunt

The last few years have been challenging for those seeking to raise capital for private real estate funds, with a large proportion of investors reluctant to make new commitments to the asset class or committing less capital on an annual basis than they have in the past. While there are still many investors that are not expecting to be active, an increasing number of institutions are planning to commit fresh capital in the coming months.

Preqin's dedicated teams of multi-lingual analysts directly contact and build relationships with industry professionals at institutions investing in real estate funds worldwide. Through this direct contact, we are able to find out exactly which types of fund they are looking to invest in, the markets they are targeting, and what open mandates they may be looking to award. All of this unique information is fully searchable through our Future Fund Searches and Mandates feature on Preqin Real Estate Online.

*“Only 42% of private real estate fund investors expect to make new commitments in the next 12 months...”*

In this special report, we examine in more detail those real estate investors looking to make new investments in the coming year and assess which strategies and regions they view as attractive.

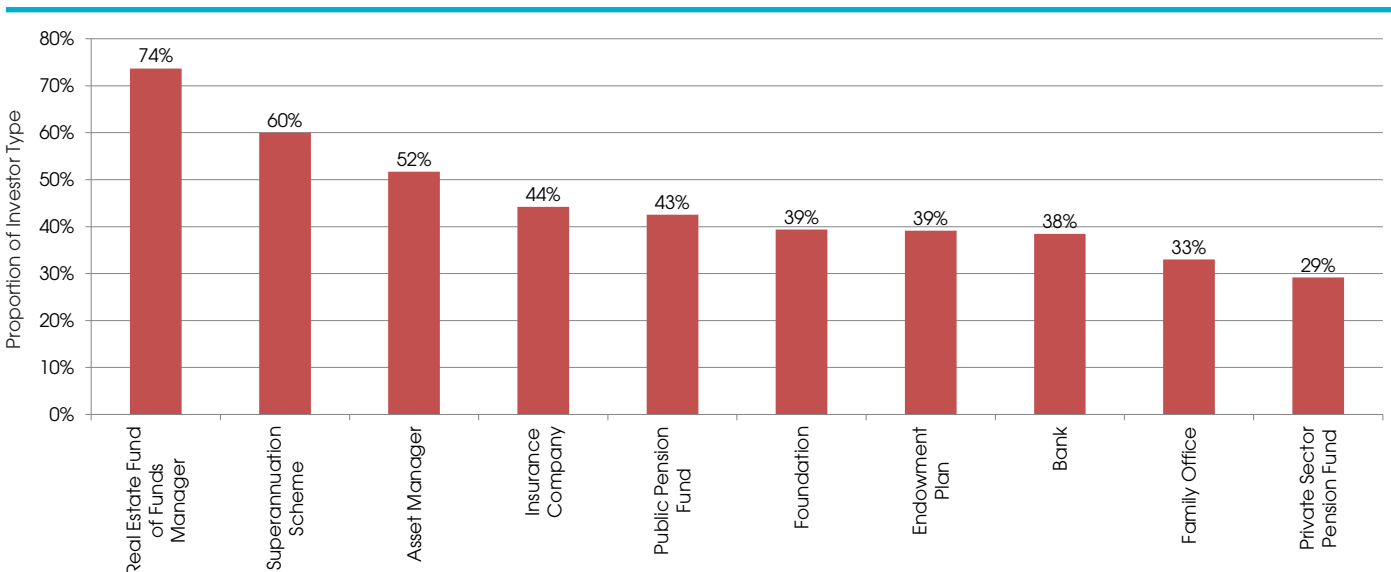
As shown in Fig. 1, real estate fund of funds managers are the

group which expects to be the most active in the year, with 74% planning new commitments in the next 12 months. Sixty percent of superannuation schemes are planning to make new commitments, and 52% of asset managers expect to be active.

Active asset managers planning to invest private in real estate include the Netherlands-based Shell Asset Management Company, which plans to invest in four to six funds in the coming months and will invest in a range of strategies. Only 29% of private sector pension funds and 33% of family offices plan to make new commitments in the coming year, with a large proportion of these investors content to remain on the sidelines. One private sector pension fund that is anticipating making new investments is US-based E.I. Du Pont De Nemours and Company Pension Plan. It expects to make one to three new commitments, with a focus on core and core-plus strategies.

Overall, only 42% of private real estate fund investors expect to make new commitments in the next 12 months, illustrating that fundraising is likely to remain challenging in the coming year. There are many active institutions, but for fund managers seeking to raise new funds identifying the investors most likely to find their vehicles attractive will be more important than ever.

Fig. 1: Proportion of Institutional Investors in Private Real Estate of Each Type Searching for New Funds in the Next 12 Months



Source: Preqin Real Estate Online

# Regional Breakdown of Future Fund Searches

Investor intentions toward future commitment levels to private real estate funds vary according to geographic location and assets under management. Preqin’s most recent data indicates that Asia-based investors are set to be the most active, with 69% of investors in this region actively seeking to invest in new private real estate funds. A shift in investor attitudes, that has seen many Asia-based institutions diversify away from traditional investments to alternative investments, coupled with changing regulations in recent years allowing more Asia-based institutions to invest in real estate, may help explain why these investors look set to be the most active in the coming year.

One such Asia-based investor is South Korea-based Samsung Fire & Marine Insurance. The insurance company is looking to invest in domestic and international private real estate funds employing core and core-plus strategies. It is particularly interested in funds targeting the US, the UK, France, Germany, Japan, or Australia.

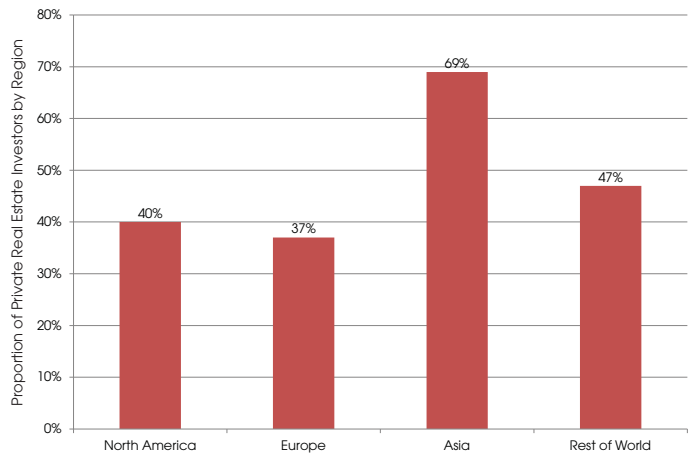
*“69% of Asia-based investors are actively seeking to invest in new private real estate funds.”*

The ongoing economic volatility and sovereign debt crisis in Europe appear to be impacting investor confidence in this region, with only 37% of private real estate investors based in Europe expecting to invest in the asset class in the next 12 months. Many institutional investors in this region are reducing their capital outlay to the asset class and some are halting investments altogether.

Elsewhere, many North America-based investors also remain cautious about allocating capital to the asset class in the next 12 months. Only 40% of investors based in this region are seeking to commit capital to real estate vehicles over this period, as uncertainty in the private real estate market continues.

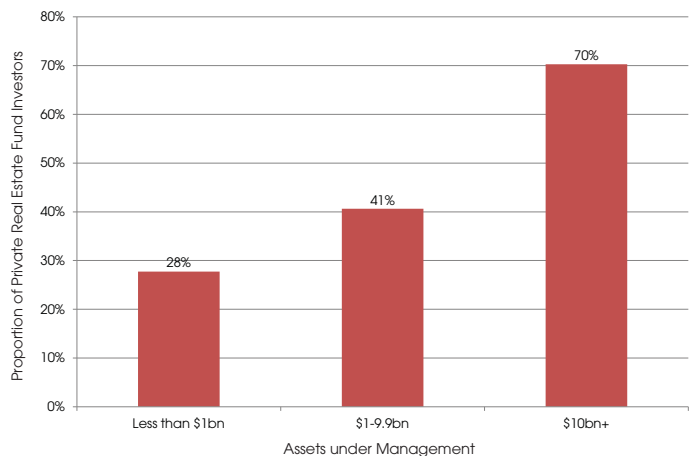
Larger investors are more likely to commit capital to private real estate funds in the next 12 months, Fig. 3 shows. Seventy percent of investors with \$10bn or more in total assets are seeking to invest in real estate funds during this period, compared to 41% of investors with total assets of \$1-9.9bn. Just 28% of institutions with less than \$1bn in assets plan to make commitments in the next 12 months. Smaller institutions typically make investments less frequently and some investors may also be halting commitments due to market conditions.

Fig. 2: Proportion of Private Real Estate Investors in Each Region Searching for New Funds in the Next 12 Months



Source: Preqin Real Estate Online

Fig. 3: Proportion of Private Real Estate Investors by Varying Assets under Management Investing in the Next 12 Months



Source: Preqin Real Estate Online

# Strategies Sought in the Year Ahead

The strategies sought by private real estate fund investors are displayed in Fig. 4. Fifty-three percent of fund searches are for core investments, indicating the risk-averse attitudes of many institutions. Core funds focus on established, income-producing assets and aim to provide stable returns. PGGM is one investor focusing on core funds in the coming year. The Netherlands-based asset manager will invest up to €600mn in private real estate funds and joint ventures, with a focus on gaining exposure to core assets. Value added vehicles are being targeted by 44% of investors, with the same proportion of investors also considering opportunistic vehicles. This demonstrates that there remains significant appetite for higher risk/return profile funds.

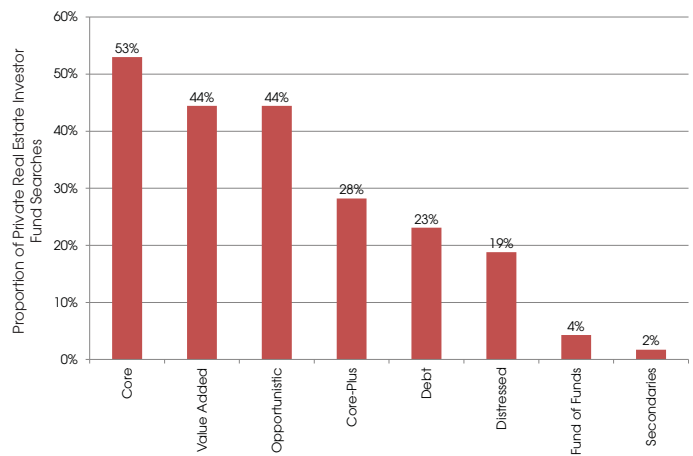
Core-plus funds, which target slightly higher returns with marginally higher risk than core funds, are being targeted by 28% of investors. Vehicles with a debt strategy are attractive to 23% of investors, with a further 19% exhibiting a preference for distressed funds. Debt and distressed vehicles have been gaining traction since the onset of the financial crisis, with a large number of investors believing there are excellent opportunities for investment in these sectors.

*“53% of fund searches are for core investments, indicating the risk-averse attitudes of many institutions.”*

Fund of funds vehicles are only being considered by 4% of investors planning to commit to real estate funds in the next 12 months. Contributing factors to this low proportion may include investor desire to gain greater control over investments and also avoid paying a double layer of fees. Nonetheless, for smaller investors the diversification offered through a single commitment to a fund of funds vehicle remains attractive, and, as a result, the appetite for the fund of funds route to market may recover. Only 2% of investors are targeting real estate secondaries funds, a market which, while growing, remains relatively small.

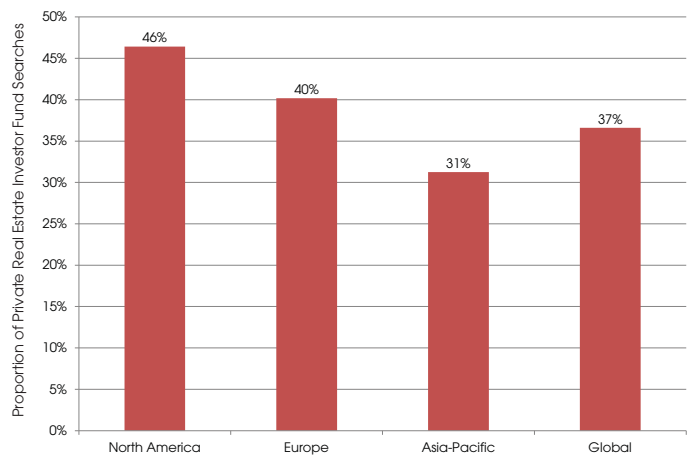
The geographies being targeted by investors active in the next 12 months are shown in Fig. 5. With 46% of investors looking to gain exposure to North American real estate, the region is the most popular destination for institutional investment via private real estate funds. Europe-focused vehicles are targeted by 40% of investors, despite the ongoing eurozone economic difficulties. Thirty-seven percent of investors have a global outlook for their fund investments, while the Asia-Pacific region is attractive to 31% of investors.

Fig. 4: Strategies Sought in the Next 12 Months by Private Real Estate Investors



Source: Preqin Real Estate Online

Fig. 5: Regions Targeted in the Next 12 Months by Private Real Estate Investors



Source: Preqin Real Estate Online

# Future Fund Searches and Mandates

The difference between success and failure in attracting institutional commitments can be the ability to initially identify which investors are most likely to be interested in your fund.

To help with this task, Preqin's Real Estate Online now allows fund managers and placement agents to identify potential investors in their funds by searching for institutional investors by their future investment plans.

Preqin updates these details by speaking directly to investors – saving you time and ensuring our intelligence is up to date and accurate.

- **Future Investment Plans** - Investor profiles include details of investors' future fund searches, detailing whether they are targeting specific private real estate strategies and/or regions of focus, and also contain summaries of their plans for the next 12 months.
- **Future Fund Searches and Mandates** - Forward-looking search for all the institutional investors that are looking to invest in funds that match your criteria.
- Filter potential investors by location, investor type, fund type preferences for the next 12 months, regional preferences for the next 12 months, and likely timeframe for their next fund commitment.

**Future Plans, Searches and Mandates** Jump to...

**Date of Plans:** Q4 2012

**Strategies Targeting:** Core

**Regions Targeting:** Europe

**Timeframe:** Next 12 Months

**Next 12 Months:**

**Summary:** As of October 2012, the [redacted] had committed GBP 10 million in the last 12 months and planned to invest to maintain this investment in the next 12 months. This entire allocation was in core real estate. As of October 2012, [redacted] planned to exit its European real estate investment and focus on the UK.

**Real Estate** Print, Export, Refresh

**Fund Searches and Mandates**

Select all required filter criteria

- Investor Type
- Investor Location
- Strategy Preferences - Fund Searches and Mandates
  - Core  Core-Plus
  - Value Added  Opportunistic
  - Distressed  Debt
  - Fund of Funds  Secondaries
- Region Preferences - Fund Searches and Mandates
  - Asia Pacific  Emerging Markets
  - Europe  Global
  - North America  Rest of World
- Timeframe of Next Investment
  - Immediately
  - Next 6 Months
  - Next 12 Months
  - Longer term
  - Opportunistic

**Keyword Search:**

Investor Name	Strategies	Regions	Date Inserted
[redacted]		North America	08-Oct-12
[redacted]			08-Oct-12
[redacted]	Core, Fund of Funds	Europe	05-Oct-12
[redacted]			05-Oct-12
[redacted]	Core, Value Added, Opportunistic	Europe, Global	05-Oct-12
[redacted]		Europe	05-Oct-12
[redacted]	Value Added		05-Oct-12
[redacted]			05-Oct-12
[redacted]		Rest of World	04-Oct-12
[redacted]		North America	04-Oct-12

Whether you're hoping to secure new commitments for a US-focused opportunistic fund or launch a Europe-focused core vehicle, access to Preqin's Real Estate Online database can help.

[Real Estate Online](http://www.preqin.com/reo)

For more information and to arrange a walkthrough of the service, please visit:  
[www.preqin.com/reo](http://www.preqin.com/reo)

# Outlook for the Future

## New Commitments to Private Real Estate Funds in the Coming Year

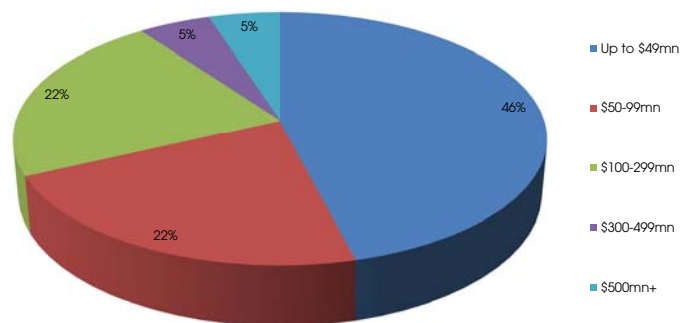
As shown in Fig. 6, 46% of institutions plan to invest fresh capital in private real estate funds in the next 12 months and have set aside up to \$49mn for these investments. A further 22% indicated that they would commit \$50-99mn to real estate funds in the next 12 months. Twenty-two percent have earmarked \$100-299mn for private property fund investments and 10% stated they would invest \$300mn or more in real estate vehicles in the next 12 months. These figures represent a cautious investor universe – even though institutions are becoming more active compared to recent years, they are not deploying capital at the levels seen before the economic crisis.

Fig. 7 shows that 30% of investors active in the next 12 months expect to make one real estate fund commitment, while a further 30% will seek two new real estate vehicles to add to their portfolios. Fourteen percent are hoping to commit to three vehicles in the next 12 months and 13% may allocate to four real estate funds in this timeframe. Only 6% are considering six or more fund investments in the next 12 months. The majority of active intuitions only expect to make one or two new fund commitments in the next 12 months, indicating that many in the real estate investor community remain tentative when it comes to new investments.

## Outlook for the Future

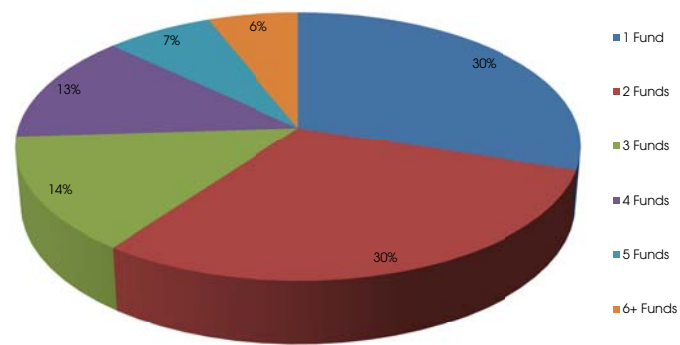
Preqin data shows that 42% of investors are planning to commit to unlisted property funds in the next 12 months. A significant change in the rate of fundraising is unlikely, and the market for managers raising capital for real estate funds will likely remain extremely competitive. Fund managers that can demonstrate strong performance and good track records, and those utilizing strategies that have a good fit with existing market conditions, will have an advantage and are likely to stand out in this climate. However, the long-term outlook for the asset class is more positive. While many investors in private real estate do not expect to make new commitments in the next 12 months, few are abandoning the asset class altogether, and most do expect to return in the future.

Fig. 6: Amount of Fresh Capital Institutional Investors Expect to Invest in Private Real Estate Funds over the Next 12 Months



Source: Preqin Real Estate Online

Fig. 7: Number of Private Real Estate Funds Institutional Investors Expect to Commit to over the Next 12 Months



Source: Preqin Real Estate Online

# About Preqin

Preqin Real Estate Online provides information products and services to private real estate funds, funds of funds, investors, placement agents, law firms, investment banks and advisors across the following main areas:

- Fund Performance
- Fundraising
- Investor Profiles
- Fund Terms
- Fund Manager Profiles

Our customers can access this market intelligence in three different ways:

- Online database services
- Hard copy publications
- Tailored data downloads

Our products and services are the most comprehensive resource available to private real estate professionals today, and are relied upon by the majority of leading firms and many other professionals from around the world. Whether you're a fund manager, investor, placement agent, lawyer, or investment consultant this is a vital information service for you.

To register for a demo, please visit: [www.preqin.com/demo](http://www.preqin.com/demo)

Preqin regularly releases research and information on fundraising and all other aspects of the real estate industry as both research reports, and as part of our monthly Spotlight newsletter. To register to receive more research and analysis, please visit: [www.preqin.com/research](http://www.preqin.com/research)

If you have any comments on this report, please contact:  
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If you want any further information, or would like to apply for a demo of our products, please contact us:

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