

REAL ESTATE SPOTLIGHT

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OPPORTUNISTIC REAL ESTATE: HIGH RISK, HIGH RETURN



With appetite for higher-risk strategies increasing in the search for high returns, opportunistic private real estate funds are of growing interest to investors. We take a look at the risk/return profile associated with the strategy.

[Find out more on page 2](#)

REAL ESTATE INVESTOR UPDATE



This excerpt from the newly released **Preqin Investor Update: Alternative Assets, H2 2018** details investors' real estate investment plans for the year ahead, including their next planned commitment as well as the regions and strategies presenting the best opportunities.

[Find out more on page 4](#)



RECENTLY RELEASED: 2018 PREQIN ALTERNATIVE ASSETS PERFORMANCE MONITOR

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OPPORTUNISTIC REAL ESTATE: HIGH RISK, HIGH RETURN

We take a look at opportunistic real estate and the risk/return profile associated with the strategy.

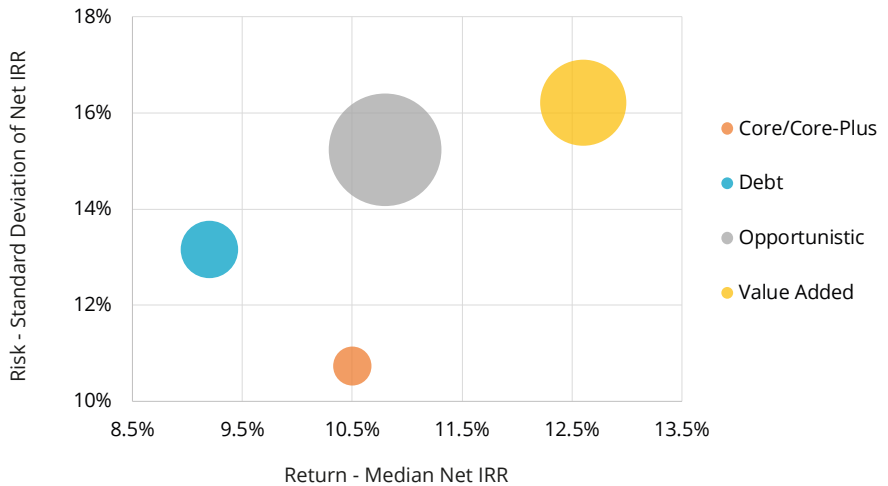
With appetite for higher-risk strategies increasing in the search for high returns, opportunistic private real estate funds are of growing interest to investors. Twenty percent of active investors were targeting opportunistic funds in June 2018, not far behind core (22%) and core-plus (30%) strategies. Corresponding with the growth in investor appetite for the strategy, fundraising for opportunistic private real estate funds in 2018 is on the rise. As at July 2018, 33 opportunistic funds have reached a final close for an aggregate \$26bn, already representing 75% of the total capital raised in 2017 for the strategy.

Preqin's performance data can help with asset allocation plans for LPs by analyzing the risk/return profiles of different strategies within the real estate asset class. The size of each bubble in Fig. 1 indicates the capitalization across all funds considered. Opportunistic funds attract the most capital with a total capitalization of \$303bn – more than double the total capitalization of value-added funds (\$176bn) – for vintage 2005-2015 funds.

Though value-added funds have generated the highest median return (+12.6%) of all funds considered, opportunistic funds have generated the second highest median return at 10.8%, showing the high-risk, high-return profile of the strategy.

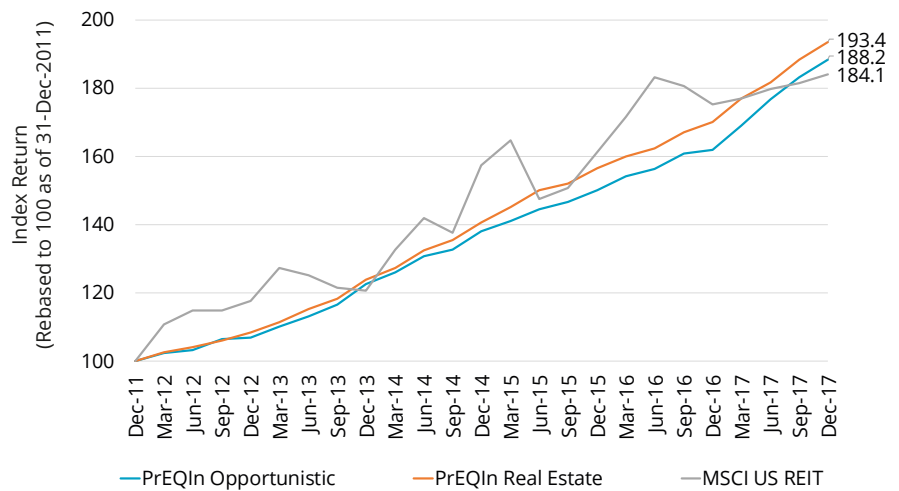
PrEQIn Real Estate Quarterly Index captures the actual money-weighted return earned by investors on average in their private real estate portfolios, based on the actual amount of money invested in private real estate partnerships. Having underperformed the public market fin every quarter since March 2012, PrEQIn

Fig. 1: Risk/Return: Real Estate by Strategy (Vintage 2005-2015)



Source: Preqin

Fig. 2: PrEQIn Quarterly Index: Real Estate vs. Opportunistic and MSCI US REIT (Rebased to 100 as of 31 December 2011)



Source: Preqin

Opportunistic outperformed the MSCI US REIT for the first time in September 2017 by 1.7 index points (Fig. 2). This gap grew in December 2017 to 4.2 index points, indicating the rise of the real estate strategy as well as the improvement in positive sentiment in 2018.

CLAIM YOUR **FREE COPY** OF THE 2019 PREQIN PRIVATE CAPITAL COMPENSATION AND EMPLOYMENT REVIEW



Preqin is pleased to partner once again with **FPL Associates L.P.** to conduct the **2019 Preqin Private Capital Compensation and Employment Survey**, the largest global private capital survey of its kind. Participants that fully complete the survey will get a **free copy** of the Review plus a **free excelsheet** of all the compensation data for further analysis.

The objective of the survey is to provide clients and participants with customized, real-time compensation trends and data that can be used at all levels of the organization to assist with human capital decisions.

THE SURVEY IS OPEN NOW!

Please click [here](#) for more information or contact Sonya Nicks at snicks@fpl-global.com to participate.



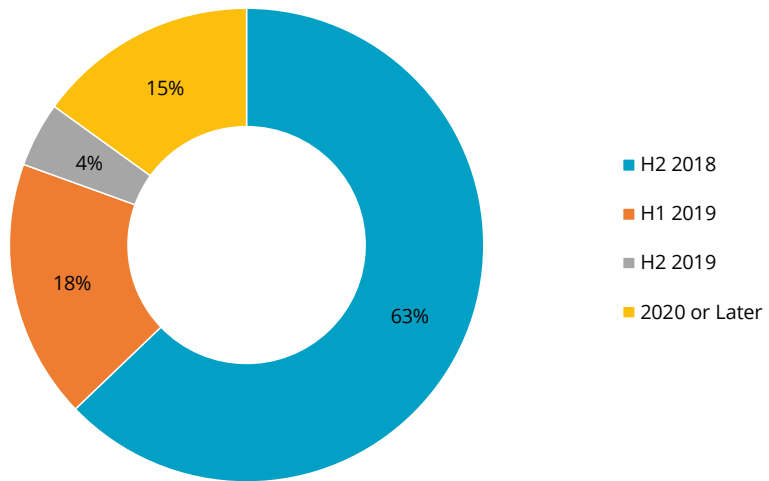
REAL ESTATE INVESTOR UPDATE

This excerpt from the newly released **Preqin Investor Update: Alternative Assets, H2 2018** details investors' real estate investment plans for the year ahead, including their next planned commitment as well as the regions and strategies presenting the best opportunities.

Nearly two-thirds of surveyed real estate investors plan to make their next fund commitment in H2 2018 (Fig. 1) – a potential boon for the industry which has experienced slower fundraising totals across the second quarter of the year. Fifteen percent of the investor population have indicated they will not invest until at least 2020, with concerns over cycle risk the likely driver of the delay in activity.

Moves down the risk/return spectrum are evident in Fig. 2: in recent years, opportunistic vehicles have captured large amounts of capital, yet only a fifth of surveyed investors feel that these high-risk funds present the best opportunities over the coming year. We are seeing firms that typically seek higher-risk vehicles opt for value-added funds instead; as such, they have captured the largest proportion of fundraising in 2018 so far and, based on the results of this survey, are likely to do so over H2 2018. Further evidence of the de-risking of portfolios is presented in the two strategies identified as currently offering the next best opportunities: core and core-plus.

Fig. 1: Timeframe for Investors' Next Intended Commitment to a Real Estate Fund

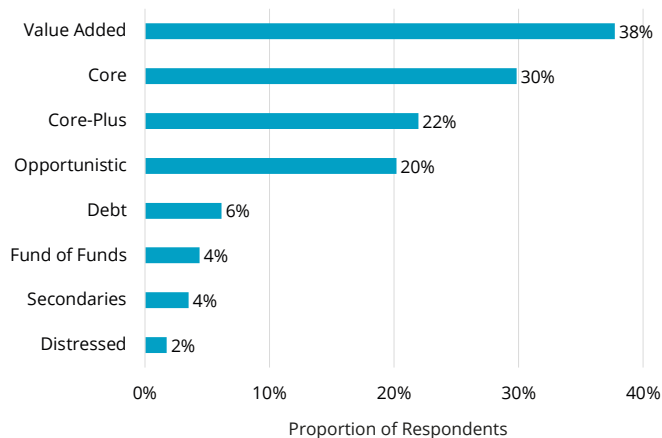


Source: Preqin Investor Interviews, June 2018

The developed markets of North America and Europe present the best opportunities for real estate investment, as stated by the greatest proportions of surveyed institutions (Fig. 3). However, when compared to the H1 2018 survey results, these proportions have fallen by 13 and nine percentage points respectively, while for emerging markets the proportion

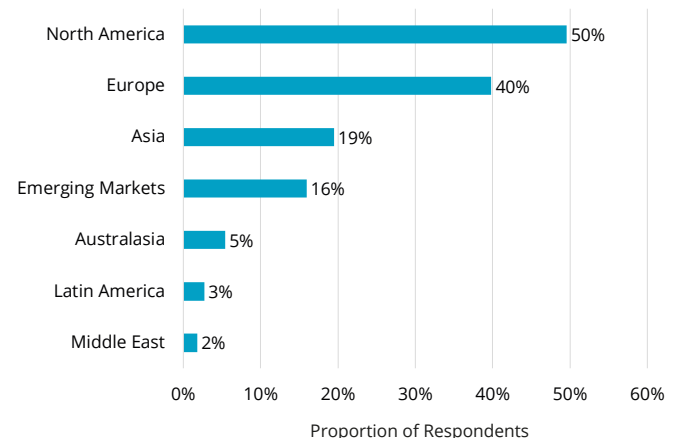
has risen from 6% to 16%. This may be indicative of investors looking beyond developed regions in search of attractive assets at relative value.

Fig. 2: Strategies that Investors View as Presenting the Best Opportunities over the Next 12 Months



Source: Preqin Investor Interviews, June 2018

Fig. 3: Regions that Investors View as Presenting the Best Opportunities over the Next 12 Months



Source: Preqin Investor Interviews, June 2018

ALTERNATIVES COVERAGE	FIRMS	FUNDS	FUNDS OPEN TO INVESTMENT	INVESTORS MONITORED	FUNDS WITH PERFORMANCE	DEALS & EXITS
	34,607	63,065	22,612	17,568	29,597	358,880
	PRIVATE EQUITY*	HEDGE FUNDS	REAL ESTATE	INFRASTRUCTURE	PRIVATE DEBT	NATURAL RESOURCES
INVESTOR COVERAGE	7,544 Active Private Equity LPs	5,623 Active Hedge Fund Investors	6,856 Active Real Estate LPs	3,565 Active Infrastructure LPs	3,546 Active Private Debt Investors	3,635 Active Natural Resources Investors
FUND COVERAGE	21,950 Private Equity Funds	27,113 Hedge Funds	7,589 PE Real Estate Funds	1,390 Infrastructure Funds	2,816 Private Debt Funds	2,207 Natural Resources Funds
FIRM COVERAGE	15,891 Private Equity Firms	9,751 Hedge Fund Firms	5,540 PE Real Estate Firms	584 Infrastructure Firms	1,712 Private Debt Firms	1,129 Natural Resources Firms
PERFORMANCE COVERAGE	6,326 Private Equity Funds	19,497 Hedge Funds	1,917 PE Real Estate Funds	288 Infrastructure Funds	941 Private Debt Funds	628 Natural Resources Funds
FUNDRAISING COVERAGE	3,560 Private Equity Funds	16,752 Hedge Funds	1,419 PE Real Estate Funds	180 Infrastructure Funds	388 Private Debt Funds	313 Natural Resources Funds
	BUYOUT	VENTURE CAPITAL	REAL ESTATE	INFRASTRUCTURE	PRIVATE DEBT	
DEALS & EXITS COVERAGE	92,121 Buyout Deals and Exits	168,775 Venture Capital Deals and Exits	58,929 Real Estate Deals	29,479 Infrastructure Deals	9,576 Private Debt Deals	
Alternatives Investment Consultants Coverage:	Funds Terms Coverage: Analysis Based on Data for Around		Best Contacts: Carefully Selected from our Database of over			
606 Consultants Tracked	18,337 Funds		477,054 Contacts			



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- + Global presence - New York, London, Singapore, San Francisco, Hong Kong, Manila and Guangzhou
- + Depth and quality of data from direct contact methods
- + Unlimited data downloads
- + The most trusted name in alternative assets

*Private equity includes buyout, growth, venture capital, turnaround, private equity fund of funds, private equity secondaries, direct secondaries, balanced, hybrid, hybrid fund of funds, PIPE, co-investment and co-investment multi-manager funds.



INDUSTRY NEWS

In this month's Industry News, we provide examples of funds recently closed and currently in market, as well as recent investor mandates.

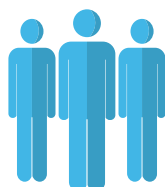


RECENTLY CLOSED FUNDS

In 2018 YTD (as at August), 167 private real estate funds have reached a final close, securing \$73bn in institutional capital. The largest of these funds is [Starwood Global Opportunity Fund XI](#). Managed by Connecticut-based [Starwood Capital Group](#), the vehicle focuses on the acquisition, development and repositioning of assets in the US and Europe; it held a final close in March 2018, securing \$7.6bn.

[Blackstone Group](#) managed the second largest private real estate fund closure over this period. [Blackstone Real Estate Partners Asia II](#) employs an opportunistic strategy and targets assets such as warehouses and shopping centres located in Southeast Asia, China, India and Australia; the vehicle held a final close in March 2018, securing \$7.1bn.

[Broad Street Real Estate Credit Partners III](#) is the largest private real estate debt fund closed so far in 2018. The vehicle targets commercial real estate-backed loans for offices, hotel and retail properties across the US and Europe. The fund closed on \$4.2bn in January.



INVESTOR MANDATES

As at August 2018, there are 466 active investment mandates for real estate. Among these is [OP Real Estate Asset Management](#); the real estate fund of funds manager expects to invest in private real estate funds in the next 12 months. It will target value added and debt strategies across Europe using a mixture of both new and existing managers in its portfolio.

[Finnish State Pension Fund](#) plans to invest €40-70mn across up to five private real estate funds, targeting Europe-focused core, core-plus, opportunistic and secondaries vehicles using a mixture of new and existing managers in its portfolio.

[Boticário Prev](#) will target opportunistic and core private real estate funds in the next 12 months with a primary focus on the Brazilian real estate market. It plans to invest BRL 5-10mn across up to two funds using a mixture of both new and existing managers in its portfolio.



FUNDS IN MARKET

As at August 2018, there are 609 private real estate funds in market seeking an aggregate \$220mn. The largest fund on the road is [Brookfield Strategic Real Estate Partners III](#). Managed by Toronto-based [Brookfield Property Group](#), the property investment platform of [Brookfield Asset Management](#), the vehicle is seeking \$10bn; it targets direct property and equity positions in real estate companies on a global scale, with around a 50% focus on the US. It held a second close in March, securing \$9bn in institutional capital.

[Lone Star Fund XI](#) is the second largest private real estate fund on the road; managed by Dallas-based [Lone Star Funds](#), the vehicle is seeking \$6bn for investments in non- and sub-performing single-family residential real estate debt, corporate debt and consumer debt. The fund will focus on opportunities in the US and Europe.

SHARE YOUR NEWS

Do you have any news you would like to share with the readers of Spotlight?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.

GLOBAL LEADERS IN REAL ESTATE SUMMIT: EAST

October 23 & 24, 2018 | New York

KEY TOPICS TO BE DISCUSSED

- Navigating geopolitical events to continue **finding global real estate value**
- **The impact of LP expectations** have on target markets and target returns at the top of the cycle
- Finding **the right investment structure for the best returns** in a tight market
- Best practices for **assessing small, local investment opportunities globally**
- **Evaluating core and value-add assets** to find the best returns
- Analyzing regional investment opportunities for **unique markets offering untouched value**
- **Staying ahead of competition** through the use of new real estate technologies for 2019
- New strategies to **make the most of the new US tax law**
- **Future-proofing your assets** by reducing energy costs and developing in strategic markets
- **Simplifying complex due diligence processes** of global investing on a local level
- Unlocking new real estate value through **mutually beneficial joint venture partnerships**

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REAL ESTATE MEZZANINE FINANCING & HIGH YIELD DEBT FORUM

November 13, 2018 | New York, NY

Join over 350 commercial real estate owners, developers, lenders and other industry players as they gather to meet and evaluate how mezzanine and high yield debt fit into the capital stack and which projects are best suited to these financing vehicles.

Agenda Topics

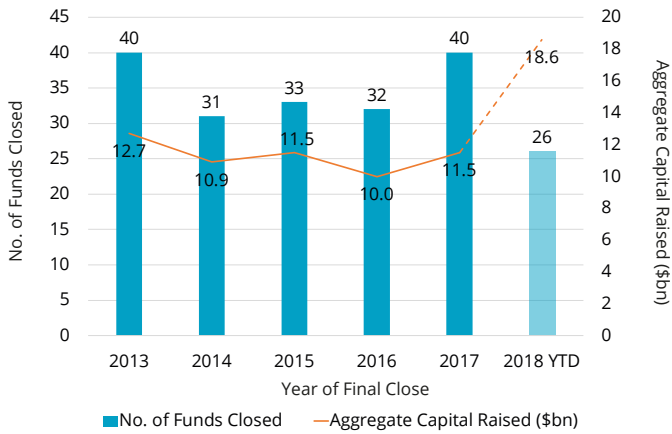
- | | | |
|---|---|--|
| • Commercial Real Estate Market Outlook | • Borrowers' Perspective Discussion | • Evaluating Options for Financing CRE Deals Under \$50M |
| • Mezzanine Origination | • One Year On: An Update on the CMBS Market's Recovery | • Mezzanine Finance vs. Preferred Equity and Associated Legal Considerations |
| • Non-traditional, Non-bank Lending | • Land Acquisition, Pre-Construction and Construction Loans | |

For more information please visit www.imn.org/mezz or contact Todd Rosenberg at trosenberg@imn.org or (212) 901-0552.

REAL ESTATE FUNDRAISING IN ASIA

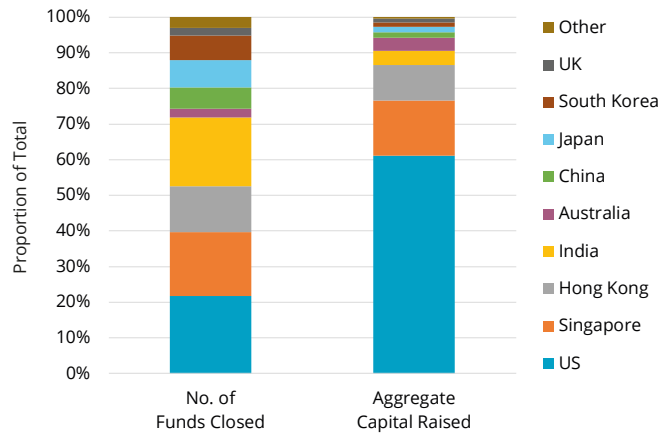
We provide insight into the real estate fundraising market in Asia, including funds closed by manager location and strategy as well as average fund size.

Fig. 1: Annual Asia-Focused Closed-End Private Real Estate Fundraising, 2013 - 2018 YTD (As at August 2018)



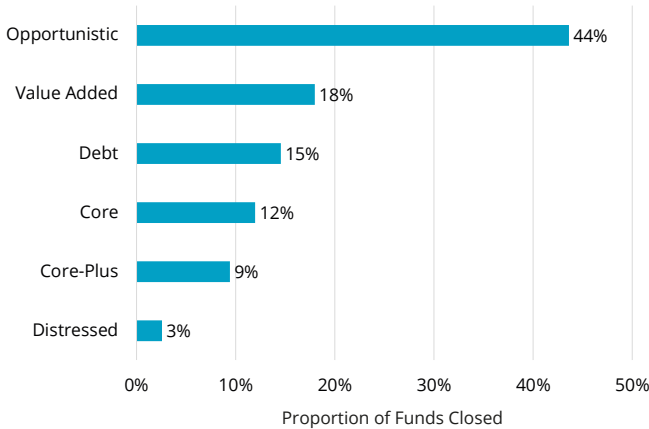
Source: Preqin

Fig. 2: Asia-Focused Closed-End Private Real Estate Fundraising by Manager Location, 2013 - 2018 YTD (As at August 2018)



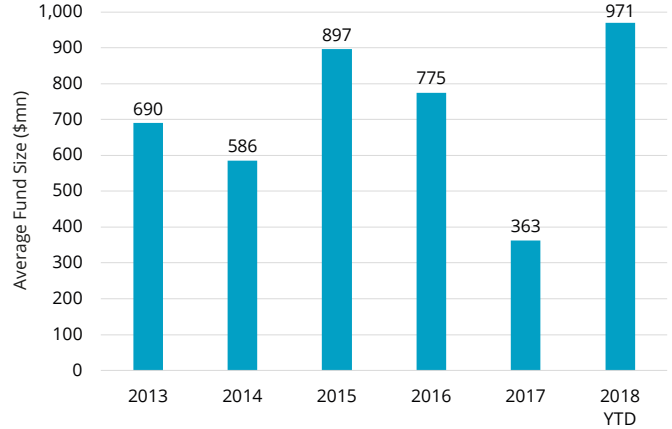
Source: Preqin

Fig. 3: Asia-Focused Real Estate Funds Closed by Primary Strategy, 2013 - 2018 YTD (As at August 2018)



Source: Preqin

Fig. 4: Average Size of Asia-Focused Closed-End Private Real Estate Funds Closed 2013 - 2018 YTD (As at August 2018)



Source: Preqin

UNDERSTAND YOUR COMPETITION

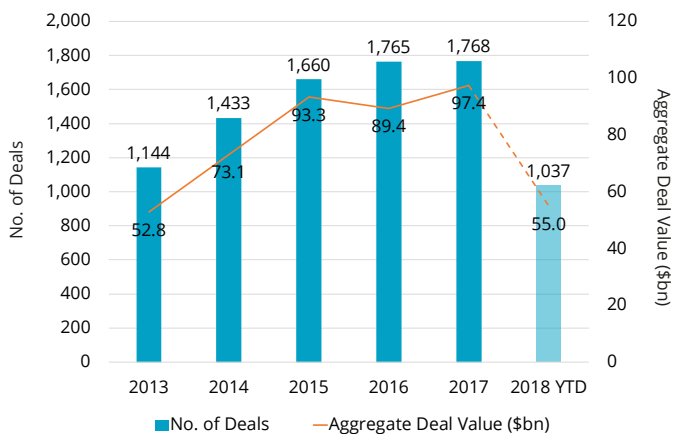
Preqin's online platform contains full profiles on the 235 closed-end Asia-focused real estate funds closed since 2013 as well as those currently seeking capital from investors, including targeted returns, geographic focus, size and strategy.

www.preqin.com/realestate

RETAIL REAL ESTATE DEALS

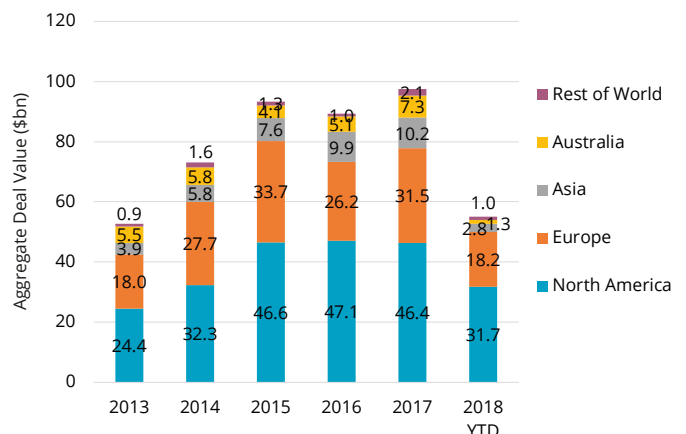
We analyze private equity real estate (PERE) deal activity, providing a breakdown of deals by region as well as the largest single-asset and portfolio deals in 2018 so far.

Fig. 1: Global PERE Retail Deals, 2013 - 2018 YTD (As at August 2018)



Source: Preqin

Fig. 2: Aggregate Value of PERE Retail Deals by Region, 2013 - 2018 YTD (As at August 2018)



Source: Preqin

Fig. 3: Largest Single-Asset PERE Retail Deals in 2018 YTD (As at August 2018)

Asset	Location	Buyer(s)	Seller(s)	Deal Size (mn)	Deal Date
Chelsea Market	New York, US	Google Inc.	Jamestown	2,400 USD	Feb-18
Spring Creek Towers	New York, US	Brookville Company, Rockpoint Group	Starrett City Associates	905 USD	Jan-18
Ropemaker Place	London, UK	Ho Bee Land	AXA Investment Managers – Real Assets, Ginkgo Tree Investment, Hanwha Group	650 GBP	May-18
Devonshire Square	London, UK	PFA Pension, TH Real Estate, WeWork	Blackstone Group	600 GBP	Apr-18
114 Av. des Champs-Élysées	Paris, France	Hines, Universal-Investment	EPI Group	600 EUR	Apr-18

Source: Preqin

Fig. 4: Largest Portfolio PERE Retail Deals in 2018 YTD (As at August 2018)

Asset	Location	Buyer(s)	Seller(s)	Deal Size (mn)	Deal Date
US, Multifamily Portfolio	Ewa Beach, US; Glendale, US; Los Angeles, US; New York, US; Northridge, US; Pleasanton, US	Brookfield Property Group	Carmel Partners	1,900 USD	May-18
China, Shopping Center Portfolio	Anyang, China; Beijing, China; Chengdu, China; Chongqing, China; Guangdong, China; Nanchang, China; Quanzhou, China; Sichuan, China; Weifang, China; Yangzhou, China; Yibin, China; Yiyang, China; Zhangzhou, China; Zhaoqing, China; Zhengzhou, China; Zibo, China	Hopu Investment Management, SCP Group, Vanke	CapitaLand	8,365 CNY	Jan-18
Portugal, Retail Portfolio	Montijo, Portugal; Rio de Mouro, Portugal	Immochan	Blackstone Group	450 EUR	Jan-18
Spain, Retail Portfolio	Badajoz, Spain; San Fernando, Spain; Sevilla, Spain; Valladolid, Spain	Vukile Property Fund Ltd	Unibail-Rodamco	460 EUR	Jul-18
Paris, France, Office Portfolio	Paris, France	JP Morgan Asset Management	Oxford Properties	400 EUR	Jun-18

Source: Preqin

CONFERENCES

SEPTEMBER 2018

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
AIMA Australia Annual Forum 2018	12 September 2018	Sydney	AIMA	-	-
Preqin Breakfast Seminar – Future of Alternatives – London	12 September 2018	London	Preqin	-	-
Emerging Managers Summit	12 - 13 September 2018	New York, NY	Opal Financial Group	-	-
SuperReturn Asia	17 - 20 September 2018	Hong Kong	KNect365	Ee Fai Kam Jie Xin Choo Mark O'Hare	10% Discount - FKR2449PRQ
Finovate Fall	24 - 26 September 2018	New York, NY	KNect365	-	20% Discount - FKV2343PQT
The 6th Annual Real Estate Private Equity Forum on Land & Homebuilding (West)	24 - 25 September 2018	Las Vegas, NV	IMN	-	15% Discount - PQ15
Brazil Breakfast in association with LAVCA's Annual Summit and Investor Roundtable	25 September 2018	New York, NY	ABVCAP	-	-
Preqin Breakfast Seminar – Future of Alternatives – New York	26 September 2018	New York, NY	Preqin	-	-

OCTOBER 2018

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
Local Government Pension Investment Forum	3 October 2018	London	KNect365	-	-
Latin Private Wealth Management Summit	8 - 9 October 2018	Panama City	marcus evans Summits	-	-
Preqin Breakfast Seminar – Future of Alternatives – Hong Kong	11 October 2018	Hong Kong	Preqin	Ee Fai Kam	-
FLAIA Meeting of the Americas 2018	18 October 2018	Miami, FL	FLAIA	Sam Mitchell	-
Private Wealth Management Summit – APAC	22 - 24 October 2018	Macao	marcus evans Summits	-	-
ASK 2018 Real Estate & Infrastructure Summit	23 October 2018	Seoul	The Korea Economic Daily	-	-
Global Leaders in Real Estate: East	23 - 24 October 2018	New York, NY	iGlobal Forum	-	-
Family Office & Private Wealth Forum – West	24 - 26 October 2018	Napa, CA	Opal Financial Group	-	-
AIMA Canada Investor Forum 2018	29 - 30 October 2018	Toronto	AIMA	-	-
Finovate Asia	29 - 30 October 2018	Hong Kong	KNect365	-	20% Discount - FKV2338PQT

GLOBAL LEADERS IN REAL ESTATE SUMMIT: EAST

DATE:	23 - 24 October 2018
INFORMATION:	www.glresummit.com
LOCATION:	New York City
ORGANIZER:	iGlobal Forum/EisnerAmper

Join and network through a one-of-a-kind exclusive event with 300+ senior-level representatives from: real estate private equity firms, private debt providers, real estate owners, operators & developers, senior lenders, hedge funds, asset managers, pension plans, insurance companies, foundations & endowments.

REAL ESTATE MEZZANINE FINANCING & HIGH YIELD DEBT FORUM

DATE:	13 November 2018
INFORMATION:	www.imn.org/mezz
LOCATION:	New York City
ORGANIZER:	IMN

The demand outlook for US real estate project remains bright, which is good news for mezzanine debt providers seeking high yield deals. However, crowding in the lending space means that innovation and differentiation are becoming increasingly important as a means to stay competitive.

IMN's Real Estate Mezzanine Financing & High Yield Debt Forum provides the perfect platform to find the next big deal as it brings together over 350 borrowers and lenders to discuss strategies for new acquisitions, development and refinancing.

Join us November 13 in New York City as senior industry players representing owner-operators and lenders will meet to evaluate how mezzanine and high yield debt fit into the capital stack and which types of projects are best suited to these financing vehicles.

GRI RESIDENTIAL EUROPE 2018

DATE:	28 - 29 November 2018
INFORMATION:	https://www.griclub.org/event/realestate/gri-residential-europe-2018_395.html
LOCATION:	Sofitel London St James, London, UK
ORGANIZER:	GRI Club

GRI Residential Europe will gather Private Developers, Global Operators, REITs, Local Authorities, Debt Lenders, Private Equity and Institutional Investors for a series of collegial discussions to understand where the residential market is going to identify like minded peers in order to build relationships and business deals.

CATALYST CAP INTRO: REAL ESTATE FUND INVESTING

DATE: 10 December 2018
INFORMATION: <https://catalystforum.com/events/real-estate-fund-investing-6/>
LOCATION: New York City
ORGANIZER: Catalyst Financial Partners

Catalyst Cap Intro events are investor driven and transactional events that host alpha-oriented investment managers and institutional grade investors that are introduced to each other with a view to become investment partners.

This Catalyst Cap Intro Event focuses only on the Real Estate Fund investing sectors.

Award Winning Capital Raising Events

CATALYST CAP INTRO: REAL ESTATE FUND INVESTING

Strategies:

Core, Core plus
 Development
 Added-value
 Commercial
 Single-multi residential
 Real estate financing
 Real estate debt
 Bridge financing
 Infrastructure
 Projects & complexes
 International real estate

Your Key to Capital Raising!

Catalyst Cap Intro Events are sector focused, investor driven events that host hand-picked investment managers and investors that are introduced to each other with a view to become investment partners.

This Catalyst Cap Intro Event focuses only on the **Real Estate Fund** investing sectors.

Introductions are accomplished through private meetings which are arranged prior the events, in an investor driven fashion based on the merits of each investment manager and the requests made by the investors.



Investors constitute predominantly single and multi-family offices, endowment and foundations, and their advisors, located on the US East Coast corridor, but also internationally.

This production builds on Catalyst's history and successful track record in putting together industry-recognized and effective capital raising events.



New York City, Dec 10, 2018

