

The Q3 2014 Preqin Quarterly Update

Real Estate

Insight on the quarter from the leading provider of alternative assets data

Content includes...

Fundraising

Capital increasingly concentrated among fewer managers.

Funds in Market

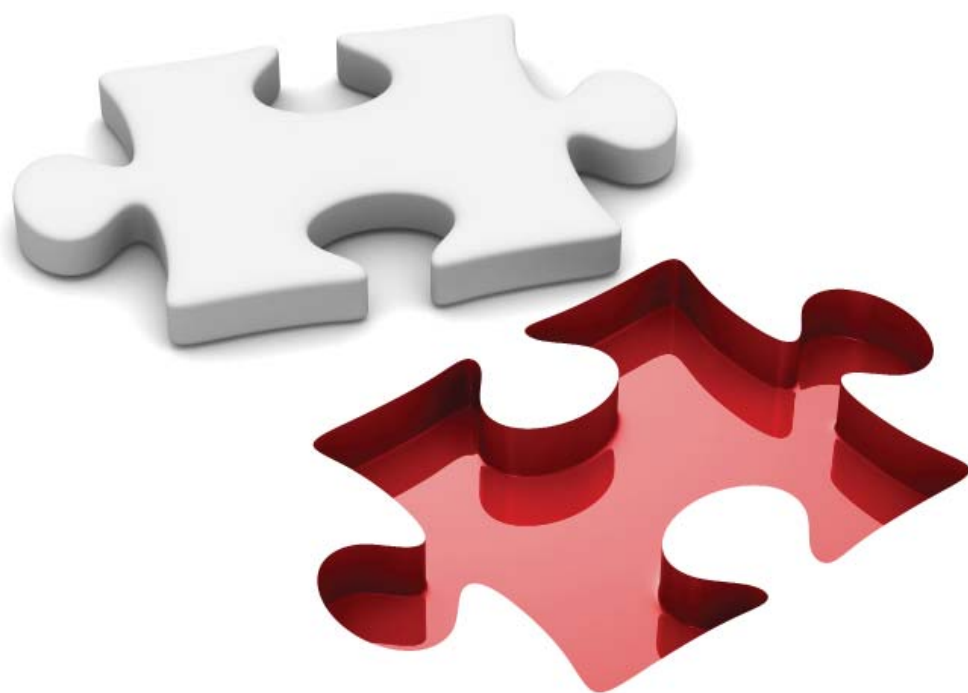
Strong competition for investor capital.

Investors in Real Estate

Investors' intentions for the year ahead.

Fund Performance

Encouraging real estate performance figures.





Foreword

Despite a slight fall in fundraising in Q3 2014 compared to the previous quarter, the total capital raised in 2014 so far remains strong, with the \$63bn raised in the first three quarters of the year surpassing the \$56bn raised during the same period last year. However, the number of funds reaching a final close has declined from 166 to 121 over this time period, and almost two-thirds of capital raised by funds holding a close in Q3 came from just five firms, suggesting that capital is increasingly concentrated among fewer managers.

Competition for investor capital remains high, with a large number of funds on the road competing for institutional commitments. Of the 464 funds on the road at the start of Q4 2014, 25% have already been in market for more than two years, with many managers taking longer to close their offerings. However, investor confidence in the asset class has improved, with 32% of investors stating that their investments have exceeded expectations over the last 12 months, and many institutions ramping up their commitments to real estate funds in the coming year.

Preqin's [Real Estate Online](#) is an indispensable tool for all firms looking to market funds, develop new business or find new partners in the coming months. Behind every data point in this report is a wealth of individual firm- and fund-level data available on Preqin's leading online services.

We hope you find this report useful, and welcome any feedback you may have. For more information, please visit www.preqin.com or contact info@preqin.com.

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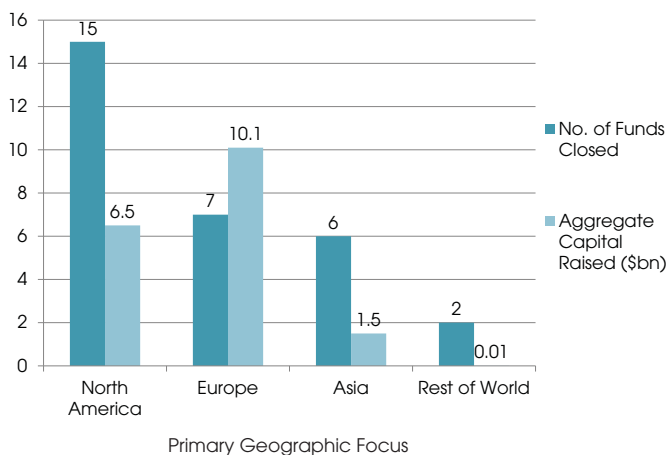
Fundraising in Q3 2014

Thirty private real estate funds closed in Q3 2014, raising an aggregate \$18bn, the lowest quarterly amount raised since Q1 2013 (Fig. 1). However, fundraising remains strong in 2014 as a whole, with the \$63bn raised in the first three quarters of the year surpassing the \$56bn raised in the same period last year. Capital is becoming more concentrated among fewer managers, with only 121 funds closing during the first three quarters of 2014, compared to the 166 vehicles that closed between Q1 and Q3 2013.

As in Q1 2014, Europe-focused funds collected the most capital in Q3 2014 (Fig. 2), with seven Europe-focused vehicles securing \$10.1bn. This was largely accounted for by the \$7.2bn garnered by Lone Star Fund IX, with 50% of this capital focusing on Europe; the fund is the largest to close so far in 2014.

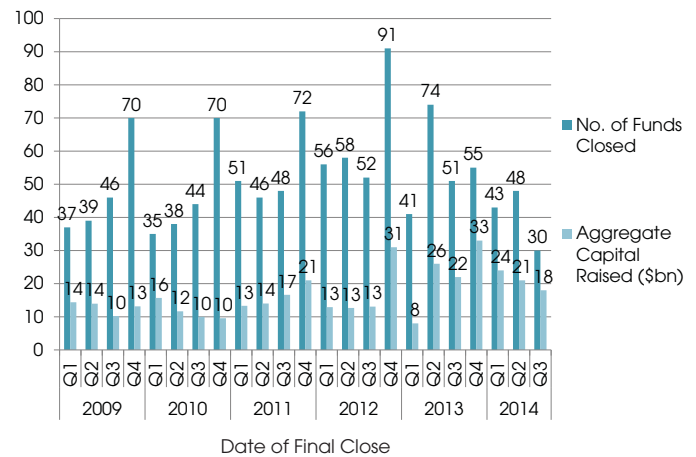
View detailed information on over 3,200 private real estate funds closed historically using Preqin's **Real Estate Online**. For more information, please visit: www.preqin.com/reo

Fig. 2: Closed-End Private Real Estate Fundraising in Q3 2014 by Primary Geographic Focus



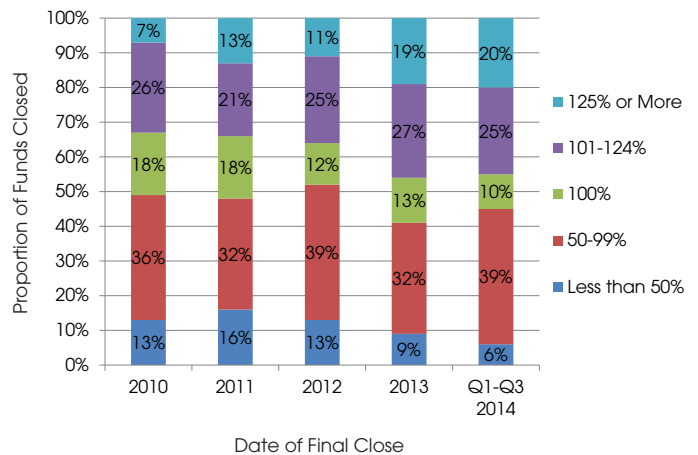
Source: Preqin Real Estate Online

Fig. 1: Global Quarterly Closed-End Private Real Estate Fundraising, Q1 2009 - Q3 2014



Source: Preqin Real Estate Online

Fig. 3: Breakdown of Closed-End Private Real Estate Funds by Proportion of Target Size Achieved, Funds Closed 2010 - Q3 2014



Source: Preqin Real Estate Online

Fig. 4: 10 Largest Closed-End Private Real Estate Funds Closed in Q3 2014

Fund	Firm	Final Close Size (mn)	Strategies	Location Focus
Lone Star Fund IX	Lone Star Funds	7,200 USD	Debt, Distressed and Opportunistic	Global
Carmel Partners Investment Fund V	Carmel Partners	1,025 USD	Debt, Distressed, Opportunistic and Value Added	US
Meyer Bergman European Retail Partners II	Meyer Bergman	750 EUR	Opportunistic and Value Added	Europe
Rockpoint Core Plus Real Estate Fund	Rockpoint Group	950 USD	Core, Core-Plus and Debt	US
Exeter Industrial Value Fund III	Exeter Property Group	832 USD	Value Added	US
Brookfield Fairfield U.S. Multifamily Value Add Fund II	Fairfield Residential	805 USD	Value Added	US
Europa Fund IV	Europa Capital	600 EUR	Opportunistic and Value Added	West Europe
GreenOak US II	GreenOak US	756 USD	Distressed and Opportunistic	US
Fir Tree Real Estate Fund III	Fir Tree Partners	750 USD	Debt and Value Added	US
Clearbell Property Partners II	Clearbell Capital	400 GBP	Opportunistic	UK

Source: Preqin Real Estate Online

How can Preqin's real estate data help you?

Preqin's [Real Estate Online](#) is the leading source of intelligence on the real estate industry, and is constantly updated by Preqin's dedicated team of multi-lingual analysts.



Source **new investors** with comprehensive profiles of over **4,500 institutions** actively investing in real estate.

Analyze **fundraising activity** over time by strategy, property type and location for more than **4,800 funds**.

Find **active managers in real estate**, with detailed profiles on over **2,300 fund managers** from around the world.

Identify which fund managers have the best **track record** with performance data for more than **1,200 individual named funds**.

Preqin's [Real Estate Online](#) is a vital tool for all professionals active in the real estate industry. For more information, or to arrange a demonstration, please visit:

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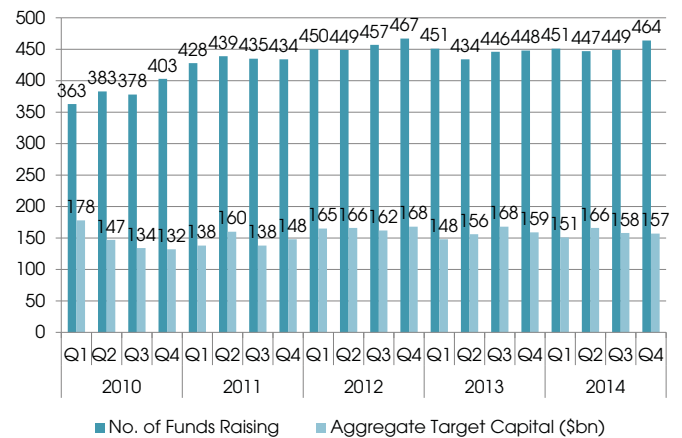


Funds in Market

There are 464 closed-end private real estate funds in market as of Q4 2014, seeking aggregate capital commitments of \$157bn, demonstrating intense competition among managers for investor capital (Fig. 1). Fund managers continue to find it challenging to raise sufficient amounts of capital to close their funds. A quarter of funds on the road have already been in market for more than two years (Fig. 3). For some of the big names in the industry however, the story can be quite different. Starwood Opportunity Fund X Global, the largest fund in market with a target of \$4.5bn, raised \$2.1bn within the first three months of its launch, holding a first close in June 2014. Real Estate Capital Asia Partners IV, managed by SC Capital Partners, reached a first close in September 2014, having also been in market for just three months, securing \$365mn of its \$750mn target.

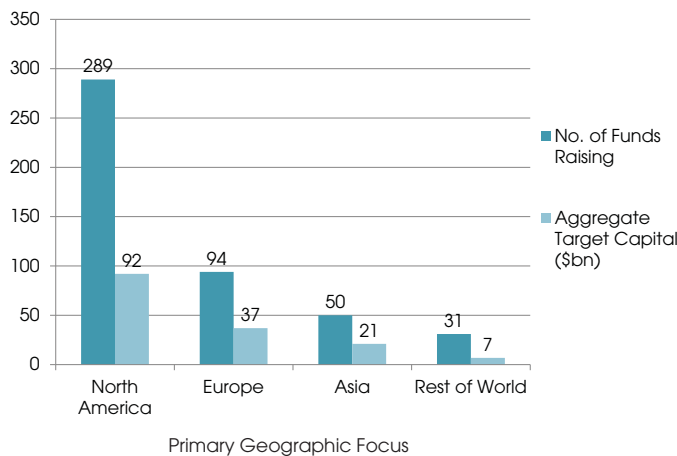
Preqin's **Real Estate Online** contains extensive profiles for all 464 private real estate funds currently in market, including target size, interim closes and investment preferences. For more information, please visit: www.preqin.com/reo

Fig. 1: Closed-End Private Real Estate Funds in Market over Time, Q1 2010 - Q4 2014



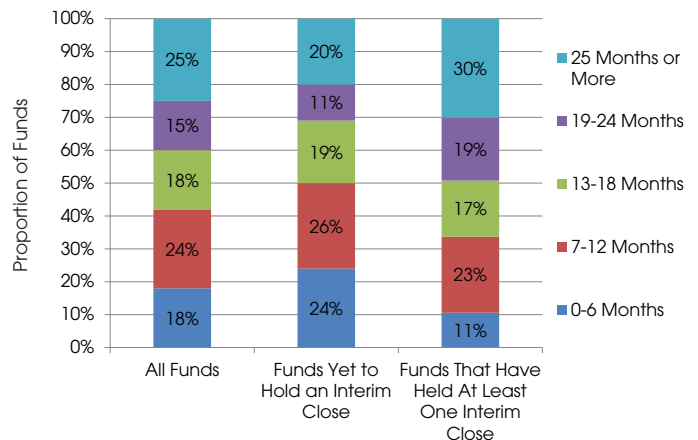
Source: Preqin Real Estate Online

Fig. 2: Breakdown of Closed-End Private Real Estate Funds in Market by Primary Geographic Focus



Source: Preqin Real Estate Online

Fig. 3: Breakdown of Closed-End Private Real Estate Funds in Market by Time on the Road



Source: Preqin Real Estate Online

Fig. 4: 10 Largest Closed-End Private Real Estate Funds Currently in Market

Fund	Firm	Target Size (mn)	Strategies	Location Focus
Starwood Opportunity Fund X Global	Starwood Capital Group	4,500 USD	Debt, Distressed, Opportunistic and Value Added	Global
Blackstone Real Estate Partners Asia	Blackstone Group	4,000 USD	Opportunistic	Asia
Carlyle Realty Partners VII	Carlyle Group	3,500 USD	Opportunistic	US
Oaktree Real Estate Opportunities Fund VII	Oaktree Capital Management	3,500 USD	Debt, Distressed and Opportunistic	Global
Hermes Real Estate Senior Debt Fund	Hermes Real Estate	1,500 GBP	Debt	UK
CIM Fund VIII	CIM Group	2,500 USD	Opportunistic	North America
Rockpoint Real Estate Fund V	Rockpoint Group	2,500 USD	Distressed, Opportunistic and Value Added	Global
Westbrook Real Estate Fund X	Westbrook Partners	2,500 USD	Opportunistic and Value Added	Global
CBRE Strategic Partners US Value 7	CBRE Global Investors	2,100 USD	Value Added	US
MSREF VIII Global	Morgan Stanley Real Estate Investing	2,000 USD	Opportunistic	Global

Source: Preqin Real Estate Online



Institutional Investors in Private Real Estate

Investor confidence in private real estate appears to have increased over the last six months, with 32% of investors stating that their investments have exceeded expectations over the last 12 months, an increase from the 10% of respondents which stated so in August 2013 (Fig. 1). Looking ahead, 29% of investors plan to commit more capital to the asset class over the next year than they did over the previous 12 months, compared to 18% which stated so in December 2013 (Fig. 2).

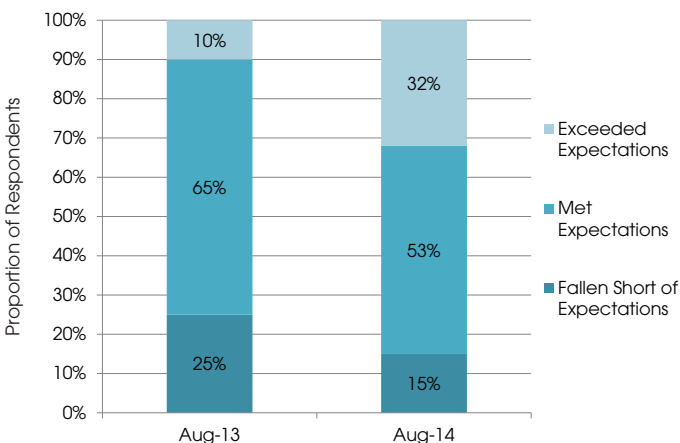
Encouragingly, those investors that will be active are likely to commit to several funds, with 50% of active investors stating that they plan to invest in four or more private real estate funds in the next year, compared to just 16% of investors which stated so in August 2013 (Fig. 3). This trend is further highlighted in Fig. 4, with over half (55%) of investors planning to commit more than \$100mn to private real estate in the next 12 months, compared to 40% which stated so in August 2013.

Preqin's **Real Estate Online** contains detailed information for over 4,500 active real estate investors worldwide and features key information on investors' preferences, direct contact details for key professionals, plans for the next 12 months, and much more.

The **Future Fund Searches and Mandates** feature is the perfect tool to pinpoint those institutions that are seeking new real estate funds for investment. Search for potential new investors by their current investment searches and mandates, including fund type and regional preferences.

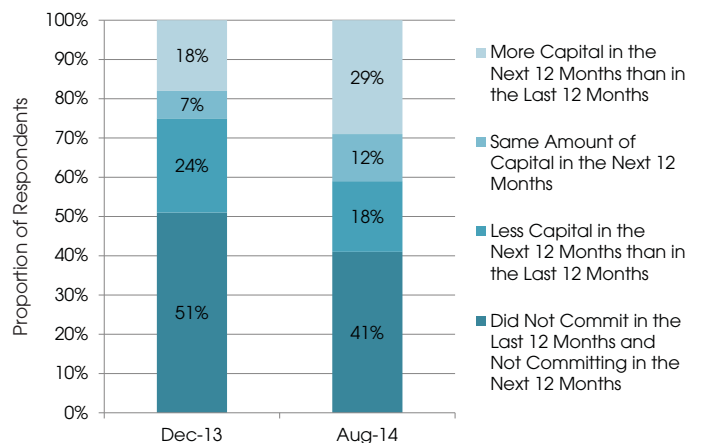
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Fig. 1: Proportion of Investors that Feel Their Private Real Estate Investments Have Lived up to Expectations over the Past 12 Months, August 2013 - August 2014



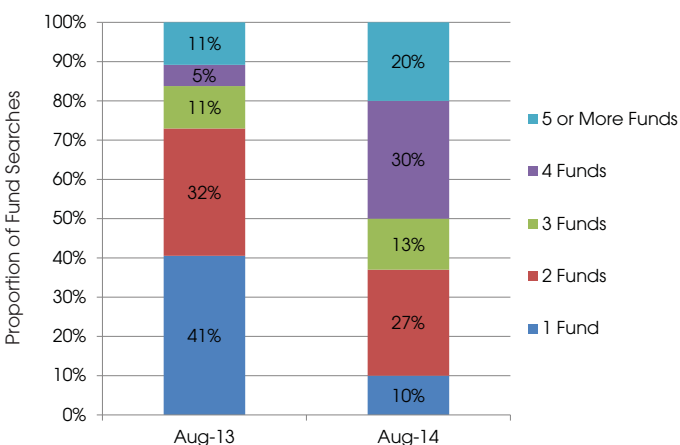
Source: Preqin Investor Surveys, August 2013 - August 2014

Fig. 2: Investors' Expected Capital Commitment to Private Real Estate Funds in the Next 12 Months Compared to the Previous 12 Months, December 2013 - August 2014



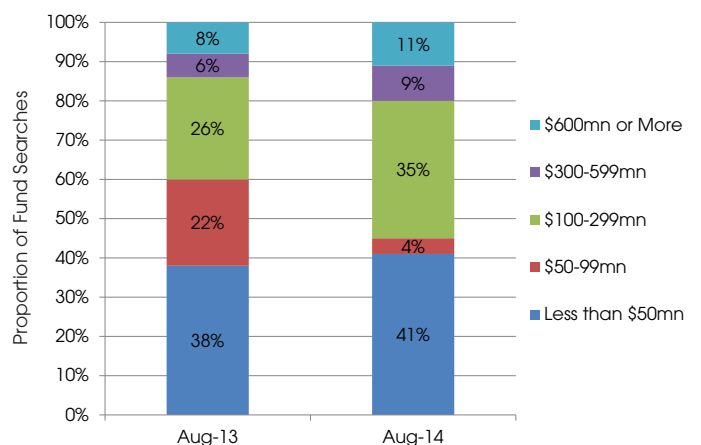
Source: Preqin Investor Surveys, December 2013 - August 2014

Fig. 3: Investors' Expected Number of Private Real Estate Fund Commitments in the Next 12 Months, August 2013 - August 2014



Source: Preqin Real Estate Online

Fig. 4: Amount of Fresh Capital Investors Plan to Invest in Private Real Estate over the Next 12 Months, August 2013 - August 2014



Source: Preqin Real Estate Online



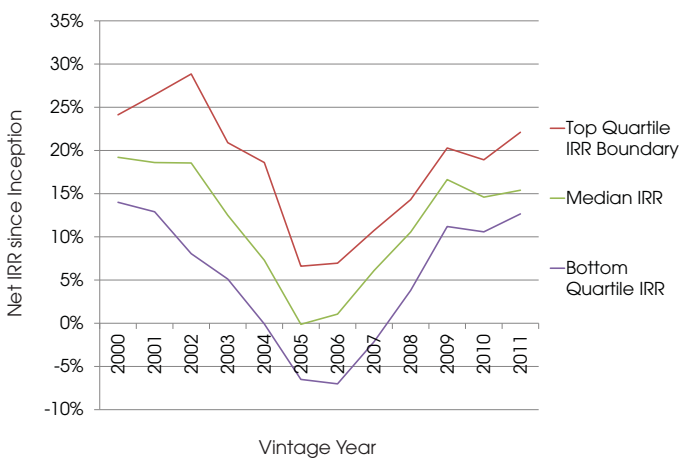
Fund Performance

Private real estate funds have seen positive average changes in NAV for 16 consecutive quarters to Q1 2014, although Q1 saw only a relatively modest average increase in NAV of 1.3% (Fig. 1). Additionally, the median net IRRs of more recent private real estate funds are encouraging, standing at 16.6%, 14.6% and 15.5% for vintage 2009, 2010 and 2011 funds respectively (Fig. 2).

Examining J-curves for funds of more recent vintage years also demonstrates encouraging signs for performance, as do the capital distributions to investors by vintage 2008 and 2009 funds. Debt funds have demonstrated the strongest performance over recent years, with the PrEQIn Debt Index standing at 95.5 as of 31 March 2014.

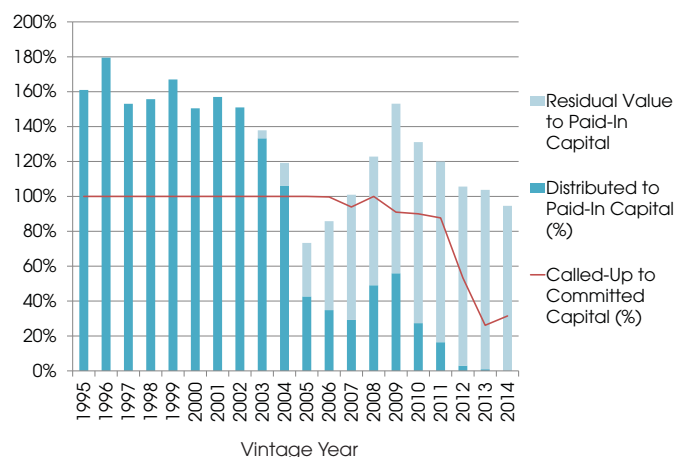
Access individual fund-level performance data for over 1,200 private real estate funds on Preqin's **Real Estate Online**.
 For more information, please visit: www.preqin.com/reo

Fig. 2: Closed-End Private Real Estate Funds: Median Net IRRs and Quartile Boundaries by Vintage Year (As of 31 March 2014)



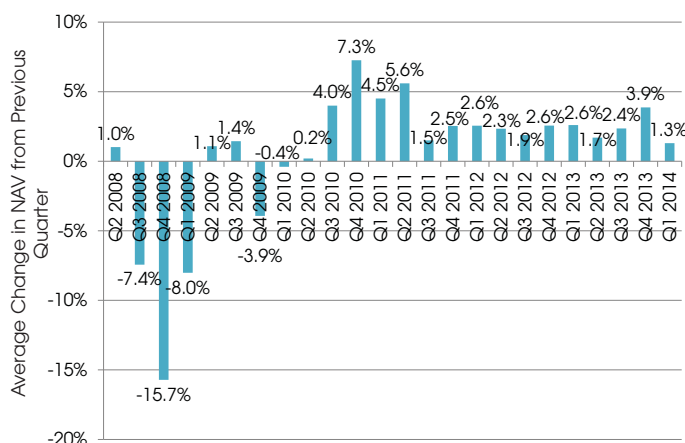
Source: Preqin Real Estate Online

Fig. 4: Closed-End Private Real Estate Funds: Median Called-up, Distributions and Residual Value Ratios by Vintage Year (As of 31 March 2014)



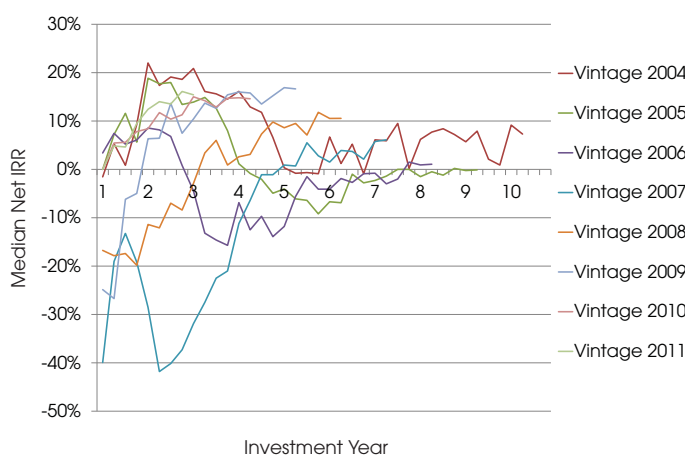
Source: Preqin Real Estate Online

Fig. 1: Closed-End Private Real Estate Quarterly Change in NAV, Q2 2008 - Q1 2014



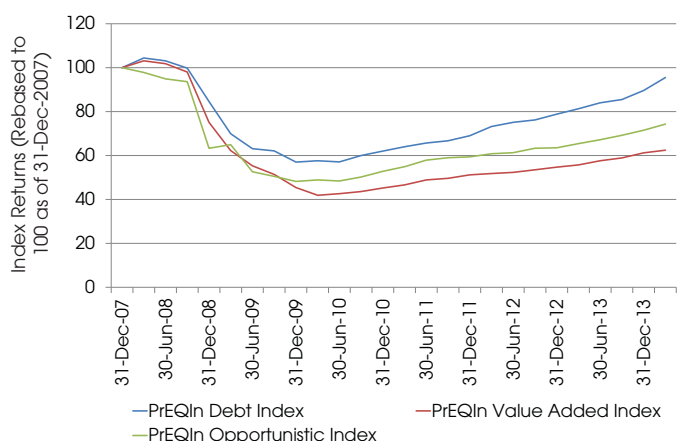
Source: Preqin Real Estate Online

Fig. 3: J-Curve: Annual Median Net IRRs by Vintage Year (As of 31 March 2014)



Source: Preqin Real Estate Online

Fig. 5: PrEQIn Index: Real Estate by Strategy



Source: Preqin Real Estate Online



The Q3 2014 Preqin Quarterly Update: Real Estate



alternative assets. intelligent data.

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With global coverage and detailed information on all aspects of the real estate asset class, Preqin's industry-leading Real Estate Online service keeps you up-to-date on all the latest developments in the real estate universe.

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Find the most relevant investors, with access to detailed profiles for over 4,500 institutional investors actively investing in real estate, including insurance companies, pension funds, family offices, foundations, wealth managers, endowments, banks and more.

Identify potential investment opportunities

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Find active fund managers in real estate

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Analyze the latest real estate fundraising activity

See which fund managers are currently on the road raising a private equity real estate fund and which will be coming to market soon. Analyze fundraising over time by fund strategy, property type and location.

Benchmark performance

Identify which fund managers have the best track records with performance benchmarks for real estate funds and view performance details for over 1,200 individual named funds.

Examine fund terms

Use our unique Fund Terms Calculator to model fee changes and see: what are the typical terms that a real estate fund charges? What are the implications of making changes to different fees? How do these fees vary between fund type and strategy?

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