

Sector- Specific vs. Diversified Real Estate Funds

November 2013

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Fig. 1: Performance Quartile Breakdown of US-Focused Closed-End Private Real Estate Funds: Sector-Specific vs. Diversified Funds (2000 - 2010 Vintage Funds)

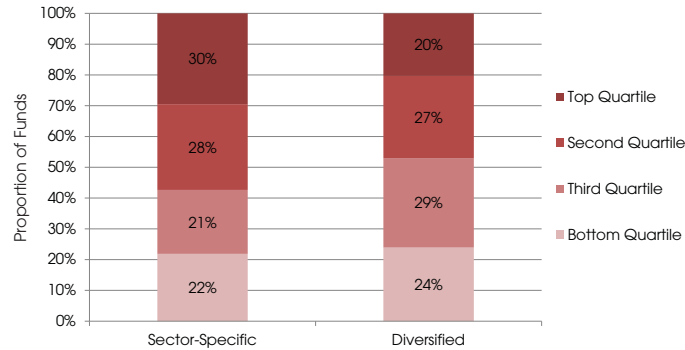
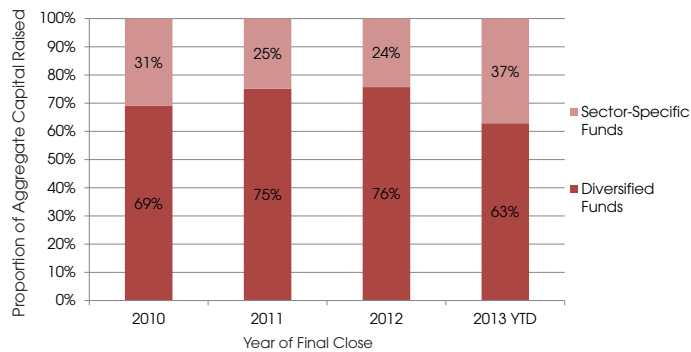


Fig. 4: Annual Breakdown of Aggregate Capital Raised by US-Focused Closed-End Private Real Estate Funds: Sector Specific vs. Diversified Funds, 2010-2013 YTD (As at 4 November 2013)



Sector-specific US-focused private real estate funds have frequently outperformed their diversified counterparts, with 30% of sector-specific funds investing in the US of 2000 – 2010 vintage years ranked as top quartile and a further 28% ranked as second quartile. In comparison, the majority (53%) of diversified funds rank as third or bottom quartile (Fig. 1).

Funds targeting niche property sectors (student housing, senior home or medical property) and industrial funds are most likely to be ranked as top quartile (Fig. 2).

Fig. 2: Performance Quartile Breakdown of Sector-Specific US-Focused Closed-End Private Real Estate Funds by Sector (2000 - 2010 Vintage Funds)

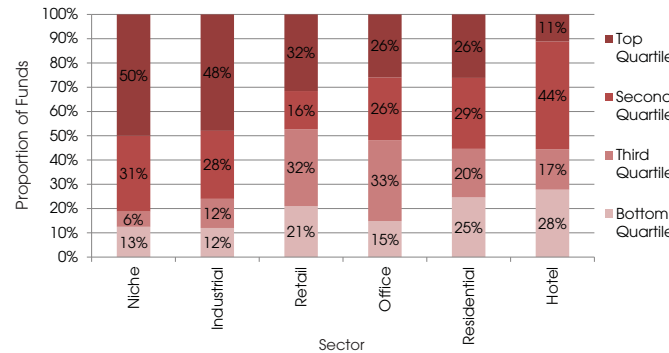
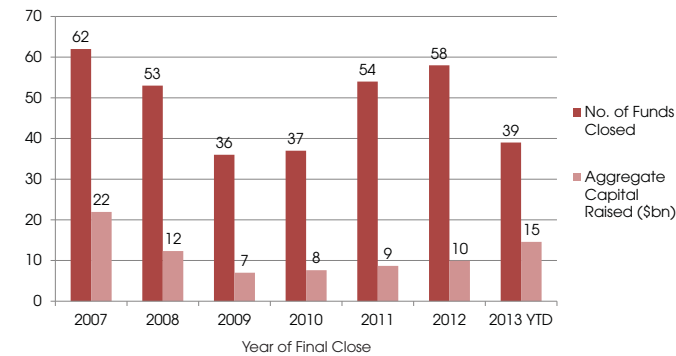


Fig. 5: Annual Sector-Specific US-Focused Closed-End Private Real Estate Fundraising, 2007-2013 YTD (As at 4 November 2013)



Sector-specific funds holding final closes in 2013 to date have been more likely to close on or above target, with 68% meeting or exceeding their initial target size, compared to 43% of diversified property funds (Fig. 3).

Although private real estate funds with a diversified property focus remain more prevalent than sector-specific funds, 2013 so far has seen an increase in the proportion of aggregate capital raised by these sector-specific funds, from 24% in 2012 to 37% in 2013 so far (Fig. 4).

Fig. 3: Breakdown of US-Focused Closed-End Private Real Estate Funds Closed in 2013 by Proportion of Target Size Achieved: Sector-Specific vs. Diversified Funds

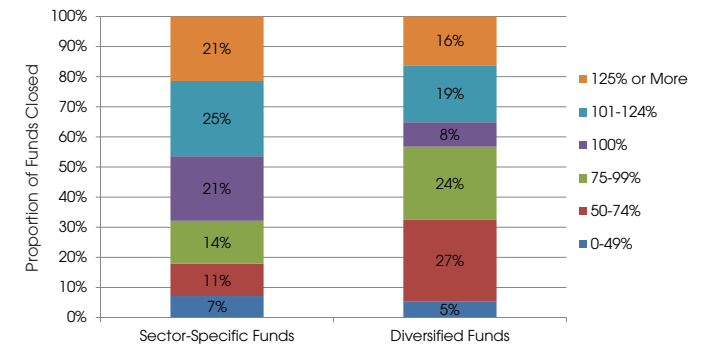
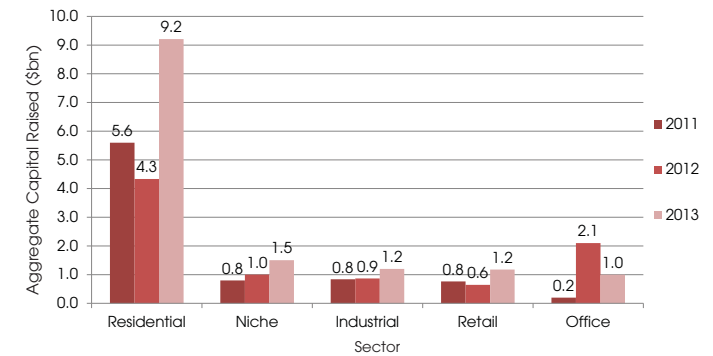


Fig. 6: Annual Aggregate Capital Raised by Sector-Specific US-Focused Closed-End Private Real Estate Funds by Sector, 2011 - 2013 YTD (As at 4 November 2013)



Fundraising for sector-specific private real estate funds focusing on the US has increased every year since 2009, from 26 funds raising an aggregate \$7bn in 2009 to 39 funds closed in 2013 so far raising \$15bn (Fig. 5).

Specifically, residential property has seen a particularly large increase in capital raised, more than doubling in the last year from \$4.3bn, although industrial, niche and retail funds have also seen an increase in aggregate capital raised (Fig. 6).

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Fig. 7: 10 Largest US-Focused Sector-Specific Private Real Estate Funds Closed in 2013 YTD (As at 04 November 2013)

Fund	Manager	Final Close Size (\$mn)	Primary Sector Focus
Lone Star Fund VIII	Lone Star Funds	5,000	Residential
KTR Industrial Fund III	KTR Capital Partners	1,200	Industrial
Merlone Geier Partners Fund XI	Merlone Geier Partners	900	Retail
Harrison Street Real Estate Partners IV	Harrison Street Real Estate Capital	750	Niche
Kayne Anderson Real Estate Partners III	Kayne Anderson Capital Advisors	750	Niche
Tishman Speyer Real Estate Venture VIII	Tishman Speyer	700	Office
Real Estate Opportunity Capital Fund II	Bridge Investment Group Partners	596	Residential
GTIS US Residential Strategies	GTIS Partners	526	Residential
Encore Housing Opportunity Fund II	Encore Housing Opportunity Fund	460	Residential
IMT Capital Fund III	IMT Capital	400	Residential

Fig. 8: 10 Largest US-Focused Sector-Specific Private Real Estate Funds in Market (As at 04 November 2013)

Fund	Manager	Target Size (\$mn)	Primary Sector Focus
Brookfield Core-Plus Office Fund	Brookfield Asset Management	1,000	Office
Inland Retail Property Fund	Inland Institutional Capital Partners Corporation	1,000	Retail
Paramount Group Real Estate Fund VII	Paramount Group	1,000	Office
Sunbelt Rental High Yield Equity Fund	Sunbelt Housing Management	1,000	Residential
Beacon Capital Strategic Partners VII	Beacon Capital Partners	750	Office
Cabot Industrial Value Fund IV	Cabot Properties	650	Industrial
Greystar Equity Partners VIII	Greystar Real Estate Partners	600	Residential
Praedium VIII Multifamily Value Fund	Praedium Group	600	Residential
Wolff Real Estate Partners II	The Wolff Company	550	Residential
High Street Real Estate Fund IV	High Street Equity Advisors	500	Industrial

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