

The Preqin Quarterly Update

Real Estate

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

Content Includes...

Investor Outlook

We examine which investors are searching for new funds, the strategies and regions they will be targeting and their current and target allocations to real estate.

Fundraising Trends

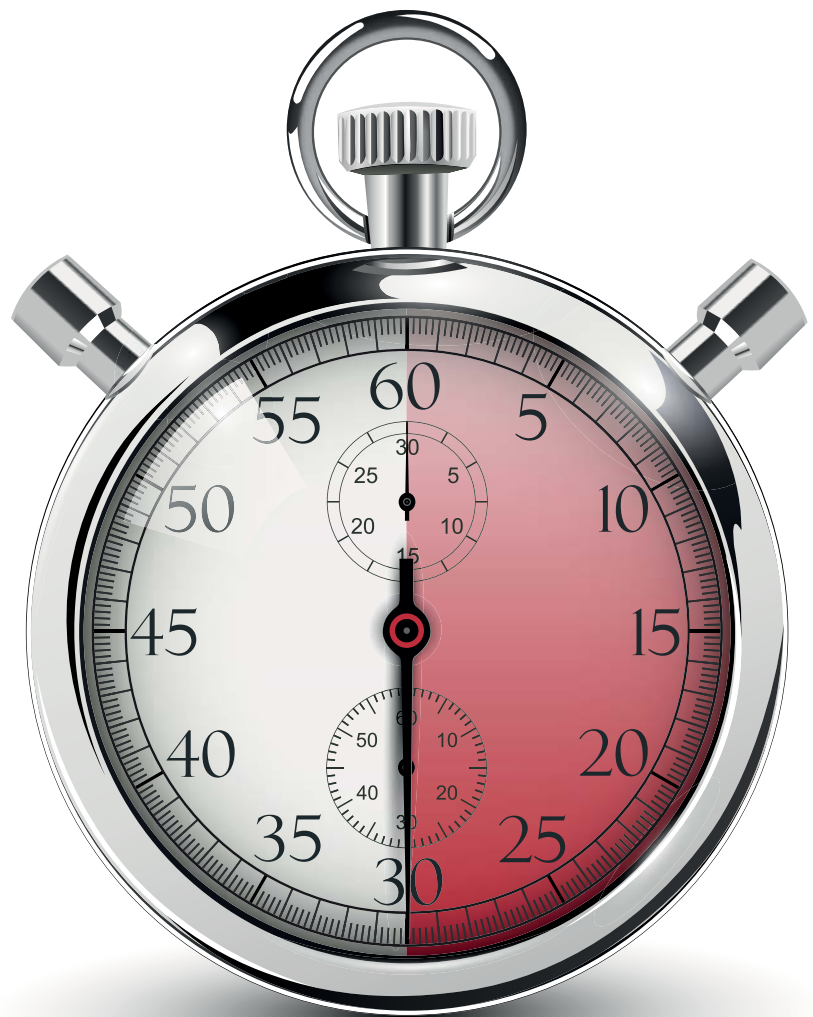
We analyze the latest fundraising data for Q2 2013, including geographic breakdowns and proportion of target size achieved.

Funds in Market

We look at the current real estate market, including the largest funds in market and average time spent in market.

Performance Update

We provide key stats on the latest real estate fund performance, including IRRs, quarterly changes in NAV and the PrEQIn Index.





Foreword

The second quarter of 2013 saw significant improvement in private equity real estate fundraising, following a slow start to the year. A total of \$19bn was raised by the 35 funds to close in the quarter, more than three times the amount of capital raised in Q1; Lone Star Funds, Starwood Capital Group, Alpha Investment Partners and TA Associates Realty were among the managers to close large funds in the quarter. Fundraising remains a difficult process however, with managers that closed funds in Q2 spending an average of more than 18 months marketing their funds. Of those managers that successfully close funds, almost half (48%) fell short of their fundraising targets.

The fundraising market is extremely crowded and the aggregate target of funds on the road increased by \$7bn during Q2, with \$163bn now sought by the 443 funds in market. Sixty percent of these funds have already been on the road for more than a year, highlighting how difficult it is for fund managers to close their offerings. Investor appetite for new private real estate commitments remained mixed, and it is clear that not all managers attempting to raise funds will be successful.

The recent performance of the asset class is encouraging however, with private equity real estate funds seeing an average increase in NAV in 11 consecutive quarters; additionally, the initial signs are that many of the more recent vintage funds will be strong performers.

Behind every data point in this report is a wealth of individual firm- and fund-level data from Preqin's Real Estate Online service, gathered through Preqin's direct contact with industry professionals across the globe. 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.

2013 Preqin Investor Network Global Alternatives Report

The [2013 Preqin Investor Network Global Alternatives Report](#) is the most comprehensive review of the alternatives industry aimed exclusively at institutional investors ever undertaken. The report covers a wide range of topics, including asset allocation, fund selection and due diligence.

The 105-page [2013 Preqin Investor Network Global Alternatives Report](#) is freely accessible on Preqin's website.

To download a digital copy of the Report, please visit:

www.preqin.com/PIN2013

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Fundraising in Q2 2013

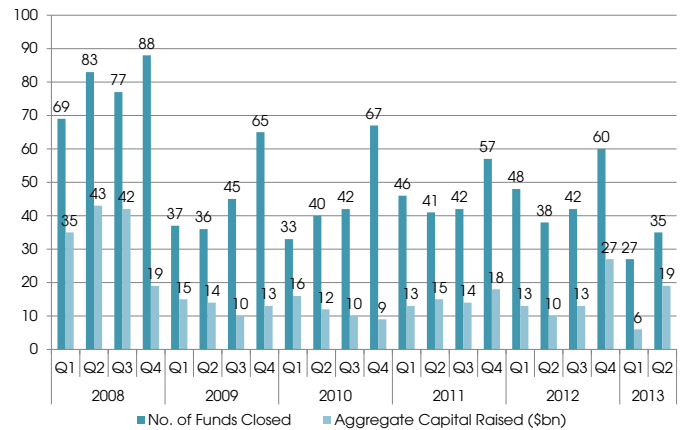
Private equity real estate fundraising bounced back strongly in Q2 2013 following a slow start to the year. Thirty-five closed-end private real estate funds held final closes in Q2 2013, raising an aggregate \$19bn, more than triple the amount raised by funds that closed in the previous quarter. North America-focused funds raised the majority of this capital, with 27 funds securing a total of \$15.6bn, accounting for 81% of total capital raised globally.

The average time spent in market by closed-end funds has slightly decreased for funds closed so far in 2013 (18.7 months) in comparison to 2012 (19.2 months), although this is still more than double the amount of time funds closed in 2007 spent in market (9.2 months). Nonetheless, more managers are reaching their fundraising targets, with 52% of funds closed in Q2 2013 doing so on or above target, an increase on the proportion that met or exceeded their fundraising goals in Q1 2013.

View detailed information on over 4,100 real estate funds on Preqin's [Real Estate Online](#) service. Find out more at:

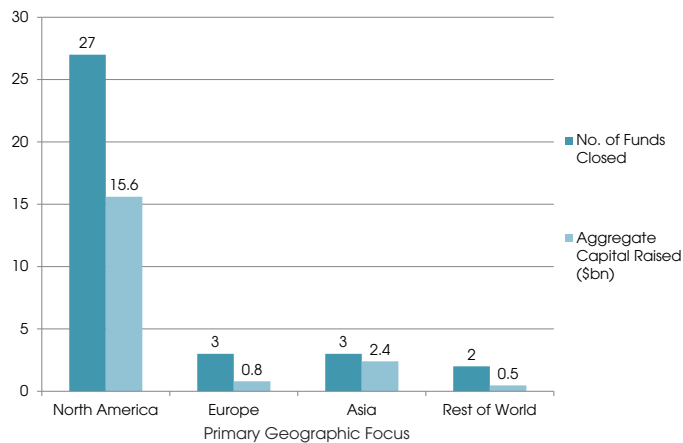
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Fig. 1: Quarterly Closed-End Private Real Estate Fundraising, Q1 2008 - Q2 2013



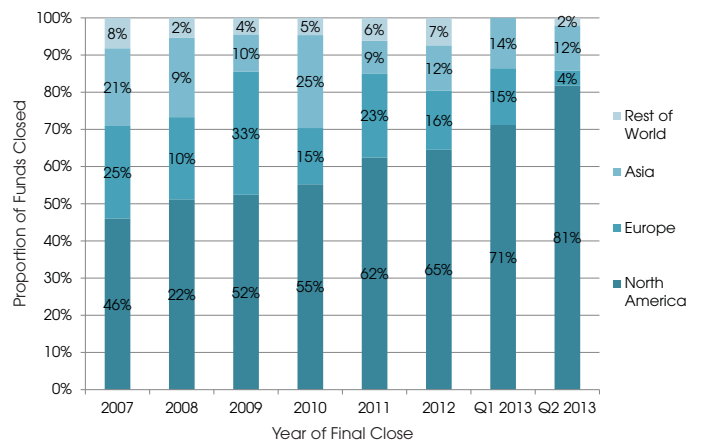
Source: Preqin Real Estate Online

Fig. 2: Closed-End Private Real Estate Fundraising in Q2 2013 by Fund Primary Geographic Focus



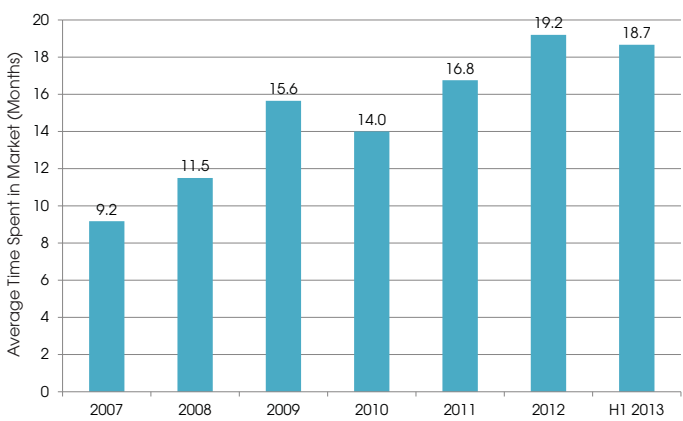
Source: Preqin Real Estate Online

Fig. 3: Proportion of Aggregate Capital Raised by Closed-End Private Real Estate Funds by Fund Geographic Focus, 2007 - Q2 2013



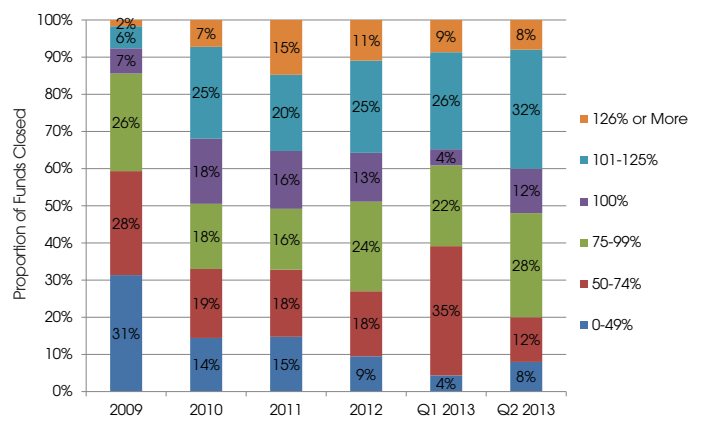
Source: Preqin Real Estate Online

Fig. 4: Average Time Taken for Closed-End Private Real Estate Funds to Achieve a Final Close by Year of Fund Close, Funds Closed 2007 - H1 2013



Source: Preqin Real Estate Online

Fig. 5: Breakdown of Closed-End Private Real Estate Funds by Proportion of Target Size Achieved, Funds Closed 2009 - Q2 2013



Source: Preqin Real Estate Online



Top 10 Funds Closed in Q2 2013

Fig. 1: 10 Largest Closed-End Private Real Estate Funds to Hold a Final Close in Q2 2013

Fund	Firm	Strategy Focus	Size (mn)	Geographic Focus	Property Focus
Lone Star Fund VIII	Lone Star Funds	Debt, Distressed, Opportunistic	5,000 USD	US, Europe, Japan	Residential, Single-Family
Starwood Distressed Opportunity Fund IX	Starwood Capital Group	Debt, Distressed, Opportunistic	4,200 USD	US, Brazil, India	Diversified
Alpha Asia Macro Trends Fund II	Alpha Investment Partners	Core-Plus, Value Added	1,650 USD	Asia	Diversified
TA Realty Associates X	TA Associates Realty	Core-Plus, Value Added	1,562 USD	US	Diversified
Kayne Anderson Real Estate Partners III	Kayne Anderson Capital Advisors	Opportunistic	750 USD	US	Student Housing
Tishman Speyer Real Estate Venture VIII	Tishman Speyer	Value Added	700 USD	US	Office
CITIC Capital China Retail Properties Investment Fund	CITIC Capital	Value Added	683 USD	China	Retail, Mixed Use
LaSalle Income & Growth VI	LaSalle Investment Management	Value Added	362 USD	US	Diversified
Pramerica Real Estate Capital III	Pramerica Real Estate Investors	Debt	260 EUR	Germany, UK	Diversified
TriGate Property Partners II	TriGate Capital	Value Added, Debt	324 USD	US	Diversified

Source: Preqin Real Estate Online

Receive fully customized email digests of updates and news on private equity real estate funds using the Preqin Alerts Centre on [Real Estate Online](#), including new funds launched and recent closes.

For more information, please visit: www.preqin.com/reo

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Funds in Market

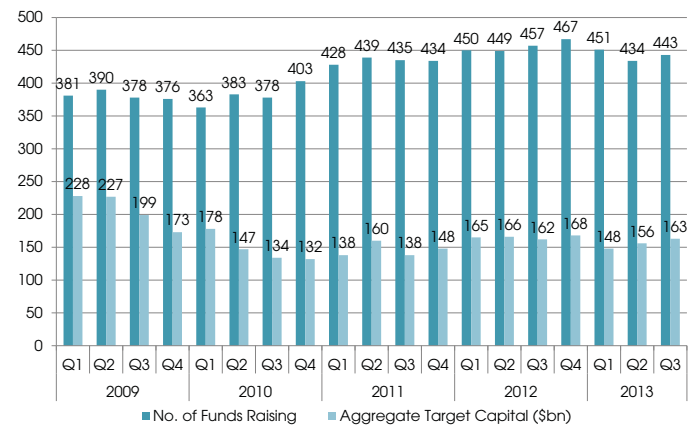
Both the number of funds in market and the aggregate capital sought increased during Q2 2013, meaning that the real estate fundraising market remains congested, with 443 funds on the road seeking an aggregate \$163bn. Of all funds in market, a significant 36% have been marketed for more than 18 months, indicating that fundraising is a long process for many firms. Almost half (49%) of funds that have yet to hold an interim close have been in the market for more than 12 months.

The recently launched Lone Star Real Estate Fund III is the largest fund in market, with a fundraising target size of \$6bn. Two opportunistic funds, Blackstone Real Estate Partners Asia and Brookfield Strategic Real Estate Partners, which are targeting \$4bn and \$3.5bn respectively, are the next largest funds on the road.

Real Estate Online contains details on all 443 real estate funds on the road, including target size, strategy and sector.

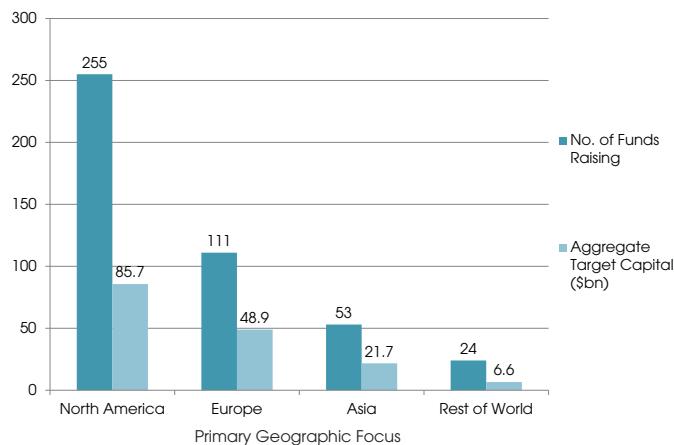
To find out more, please visit: www.preqin.com/reo

Fig. 1: Closed-End Private Real Estate Funds in Market, Q1 2009 - Q3 2013



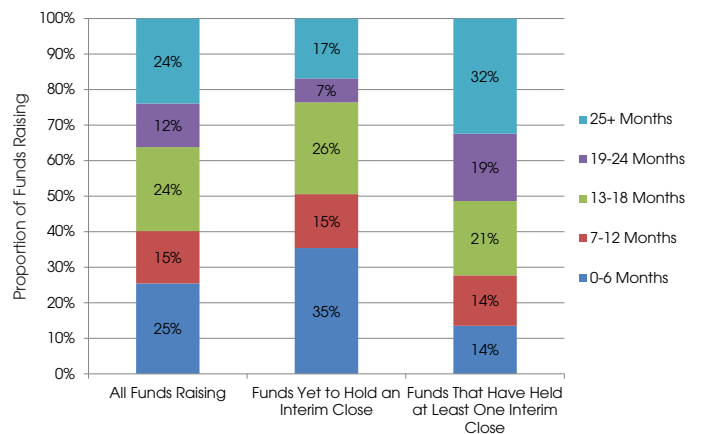
Source: Preqin Real Estate Online

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



Source: Preqin Real Estate Online

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



Source: Preqin Real Estate Online

Fig. 4: 10 Largest Closed-End Private Real Estate Funds in Market by Target Size (As of 10 July 2013)

Fund	Firm	Strategy Focus	Target (bn)	Geographic Focus
Lone Star Real Estate Fund III	Lone Star Funds	Debt, Distressed, Opportunistic	6.0 USD	Global
Blackstone Real Estate Partners Asia	Blackstone Group	Opportunistic	4.0 USD	Asia, Australasia
Brookfield Strategic Real Estate Partners	Brookfield Asset Management	Opportunistic	3.5 USD	Global
Goldman Sachs Real Estate Mezzanine Partners II	Goldman Sachs Merchant Banking Division	Debt	3.0 USD	North America, Europe
Blackstone Real Estate Debt Strategies II	Blackstone Group	Debt	3.0 USD	North America, Europe
Aalto Commercial Real Estate Loan Programme	Aalto Invest	Debt	1.5 GBP	Europe
Walton Street Real Estate Fund VII	Walton Street Capital	Opportunistic, Value Added	2.0 USD	US
CIM Fund VIII	CIM Group	Opportunistic	2.0 USD	US
Orion European Real Estate Fund IV	Orion Capital Managers	Opportunistic	1.3 EUR	West Europe
Oaktree Real Estate Opportunities Fund VI	Oaktree Capital Management	Debt, Distressed, Opportunistic	1.5 USD	Global

Source: Preqin Real Estate Online



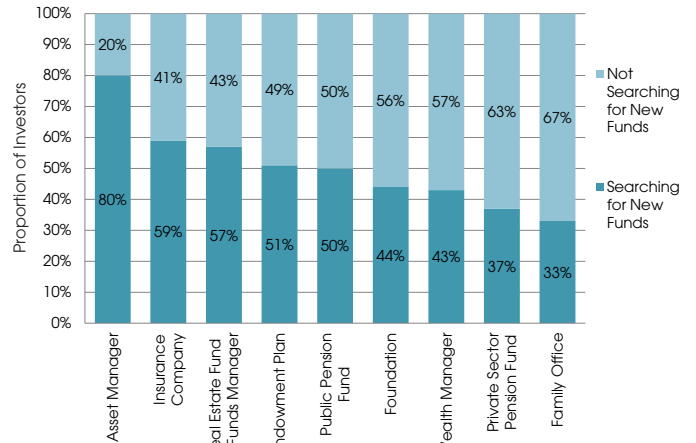
Institutional Investors in Private Real Estate

Asset managers are the most likely investor group to be planning new commitments to private real estate funds, with 80% of those with an existing allocation to real estate expecting to be active in the coming year (Fig. 1). Over 50% of North American and Asian investors are planning new commitments; however, only 40% of European investors are looking to invest in the next 12 months, which may be a result of ongoing uncertainty in the Eurozone and increased regulation in the region.

Interest in higher risk/return profile strategies continues to increase, with 36% and 32% of investors believing opportunistic and value added funds respectively are presenting the best opportunities in the current market (Fig. 4). North America is considered by 68% of institutions as the region presenting the best investment opportunities (Fig. 5).

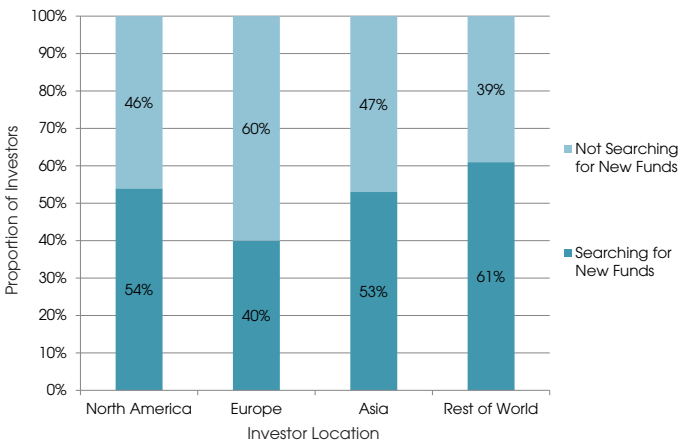
Interested in which investors are planning to make new fund commitments? Preqin's [Real Estate Online](#) contains details of the fund searches and mandates of over 470 investors plus detailed profiles for another 3,300 investors in the asset class. For more information, please visit: www.preqin.com/reo

Fig. 1: Proportion of Real Estate Investors Searching for New Funds in the Next 12 Months by Investor Type



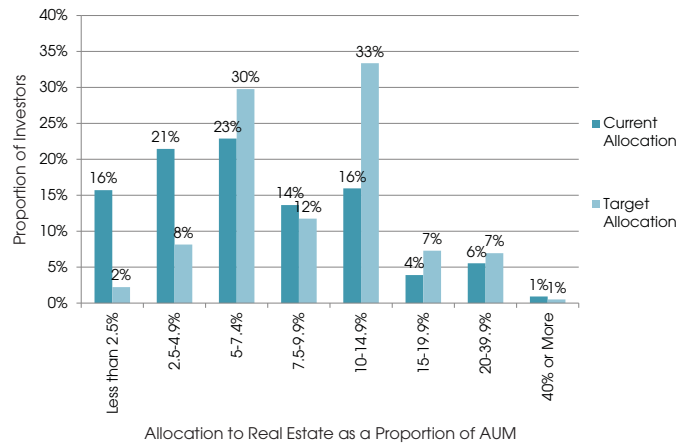
Source: Preqin Real Estate Online

Fig. 2: Proportion of Real Estate Investors Searching for New Funds in the Next 12 Months by Investor Location



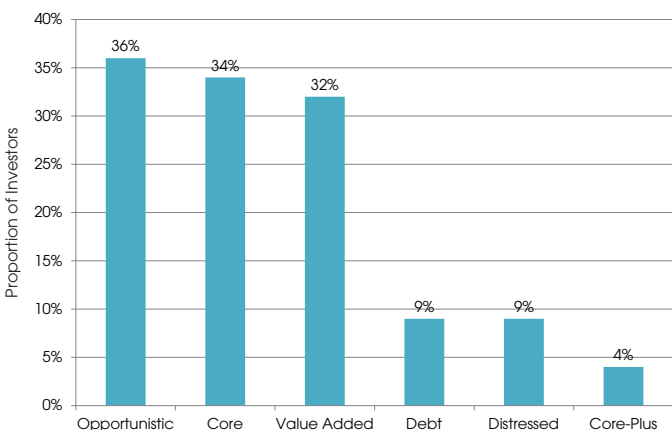
Source: Preqin Real Estate Online

Fig. 3: Distribution of Investors' Current and Target Allocations to Real Estate



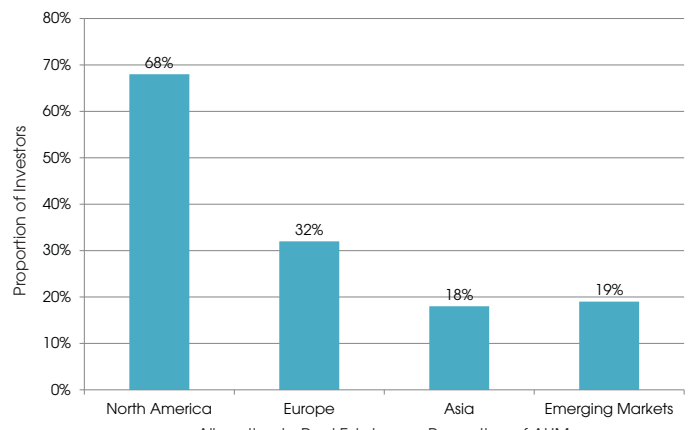
Source: Preqin Real Estate Online

Fig. 4: Strategies Investors Believe are Presenting the Best Opportunities in Real Estate



Source: Preqin Investor Interviews, June 2013

Fig. 5: Regions Investors Believe are Presenting the Best Opportunities in Real Estate



Source: Preqin Investor Interviews, June 2013



Fund Performance

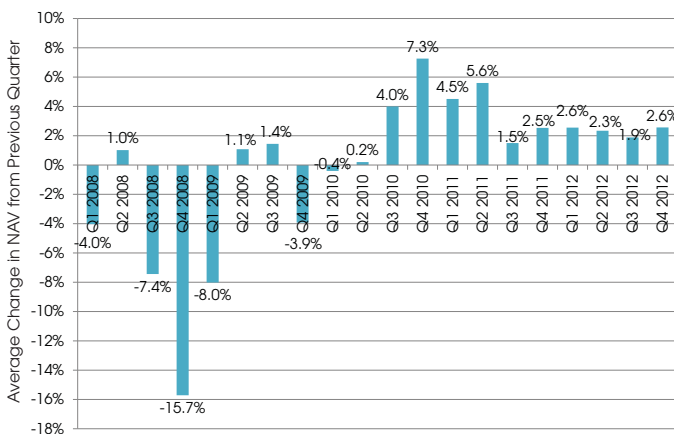
The performance of private equity real estate funds continues to improve, with the NAV of closed-end real estate funds seeing a positive change in each of the 11 quarters to December 2012 (Fig. 2). The performance of the more recent vintage funds is also encouraging, with the median net IRRs of 2009 and 2010 vintage funds standing at 16.0% and 12.9% respectively (Fig. 1).

The PrEQIn All Real Estate Index, which captures in an index the returns earned by investors on average in their private equity real estate portfolios, stood at 229.2 in December 2012, just above the PrEQIn All Private Equity Index which stood at 227.1, and significantly above the S&P 500 which stood at 118.9 (Fig. 5). However, the PrEQIn All Real Estate Index still remains significantly below its peak of 337.0 from June 2007.

Want to view net-to-LP returns with full metrics for over 1,100 individual named private real estate funds globally? Which firms have truly delivered value for their investors? Preqin's **Real Estate Online** can help.

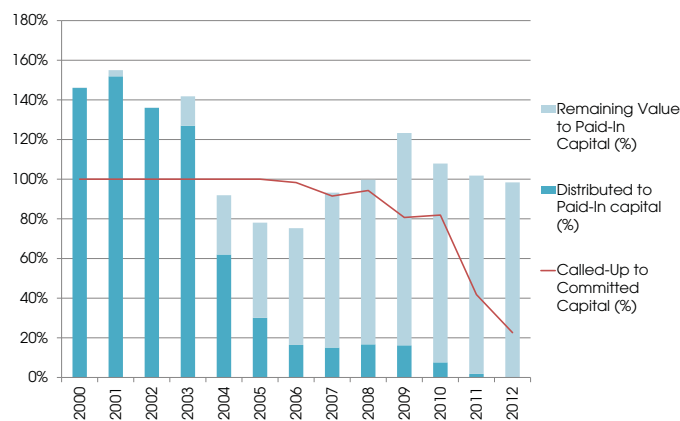
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Fig. 2: Closed-End Private Real Estate Quarterly Change in NAV, Q1 2008 - Q4 2012



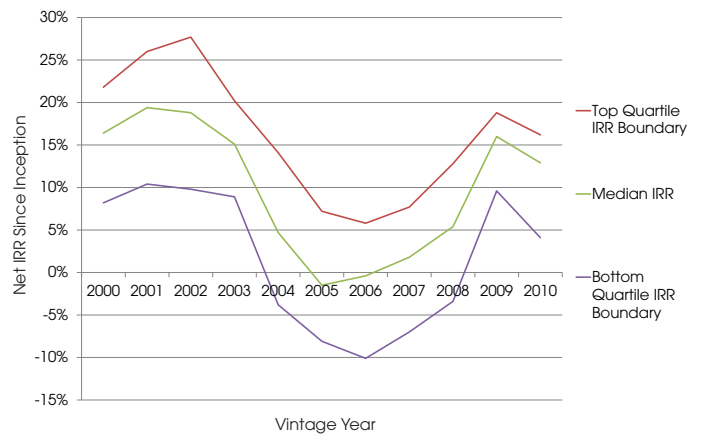
Source: Preqin Real Estate Online

Fig. 4: Closed-End Private Real Estate Funds: Median Called-up, Distributions and Residual Value Ratios by Vintage Year



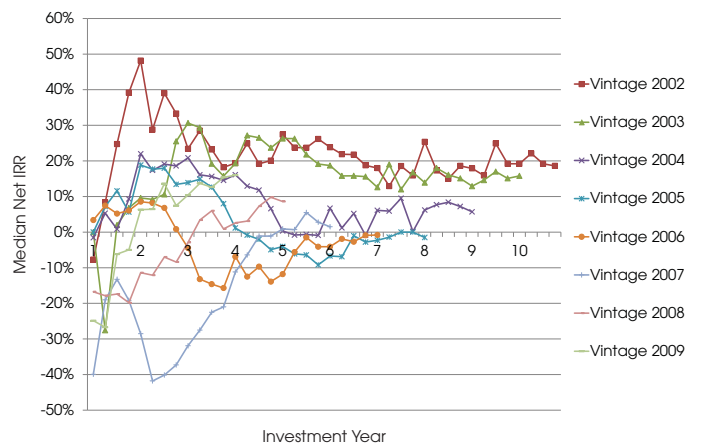
Source: Preqin Real Estate Online

Fig. 1: Closed-End Private Real Estate Funds: Median Net IRR and Quartile Boundaries by Vintage Year



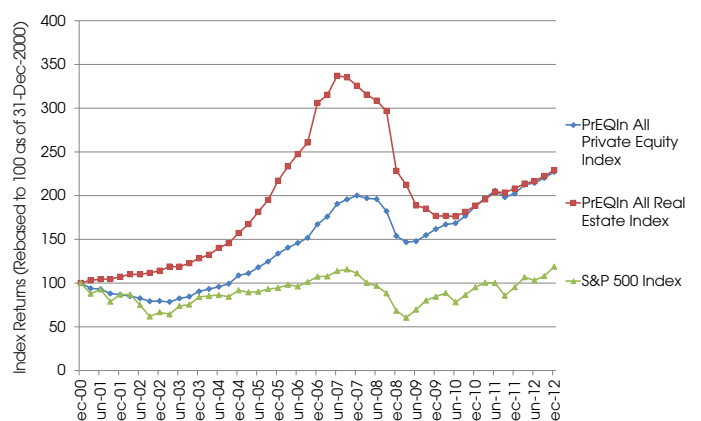
Source: Preqin Real Estate Online

Fig. 3: J-Curve: Annual Median Net IRRs by Vintage Year (as of 31st December 2012)



Source: Preqin Real Estate Online

Fig. 5: PrEQIn Index: Real Estate vs. Private Equity & S&P 500



Source: Preqin Real Estate Online

The Preqin Quarterly Update: Real Estate, Q2 2013



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Identify potential investment opportunities

View in-depth profiles for over 4,100 unlisted real estate funds encompassing all strategies, including core, core-plus, value added, opportunistic, debt and distressed and fund of funds.

Find active fund managers in real estate

Search for firms actively targeting real estate investments, with detailed profiles on over 1,700 fund managers from around the world including background, key contacts and funds raised.

Analyze the latest real estate fundraising activity

See who is currently on the road raising a private equity real estate fund and who 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 1,100 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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