

Real Estate Spotlight

July 2009 : Volume 3 - Issue 7

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Real Estate Spotlight is the monthly newsletter published by Preqin packed full of vital information and data, all based on our latest research into the private equity real estate industry.

Preqin Real Estate Online is an online service providing constantly updated data and analysis, with information on fundraising, fund performance and institutional investor profiles. For more information and to register for a free trial, please visit: www.preqin.com

Feature Article: PERE Secondaries - All Smoke and No Fire?

Our survey reveals a massive growth in potential interest in the secondaries market, both with regards to buying and selling interests. However, the number of deals taking place remains low. We take a closer look, and announce the launch of a new service allowing investors to receive a free indicative price valuation on their holdings.

[Please see page 3 for more information](#)

Fund Manager Focus: India-Based Firms

Each month Fund Manager Focus examines a particular Fund Manager type using Preqin's Real Estate Online. This month we examine India-based managers.

[Please see page 9 for more information](#)

Preqin Real Estate in the Spotlight

Preqin Real Estate Online is the industry's leading online source of information on private equity real estate, with data for:

- Fundraising
- Fund Performance
- Investor Profiles
- Plus more...

We take an in-depth look at the product, and how it can help you. Includes information on ordering and registering for your free trial.

[Please see page 8 for more information](#)

Fundraising Update

We take a look at some of the key statistics for fundraising in the real estate market, including which funds have recently closed.

[Please see page 11 for more information](#)

Investor News:

We take a look at some of the latest news amongst investors in private equity real estate. This month's news includes information on:

- 4IP Management AG
- Realdania
- AEVWL

[Please see page 13 for more information](#)

If you would like to receive Real Estate Spotlight each month please email respotlight@preqin.com.

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Scotia House, 33 Finsbury Square, London. EC2A 1BB

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Other Free Publications:

- Private Equity Spotlight
- Infrastructure Spotlight
- Hedge Fund Spotlight

Real Estate Spotlight is just one of the regular free publications produced by Preqin. Below are details of other publications regularly released by Preqin, along with details on how to register for your free copy.



Private Equity Spotlight:

Private Equity Spotlight is Preqin's free monthly newsletter, keeping you updated with vital information on private equity Fund Performance, Fund Raising and LPs. Each month's issue contains a special feature article on topics of interest.

To download recent issues and to register to receive Private Equity Spotlight, please visit:

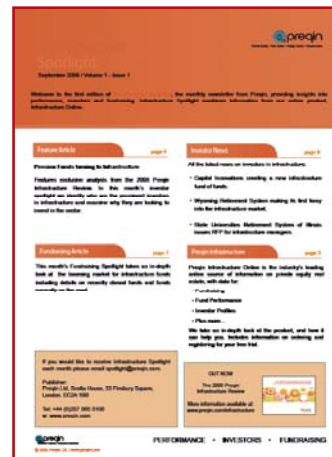
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Feature Article: PERE Secondary Market - All Smoke and No Fire?

As a result of the global economic downturn investors have had to review their investment portfolios in light of more testing circumstances. The viability, strengths and weaknesses of holdings within real estate private equity portfolios have come under scrutiny from investors looking to circumvent, soften or even benefit from instability caused by the economic downturn. This has led to a dramatic increase in the number of investors seeking to both sell and also buy interests on the secondary private equity real estate market.

Sellers

Many investors have been hit by the denominator effect. With stock portfolios falling, allocations to real estate private equity have risen without extra investments necessarily being made. Those badly affected by the economic crisis have had to consider their positions not only with regards to future real estate investments, but also in relation to their current investments and their committed but as yet uncalled capital liabilities. Some investors need to reduce their commitments to real estate in order to meet internal or external real estate allocation guidelines or regulations, with those investors employing overcommitment strategies having been hit especially hard.

Initially, many of those worst hit sought relief via redemptions on their open-ended real estate commitments, however a growing number of investors are now also interested in selling private equity real estate fund stakes on the secondary real estate market to gain some form of liquidity, possibly off-set allocation

regulations and halt further call-ups. Investors are also using the secondary market to rebalance portfolios, and to free up capital to reinvest in new funds following strategies deemed more appropriate for the current climate such as distressed investing.

Preqin has identified an unprecedented level of interest in the sale of private equity real estate fund stakes. A recent Preqin survey shows that 23% of investors with commitments to closed-ended commingled funds are interested in selling some of their stakes to third party investors (see Fig. 1). Of those investors, 81% are sure they would sell if suitable offers were made for the remainder of certain stakes. The other 19% were considering selling on the secondary market.

As Fig. 2 highlights, real estate fund of funds managers are the most prevalent investor group seeking to sell fund stakes on the secondary market. This is largely due to a desire to rebalance portfolios rather than out of need to release capital. Asset managers are the second most prevalent investor group accounting for 19% of those looking to sell. As they represent other institutional investors it is likely that at least one of their clients is going to need to find capital or be released from call-up obligations in the current market. Kleinwort Benson Private Bank is one such example. The asset manager sold a stake in a vehicle targeting the UK accommodation sector on the secondary market on behalf of a client earlier in the year as its client needed liquidity and the fund was not set to mature until 2012.

The remaining institutions looking to sell private equity real

Fig. 1: Investor Positions on Selling Private Equity Real Estate Funds on the Secondary Market

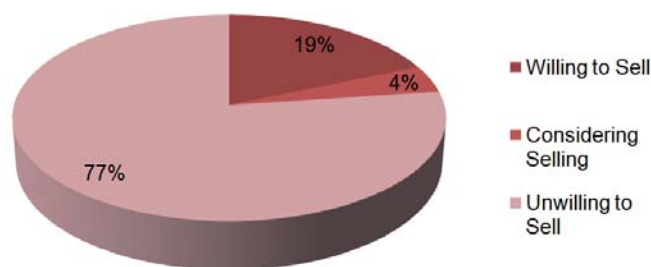
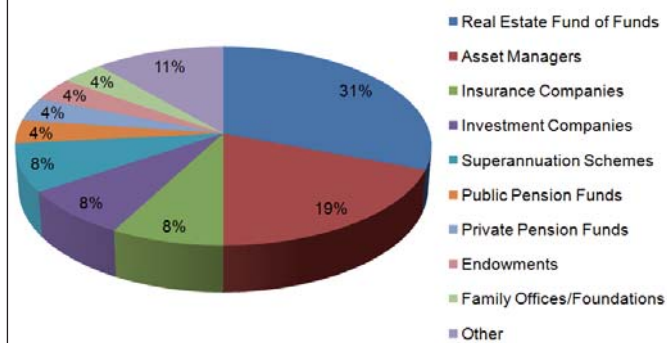


Fig 2: Make-up of Investors Looking to Sell on the Secondary Market by Type



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PERE Secondary Market - All Smoke and No Fire?

estate funds on the secondary market are fairly evenly spread by type. Insurance companies, investment companies and superannuation schemes each make up 8% of investors looking to sell on the secondary market. Endowments comprise 4% of investors seeking to sell to third party investors, as do family offices/foundations, public pension funds and private pension funds.

Buying

Whilst some investors are looking to sell private equity real estate on the secondary market, others are looking to take advantage of this opportunity to pick up funds at discounted prices to the net asset value of portfolios. Furthermore, acquiring stakes on the secondary market can be appealing to investors as they are able to mitigate the effects of the J-curve. By acquiring interests in vehicles on the secondary market, buyers can receive access to older vintages, enabling newer entrants to the asset class to assemble a more balanced portfolio.

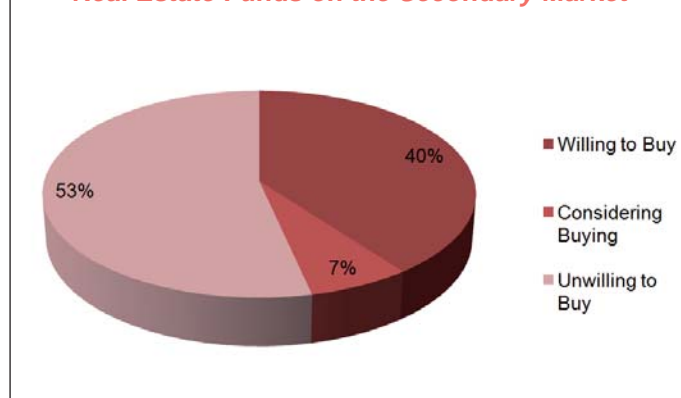
As seen in Fig. 3, 47% of those asked in a recent Preqin survey are interested in buying on the secondary market. Of that figure 85% expressed a clear desire to allocate to this strategy whilst 15% would consider doing so.

As with selling on the secondary market, buying is also the activity of a variety of investors. Interest is spread across the institutional spectrum. It would appear that this transaction is popular with those with liquidity and not specific to a particular type of investor.

Just as with selling, the most prevalent investor type looking to buy on the secondary market is real estate fund of funds. Fig. 6 shows that public pension funds are the second biggest group interested in purchasing stakes with 14% of those willing to buy from this group. An example is the German public pension fund AEVWL. Although the pension fund has not yet bought a real estate fund on the secondary market, it believes opportunities exist in the current market to do so. It still wants to reach an unfulfilled target allocation and sees the secondary market as an excellent way to help achieve this at more favourable prices.

AEVWL like so many other interested buyers, views the secondary market opportunistically. It has not devised a particular strategy for purchasing from other investors. It is open to various

Fig. 3: Investor Positions on Buying Private Equity Real Estate Funds on the Secondary Market



geographies, fund strategies and even vintages and will consider funds on a case-by-case basis. In talking to a range of institutions, it is evident that investors of varying types have this case-by-case outlook on the secondary industry.

Again asset managers are high in the list of interested investors due to their representation of a variety of investors. They make up 9% of those with a firm interest in buying private equity real estate on the secondary market, as do endowments, and superannuation schemes. Insurance companies represent 7% of the total with examples of those interested including Gothaer Versicherungsbank, Liberty Mutual Insurance and Phoenix Insurance Company.

The US-based Employees' Retirement System of Texas is one such investor interested in buying on the secondary market. The USD 20 billion public pension has a 7.5% target allocation to real estate, but has only invested 1.5% in the asset class. Advised by RV Kuhns & Associates, Texas will look to acquire secondary fund stakes to help it get nearer to its target allocation.

Fund of Funds and Secondary Specialists

Despite the recent growth in interest in the real estate secondary market from institutional investors, the secondary real estate market is still driven by those that make it their primary business to pursue secondary market investments. Five secondary real estate fund of funds managers dominate the secondary real estate scene. Belveron Real Estate Partners, CS Strategic Partners, Landmark Partners, Liquid Realty Partners and

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Madison International Realty have closed a combined USD 2.6 billion from investors across eight funds since 2005 to allocate to the secondary market.

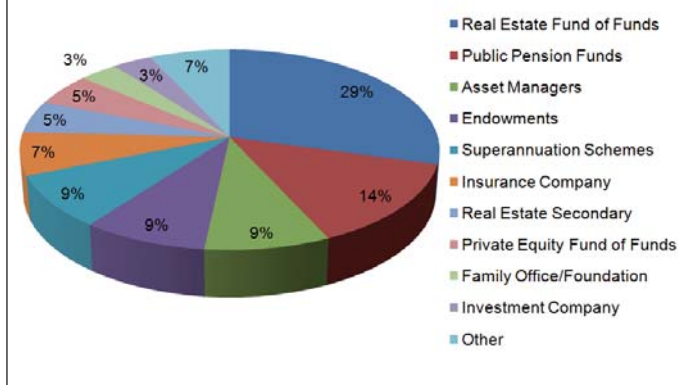
Liquid Realty Partners have raised the most capital since 2005, committing a potential USD 1.5 billion to the secondary market from capital raised from other investors. It garnered this capital across three vehicles. The largest of these funds was Liquid Realty III, which raised USD 772 million. It has committed to UK Property Unit Trusts as well as Limited Partnerships on a secondary basis. Investors in the vehicle include CPP Investment Board, Virginia Retirement System and University of Michigan Endowment. Liquid Realty III is the largest secondary fund of funds to be closed in the real estate secondary market to date.

Four firms currently have a secondary real estate fund of funds in market. These vehicles are targeting a total of USD 2 billion. In addition Aviva Investors Real Estate Multi-Manager has announced that it will soon be raising a secondary real estate fund of funds. The biggest fund on the road is again a fund managed by Liquid. Liquid Realty Partners V is seeking to raise USD 800 million from investors. The vehicle will acquire interests in real estate funds, partnerships and trusts globally. It considers a range of funds, including core, core-plus, value added and opportunistic vehicles. It will acquire between ten and thirty fund interests.

In addition to secondary specialists, other real estate fund of funds are also significant players in this market, with many firms in this space allocating a portion of their funds towards secondary deals, and many others using it to rebalance portfolios. They represent the most numerous investor group in regards to the secondary private equity real estate market both in terms of those looking to buy and looking to sell. 29% of potential buyers are real estate fund of funds and 31% of those looking to sell are real estate fund of funds.

In total, 42% of real estate fund of funds surveyed by Preqin are interested in selling on the secondary market, while 84% are looking to buy. Clearly secondary activity is an integral tool for fund of funds managers, as evidenced by the almost 50% that are looking to both buy and sell on the secondary market.

Fig. 4: Make Up of Investors Looking to Buy on the Secondary Market by Type



All Talk and No Action?

As stated, there has been a fairly dramatic increase in the number of investors expressing clear interest in selling real estate fund stakes on the secondary market. With the number of interested buyers outweighing that of sellers, the potential for deals is significant. However, activity levels are some way behind interest levels, and this can be attributed to three main factors

- **Uncertainty:** with December 2008 valuations only just coming through, potential buyers and sellers are still uncertain as to whether the large discounts on historic NAVs will represent good value relative to NAVs later in 2009;
- **Discounts:** the high level of discounts has deterred all but the most forced of sellers from the market. Investors wishing to rebalance their portfolios may find the current prices prohibitively low, and are unwilling to crystallize a loss;
- **Opacity:** sellers and buyers alike have limited reliable information to help them make strategic decisions, and may be unwilling to initiate discussions without more information on likely values.

The overall feeling in the market is that secondary volumes will expand significantly at some point, but that these factors are currently frustrating the potential growth.

In order to provide both buyers and sellers with a tool to help them find opportunities in this market, Preqin has recently launched the Private Equity Secondary Market Monitor, which has now been

Feature Article: PERE Secondary Market - All Smoke and No Fire?

expanded to include information on real estate private equity. Fig. 5 shows how the service works:

LPs: can benefit from three key features of the service:

- **Preqin Price Indication:** the LP can enter a fund or portfolio at any time, and Preqin's powerful online pricing model algorithm calculates an instant indication of the likely current secondary market value;
- **Buyer and Advisor Profiles:** the LP can find profiles of all significant players in the market, helping them decide who they should be contacting if they wish to pursue buying or selling opportunities; and
- **Third Party Price Indication:** if the LP is interested in selling, they can submit their portfolio for a price indication from one of the buyers and advisors using the service. The buyers and advisors can see the portfolio and decide whether to submit a (non-binding) indication of likely price, but cannot see the identity of the LP. The LP therefore benefits from these further indications of likely value, and can contact the buyers and advisors for further discussions, potentially leading to a transaction.

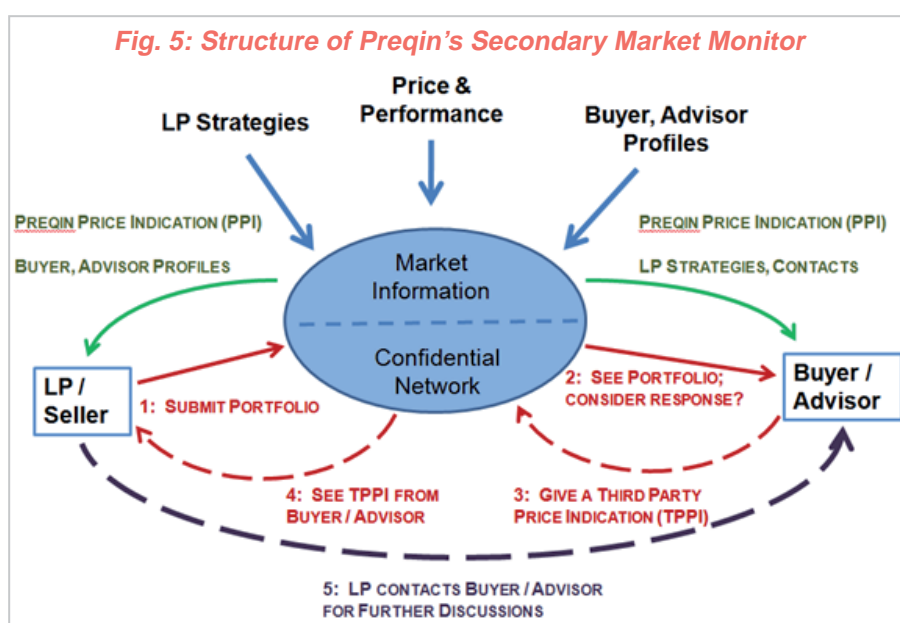
Buyers and Advisors: also benefit from using the service, giving them information and generating potential dealflow:

- **Preqin Price Indication:** this is also available to these users, giving them an initial indication of current price levels for any fund or portfolio;
- **LP Strategies and Contacts:** Preqin's researchers are speaking with over 100 LPs per week, understanding who are the potential sellers and buyers. This vital information on potential dealflow, together with contact details and the LP's program and strategy, is available only to users of the Secondary Market Monitor;
- **LP Pricing Requests:** LPs submit their requests for Third Party Price Indications through the service. If the Buyer or Advisor wishes to respond with a (non-binding) price indication, then this price indication is submitted to the LP, together with the Buyer's / Advisor's profile and contact details. The LP can then initiate direct contact with the Buyer / Advisor if they would like to discuss the portfolio in further detail. The Buyer / Advisor can also send messages to the LP through the system.

In summary, the Preqin Secondary Market Monitor aims to give LPs unique and vital information on current pricing and counterparties, and to give Buyers and Advisors unique access to potential dealflow. Significantly, the service is free for LPs.

Please contact us if you would like to know more about the service, or alternatively, please view our product page at:

www.preqin.com/SMM



Stuart Taylor

Calling all LPs

Keen to discover the true value of your private equity portfolio?

Preqin's Secondary Market Monitor

For a free and confidential indicative valuation
of all or part of your private equity holdings visit:

www.preqin.com/smm

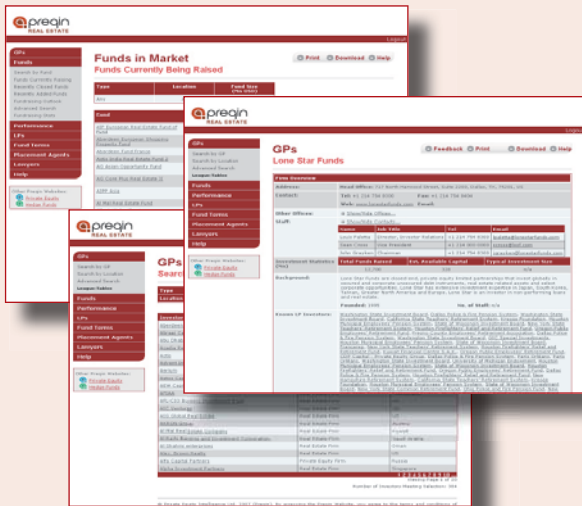
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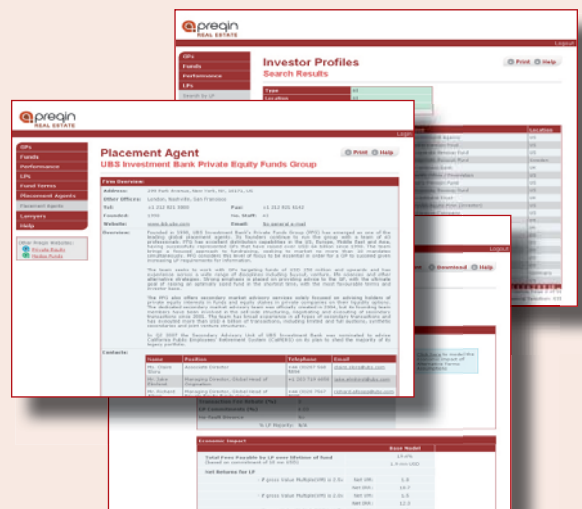
Preqin Real Estate Online

Real Estate Online is the most comprehensive resource available to private equity real estate professionals today. Whether you're a GP, LP, fund of funds, placement agent, lawyer, consultant or advisor this is a vital information service for you.



- **Fund Managers:** View detailed profiles on over 800 fund managers from around the world including background, key contacts and funds raised. Carry out advanced searches to find GPs who focus on particular property types, strategies or locations.
- **Funds:** Detailed profiles for over 2,500 unlisted real estate funds including Limited Partnerships, Property Unit Trusts, LLCs, FCPs etc encompassing all strategies including core, core-plus, value added, opportunistic, mezzanine and fund of funds.
- **Performance:** View performance benchmarks for private real estate funds including details of the performance of individual funds. See which firms have the best track records.
- **Investors:** See detailed profiles for over 1,300 investors who are actively investing in private real estate. Investors include Real Estate Fund of Funds, Pension Funds, Endowments, Family Offices and other asset managers. Detailed profiles include background, contact details, investment plans, preferred fund strategies and known previous investments in real estate funds.

- **Fund Terms:** 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? Model fee changes in our unique online Fund Terms Calculator.
- **Placement Agents:** Which agents are currently working with or have previously worked with real estate funds and which are willing to work with them in future? Includes detailed profiles for each placement agent.
- **Lawyers:** Which lawyers are the most active with real estate private equity funds currently? Which lawyers have worked with real estate funds previously? See detailed profiles for each lawyer.



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Preqin Real Estate Spotlight

Fund Manager Focus: India

Fig. 1: Biannual Fundraising by Indian Fund Managers, 2007 - 2008

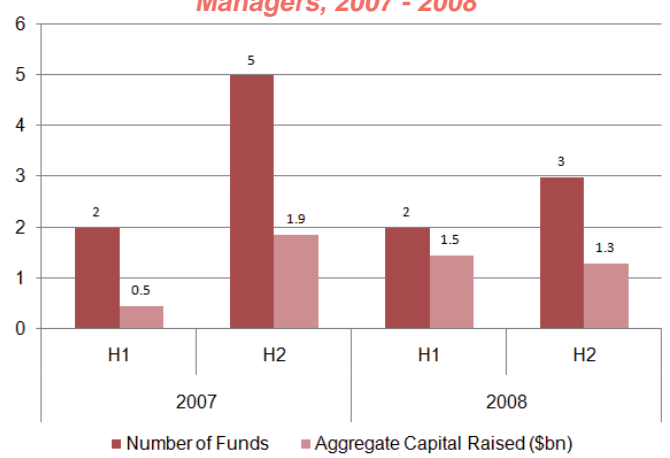


Fig. 2: Funds Currently Raising by Indian Fund Managers

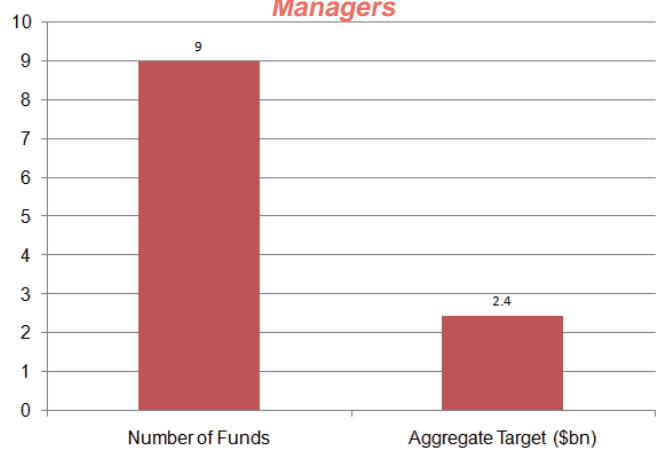


Fig. 3: Average Fund Size Raised by Indian Fund Managers, 2005 - 2008

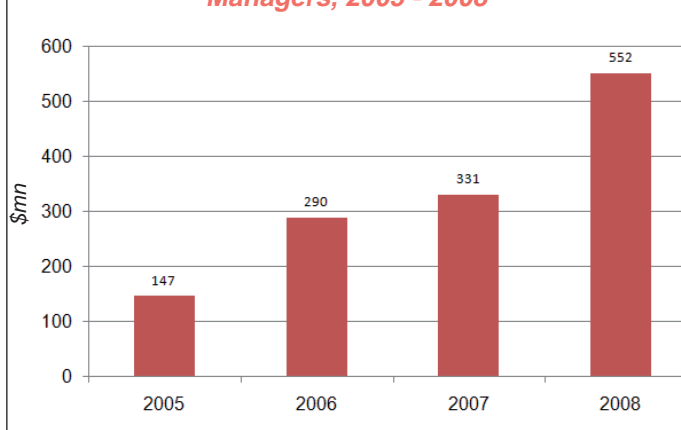


Fig. 4: Top Indian Fund Managers by Capital Raised

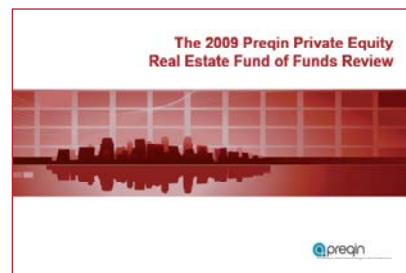
Firm Name	Head Office Location	Capital Raised Last 10 Years (\$mn)
IL & FS Investment Managers Real Estate	Mumbai	1,420
IREO	Gurgaon	1,205
GRIHA Investments	Mumbai	1,030
Kotak Realty Funds Group	Mumbai	781
Tata Realty and Infrastructure	Mumbai	750
Future Capital Holdings	Mumbai	670
ICICI Venture Funds Management	Mumbai	572
Urban Infrastructure Venture Capital	Mumbai	550
Indiareit Fund Advisors	Mumbai	440
Kshitij Investment	Mumbai	428

Andrew Moylan

2009 Preqin Private Equity Real Estate Fund of Funds Review: Order Form

The 2009 Preqin PERE Fund of Funds Review is the most comprehensive guide to the private equity real estate fund of funds industry ever created. Preqin Real Estate has contacted managers, investors and real estate professionals from around the world in order to ensure that this year's 200 page publication is as accurate as possible, featuring exclusive information not available anywhere else.

- Comprehensive profiles for all PERE fund of funds managers, including contact details, history, sample investments, plus detailed investment plans at a fund specific level.
- Profiles for over 50 current investors in PERE fund of funds, with contact details, sample investments made and investment plans for the future.
- Detailed analysis on all aspects of the market, identifying trends in fundraising, fund terms and conditions, investors, fund focus and much more.



www.preqin.com/refof

2009 Preqin PERE Fund of Funds Review Order Form - Please complete and return via fax, email or post

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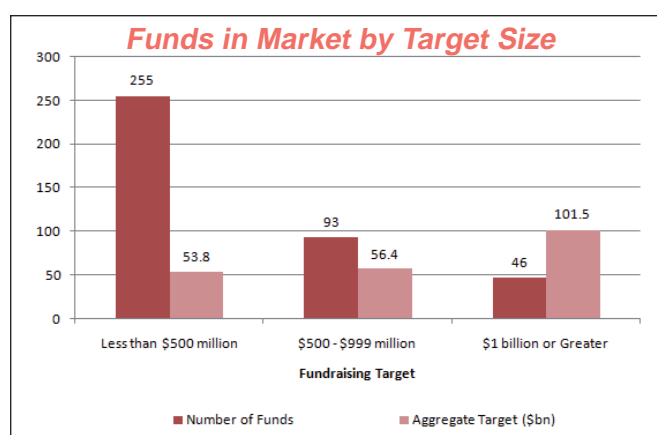
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Preqin Real Estate Spotlight

Fundraising Update

Funds on the Road

Funds on Road	US	Europe	Asia & RoW	Total
Number	197	103	94	394
Aggregate Target (\$bn)	114.4	50.1	47.2	211.7
Average Target Size (\$mn)	581	487	503	537



Asia and Rest of World Funds on the Road

Fund	Manager	Target Size (mn)	Strategy
Morgan Stanley Real Estate Fund VII Global	Morgan Stanley Real Estate	6,000.0 USD	Distressed & Opportunistic
NN Advanced Property Fund	Nauerz & Noell AG	2,000.0 EUR	Opportunistic
Aetos Capital Asia III	Aetos Capital	2,500.0 USD	Opportunistic
Pacific Star Asia Fund Select	Pacific Star Fund Management	2,000.0 USD	Core & Value Added
Mapletree India-China Fund	Mapletree Investments	1,500.0 USD	Opportunistic
AG Asia Realty Fund II	Angelo, Gordon & Co	1,000.0 USD	Distressed & Opportunistic
Carlyle Asia Real Estate Fund II	Carlyle Group	1,000.0 USD	Opportunistic
CDL China Real Estate Opportunity Fund	Canada Land	1,000.0 USD	Distressed & Opportunistic
Fortress Asia Realty Fund	Fortress Investment Group	1,000.0 USD	Opportunistic
Forum Asian Realty Income III	Forum Partners	1,000.0 USD	Opportunistic

Recently Closed Funds

Phillips Edison Shopping Center Fund IV

Manager: Phillips Edison & Company
Strategy: Value Added
Property Types: Shopping Center, Operating Companies
Geographic Focus: US
Target IRR (Net): 13-15%
Final Close: 425 USD (Jun-2009)

LaSalle Mexico Fund I

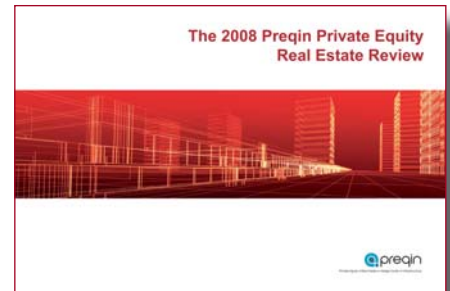
Manager: LaSalle Investment Management
Strategy: Opportunistic
Property Types: Hotels, Industrial, Office, Residential, Retail
Geographic Focus: Mexico, Central America
Final Close: 300 USD (May-2009)

Andrew Moylan

2008 Real Estate Review: Order Form

The 2008 Preqin Private Equity Real Estate Review is the leading source of information on the private equity real estate industry, and is an essential purchase for all real estate professionals.

- Detailed analysis, data and listings for all aspects of the private equity real estate industry.
- See vital information on investors, fundraising, firms, fund terms, placement agents, fund performance and more.



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Preqin Real Estate Spotlight

Investor News

Each month Investor News brings you the latest institutional investor news from around the globe. All information comes from our Preqin Real Estate Online database.

4IP Management AG to buy real estate fund interests for 4IP European Real Estate Fund of Funds

The real estate fund of funds manager is hoping to allocate between EUR 15 million and EUR 20 million per fund, but will not take a stake giving it over 20% exposure to the overall vehicle. It is interested in European funds and those it has already invested in. It will try to avoid funds that are highly geared. The fund of funds manager has been in contact with placements agents and has been offered several opportunities to purchase fund stakes. It has yet to make its maiden purchase on the secondary market and will wait for the right deals.

Realdania is discussing purchasing private equity real estate fund interests on the secondary market as well as secondary fund of funds

Realdania has not yet participated directly in the private equity real estate secondary market. However, due to the growing opportunities in this area, the foundation is looking to enter the real estate secondary market for the first time. The DKK 15 billion foundation has not devised a complete strategy for its secondary market activities, but is interested in purchasing interests in funds targeting Europe, Asia and the US. It has not decided which fund strategies it will focus on or how much capital it will deploy for secondary transactions. Realdania currently has no preferences with regards to the vintage years of funds but will finalise its plans by October 2009. Its first purchase is likely to occur within the next 12 months, although much will depend on the prices.

AEVWL is likely become an opportunistic buyer on the private equity real estate secondary market in 2009

The EUR 7.8 billion pension fund has no specific preferences in terms of the strategy, vintage years and geographic foci of the funds it will purchase stakes in. It has yet to decide whether it would invest in secondary fund of funds; however it feels it is more likely to purchase fund interests directly as an alternative to primary real estate investments. Any purchases on the secondary market will help the pension fund reach its 20% target allocation to real estate. It has not been active in the real estate secondary market in the past and will consider each opportunity on a case-by-case basis.

ATP Real Estate becomes interested in real estate club deals

ATP Real Estate is interested in club-type real estate fund investments with like-minded investors. The EUR 2 billion asset manager wants to reduce or spread risk and commit smaller amounts to more funds. It also prefers to know who the other partners are in a fund and therefore is likely to invest through smaller clubs with up to 7 investors rather than commit to funds with around 30 limited partners. ATP hopes to commit to five funds in the next twelve months and will invest when it feels the time is right. It may invest in the UK or US as there are interesting opportunities in these markets. It typically commits EUR 50 million per fund, and will deploy EUR 300 million across the five potential vehicles. ATP Real Estate plans to invest in managers it has existing relationships with, but will consider investing in new managers, including first-time fund managers.

Dutch Pension Fund for the Building Industry to increase its global indirect exposure

Dutch Pension Fund for the Building Industry is looking to increase its exposure to global indirect real estate, with a particular focus on Europe. The EUR 24.2 billion pension fund has a 25% allocation to real estate; 74% of this allocation is direct domestic real estate with the remaining 26% invested indirectly through private funds, joint ventures and club deals on a global basis. It is hoping to increase this indirect allocation from 26% to 40%. It is also reducing its exposure to the US, Asia and South America in order to increase its allocation to European markets including the UK. Furthermore, it has adjusted its definitions for fund strategies, leading to stricter guidelines. Therefore, funds once defined as core and with around 50% leverage will no longer be regarded as core but will move higher up the risk spectrum to value added. The pension fund's private fund portfolio comprises 50% core with the balance evenly divided between value added and opportunistic vehicles. However, following these adjustments, almost all of its fund investments are considered value added. Going forward, the pension fund will also target core investments which utilise little or no leverage.

Forena Akthar

Conferences Spotlight

Forthcoming Events

Real Estate Investment World Asia 2009

Date: 27-28 October 2009

Location: Ritz-Carlton, Tokyo, Japan

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KEY SPEAKERS

 Hakanu Tamura Director of Land & Real Property Market Division Ministry of Land, Infrastructure, Transport & Tourism, Japan	 Dr. Karl-Joseph Hermans-Bagel Member of the Management Board Union Investment Real Estate AG, Germany	 Daniel Okamoto Orsakami Professor Emeritus of Political Science, Senior Fellow of the Institute for International Studies, Director Emeritus & Co-Founder - Asia Pacific Research Centre Sterling Stamos Global Institute Stanford University, USA	 Tomoyoshi Uramishi Senior Executive Officer Managing Director Tokyo Stock Exchange Group Tokyo Stock Exchange Inc, Japan	 Peter Vorbrich Senior Partner, Member of Executive Team CarVal Investors, USA	 Taisuke Miyajima President & Chief Executive Officer Kenedix REIT Management Inc, Japan	 Daniel Kiebes Managing Director & Chief Investment Officer Aetos Japan LLC, USA
 Friedrich Schmidt President & Representative Director Morgan Stanley Capital K.K., Japan	 Koshiro Hiroi Chief Representative Grosvenor Fund Management Japan Limited, Japan	 Didier Brizard Head of Asia Pacific Tiare Family Office, China	 Tetsuro Sugura Senior Managing Executive Officer & Chief Economist Mizuho Research Institute, Japan	 Pietro Doran Chairman & Principal Partner Doran Capital Partners, South Korea	 Rio Minami Managing Director The Carlyle Group, Japan	 Jon-Paul Toppino Director President & Representative Director Secured Capital Japan Co. Ltd SCJ Investment Management, Japan

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