

Half of Investors Set to Shun Private Real Estate Funds in 2011

Preqin Investor Outlook: Real Estate reveals market conditions, property prices and recent poor fund performance is leaving investors reluctant to commit to funds in 2011

Preqin Investor Outlook: Real Estate is a study based on interviews conducted with over 100 leading investors in private real estate funds worldwide. The results show that 49% of institutional investors in real estate are unlikely to invest in 2011, 6% are undecided, leaving just 45% intending to commit to the asset class over the next 12 months.

Preqin Investor Outlook findings include:

- North American investors are more likely than European investors to make real estate commitments in 2011; 60% of the former expect to invest in the coming 12 months, compared to just 35% of the latter.
- Investment plans vary depending on the size of the investor; 33% of those with assets of less than \$1bn are likely to invest in 2011, compared to 40% of those with assets of between \$1 and \$10bn and 69% of those with over \$10bn.
- 71% of North American investors and 59% of their European counterparts are below their target allocations to real estate.
- There is some good news - 66% of those intending to commit to new funds in 2011 expect to invest more than they did in 2010.
- Only 37% of respondents made investments in 2010, six percentage points fewer than the proportion that invested in 2009, which was also a challenging year for the industry.
- 49% of North America-based investors made commitments in 2010 compared to 31% of European investors.
- The most highly rated current concern amongst investors was the general state of the market, with 28% stating that this was impacting on their investment plans.
- 26% are worried about liquidity within the real estate market and 21% are concerned about current real estate valuations.
- Misalignment of interests between fund managers and investors, the level of leverage used and lack of transparency were also cited as important concerns of 18%, 16% and 15% of investors respectively.

Full results of the Preqin Investor Outlook: Real Estate are available in this month's Spotlight publication. You can download here: http://www.preqin.com/docs/newsletters/RE/Real_Estate_Spotlight_January_2011.pdf

Comment:

"With market conditions remaining unstable, investors are still very cautious about committing to real estate funds. If managers are to be successful they will have to be very clear about how they intend to overcome the problems currently facing the market. There are some encouraging signs, with those intending to invest this year planning on committing more than they did in 2010 and the larger, North American investors are looking to start investing during the first half of the year. However, there are currently 425 funds on the road seeking an aggregate \$139bn in new capital. Our Preqin Investor Outlook study would suggest that there will not be anywhere near enough capital available to satisfy the ambitions of all these managers, and as a result further consolidation within the industry is likely in 2011."

Andrew Moylan, Manager - Real Estate Data

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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