

Private Equity Real Estate Fundraising Declines in Q4 2011

**\$9.4 billion raised by 23 funds; represents a decline on Q3 2011.
Annual fundraising total reaches just \$44.4bn as 114 funds hold a final close in 2011.**

Twenty-three closed-end private real estate funds reached a final close in Q4 2011 having raised an aggregate \$9.4bn. This is a 23% decline on the \$12.2bn which was raised by 28 funds in Q3 2011; however, Preqin anticipates the latest quarterly figures improving slightly (10-20%) as more information becomes available.

The amount raised by private real estate funds that closed in 2011 was \$44.4bn, a small decline on the \$45.4bn raised in 2010. As more information becomes available it is likely that the figure will increase to match or possibly exceed the 2010 total. 114 funds reached a final close during the year, a fall from the 142 that closed in 2010.

Q4 2011 Fundraising:

- North America-focused funds raised the most capital in Q4, with 16 funds raising \$7.3bn. Six Asia and Rest of World-focused funds raised \$1.6bn, while just one Europe-focused fund closed, raising \$500mn.
- Carlyle Realty Partners VI was the largest fund to close in the quarter. The North America-focused fund raised \$2.3bn.

2011 Fundraising:

- Sixty-three primarily North America-focused funds closed in 2011 having raised an aggregate \$28.1bn. \$8.9bn was raised by 26 European funds, while 25 Asia and Rest of World-focused funds raised \$7.4bn.
- The \$5.5bn Lone Star Real Estate Fund II was the largest fund to close in 2011.

Fundraising Market at Present:

- There are currently 450 funds on the road seeking an aggregate \$165bn.
- According to a Preqin study carried out in December 2011, just 36% of investors plan to make new real estate fund commitments in the next 12 months, while a further 11% may make new commitments. Fifty-three percent do not expect to be active.

Comment:

2011 was a challenging year for the private real estate industry and ended with another slow quarter in terms of fundraising.

While some firms have had considerable success in the fundraising market, many others have had to delay anticipated closings. With a record number of funds on the road, and 53% of investors unlikely to commit to new funds in 2012, fundraising is set to remain extremely challenging in the coming year. Fund managers will need to ensure their offerings stand out from the crowd if they are to raise capital from a cautious investor community.

Andrew Moylan, Manager – Real Estate Data

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

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.

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Preqin Research Report 2011 Real Estate Fundraising

Fig. 1: Largest Closed-End Private Real Estate Funds to Hold a Final Close in Q4 2011

Fund	Manager	Strategy	Amount Closed (mn)	Geographic Focus
Carlyle Realty Partners VI	Carlyle Group	Debt, Opportunistic	2,320 USD	North America
DRA Growth & Income Fund VII	DRA Advisors	Distressed, Value Added	1,000 USD	US
JBG Fund VIII	JBG Companies	Distressed, Opportunistic, Value Added	752 USD	Washington, DC
The Rialto Real Estate Fund	Rialto Capital Management	Debt, Distressed, Opportunistic	700 USD	US
EI Fund V	Equity International	Opportunistic	650 USD	South America, Asia
Fir Tree Real Estate Opportunity Fund II	Fir Tree Partners	Debt, Opportunistic	628 USD	US
Kayne Anderson Real Estate Partners II	Kayne Anderson Capital Advisors	Opportunistic, Value Added	575 USD	US
Gateway	GE Capital Real Estate	Core-Plus, Value Added	400 EUR	Europe
Brazil Real Estate Opportunities Fund II	VBI Real Estate	Opportunistic	500 USD	Brazil
FPA Apartment Opportunity Fund	Fowler Property Acquisitions	Distressed, Opportunistic, Value Added	258 USD	US

Fig. 2: Quarterly Global Closed-End Private Real Estate Fundraising, Q1 2007 - Q4 2011

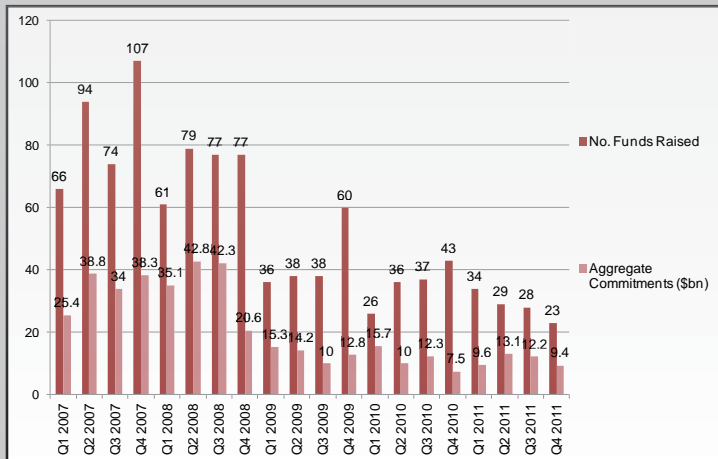


Fig. 3: Geographic Split of Closed-End Private Real Estate Funds Closed in Q4 2011

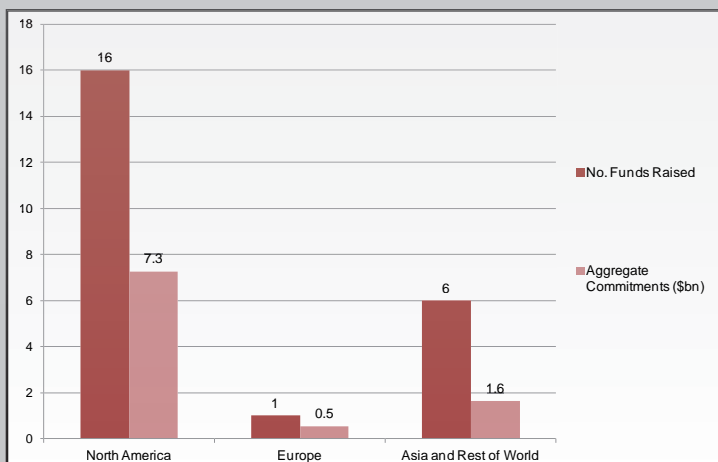


Fig. 5: Largest Closed-End Private Real Estate Funds to Close in 2011

Fund	Manager	Strategy	Amount Closed (mn)	Geographic Focus
Lone Star Real Estate Fund II	Lone Star Funds	Debt, Distressed, Opportunistic	5,500 USD	Global
Lone Star Fund VII	Lone Star Funds	Debt, Distressed	4,630 USD	North America, West Europe, Japan
Carlyle Realty Partners VI	Carlyle Group	Debt, Opportunistic	2,320 USD	North America
Blackstone Real Estate Special Situations Fund II	Blackstone Group	Debt	1,500 USD	US
ECE European Prime Shopping Center Fund	ECE Real Estate Partners	Core-Plus, Value Added	775 EUR	Europe
DRA Growth & Income Fund VII	DRA Advisors	Distressed, Value Added	1,000 USD	US
Macquarie Chinese Real Estate Fund II	Macquarie Infrastructure and Real Assets	Core	1,000 USD	China
Och-Ziff Real Estate Fund II	Och-Ziff Real Estate Advisors	Debt, Distressed	840 USD	US
AltaFund Value-Add I	Altea Cogedim	Value Added	600 EUR	France
Pramerica Real Estate Capital I	Pramerica Real Estate Investors	Debt	492 GBP	UK, Germany
Vornado Capital Partners	Vornado Realty Trust	Distressed, Value Added	800 USD	US

Fig. 4: Closed-End Private Real Estate Funds on the Road over Time, Q1 2009 - Q1 2012

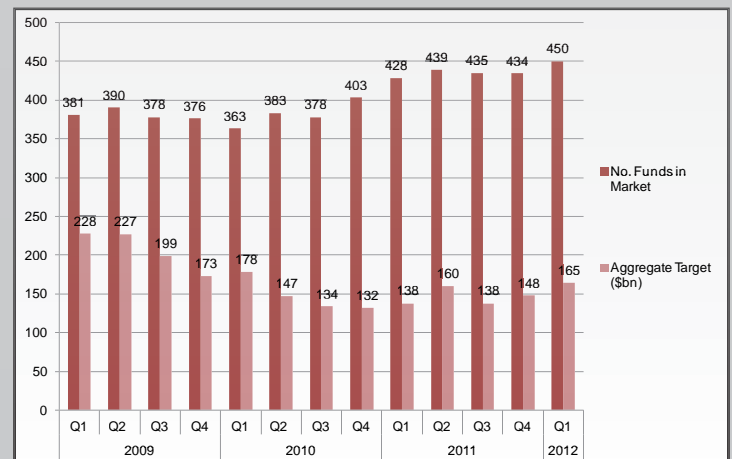
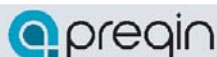
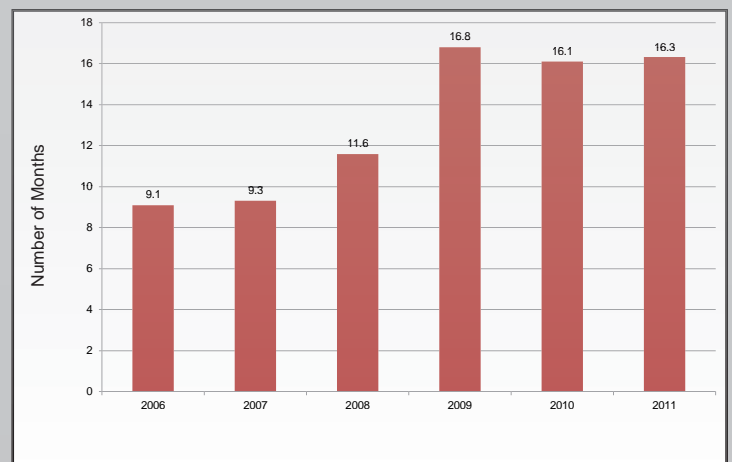


Fig. 6: Average Time Taken for Closed-End Private Real Estate Funds to Achieve a Final Close by Year of Fund Close



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