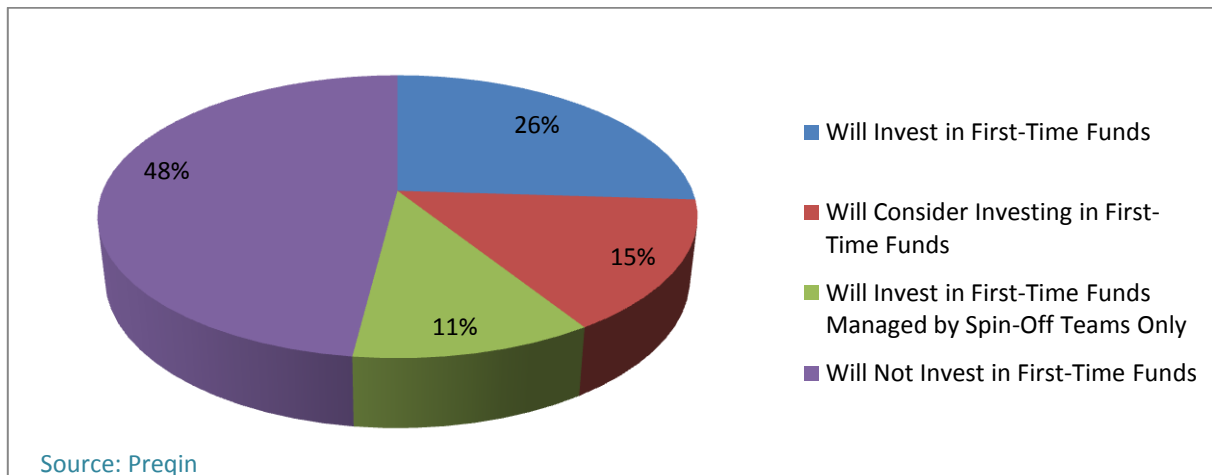


First-Time Managers Face Uphill Struggle in Private Real Estate Market

Number of investors that will not invest with first-time managers increases from just over a third to 48% in 12 months

Increased investor caution has led to a decline in the proportion of investors that are prepared to invest with managers raising their first real estate fund, the latest Preqin study shows. 26% of investors would commit to first-time funds, while 15% will consider doing so; this is a decline of eight and one percentage points respectively since 2010.

The pie chart shows the willingness of investors to invest in first-time funds.



The results of the investigation were more positive for established fund managers with a specialism, however; many funds that have been successful in raising capital this year are focused on specific sectors or locations where the team has a proven track record in the market.

Other findings:

- 35% of respondents expect to make fund commitments in the next 12 months, while 49% are unlikely to invest.
- The larger the institution's AUM, the more likely they are to invest; 43% of institutions with more than \$10bn in AUM anticipate investing during the 12 months.
- The majority of investors are seeking to maintain their target allocations to private real estate over the longer term. As 69% are currently below their target allocations, this suggests fundraising is likely to pick up in the coming years.
- Higher-risk value added and opportunistic funds have declined in popularity over the past 12 months. 58% and 54% of investors now state a preference for each fund type respectively compared to 65% and 66% respectively in 2010.
- 82% of investors state a preference for core funds.

The current real estate market:

- 54 private equity real estate funds reached a final close in H1 2011, raising an aggregate \$21.7bn.
- Funds closed between January and September 2011 spent an average 16.1 months in market – slightly less than the average of 16.9 months funds closed in 2010 spent raising capital.
- As of September 2011 there were 442 private real estate funds on the road targeting an aggregate \$151.5bn. At the same point last year there were 400 funds on the road seeking \$129bn.

The full report can be accessed here: http://www.preqin.com/docs/newsletters/RE/Preqin_Real_Estate_Spotlight_OCT_2011.pdf

Comment:

"Many institutions have either placed their private real estate investments on hold, or have reduced their usual capital outlay to the industry, so competition for investor capital will remain intense in the next 12 months and identifying investors that are willing to make commitments will be critical. Fund managers that can demonstrate that they will be able to navigate a difficult market, achieve successful returns for their investors, and are managing funds that are consistent with the revised aims of the institutional investor universe, will be successful in raising capital in the coming months."

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Note to Editors:

- The study was conducted as part of the research for the forthcoming 2011 Preqin Private Real Estate Investor Review. During the course of the research, over 1,500 private real estate investors were contacted.
- Preqin is spelled without the letter 'U' after the 'Q'.

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

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