

Private Real Estate Investors Ready for More Risk Core funds less attractive to investment consultants than riskier counterparts

The latest Preqin study of alternative investment consultants suggests that investors now have a greater appetite for risk, with opportunistic, distressed and value added funds being considered more attractive than core and core-plus funds.

Over 70 consultants from around the globe participated in the study which looked at current issues affecting the alternative assets industry, where the best opportunities lie, and investment plans for the next 12 months.

The study found:

Regions

- 68% of consultants believe North America will present the best investment opportunities in the coming year.
- 50% stated that there will be attractive openings in Asia.
- 38% and 35% respectively felt that Europe and South America will offer good opportunities over the next 12 months.

Fund Types

Ranked on a scale of 1 – 5, with one being the least attractive and five being the most attractive.

- Opportunistic funds were ranked highest with a score of 3.7.
- Value added and distressed strategies each scored 3.6.
- Core and core-plus strategies received a ranking of 2.6 and 3.0 respectively; it is possible that consultants believe core properties have become overpriced due to demand for high quality assets following the downturn.

Investment Plans

- 52% intend to invest slightly more capital in private real estate than they did in 2010
- 20% plan to significantly increase the amount of capital they commit to the asset class.
- 9% will be allocating less to real estate than they did in 2010, but none will be making a significant reduction in capital commitments.

Issues Within the Market

- Asset valuation was most frequently cited; 23% stated that this was an issue.
- The economic climate and volatility was cited by 19% of respondents.
- Regulation and alignment of interests were cited least – 2% believed each of these to be problematic at present.

[To access the full report, please click here:](#)

[http://www.preqin.com/docs/newsletters/RE/Preqin Real Estate Spotlight JULY 2011.pdf](http://www.preqin.com/docs/newsletters/RE/Preqin_Real_Estate_Spotlight_JULY_2011.pdf)

Comment:

The private real estate market is showing evidence of year-on-year improvement from the nadir reached post-2008. Investment consultants and their private real estate investor clients will be looking to commit greater amounts of capital over the course of 2011 than in the previous year, particularly targeting opportunistic and distressed strategies in North America and Asia.

However, despite the expected increase in investment activity, the private real estate market is still in recovery. Concerns with market valuations and possible volatility in the market remain and the opinions and investment plans of these investors are easily swayed by changes in the global economy.

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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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Note to Editors:

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

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