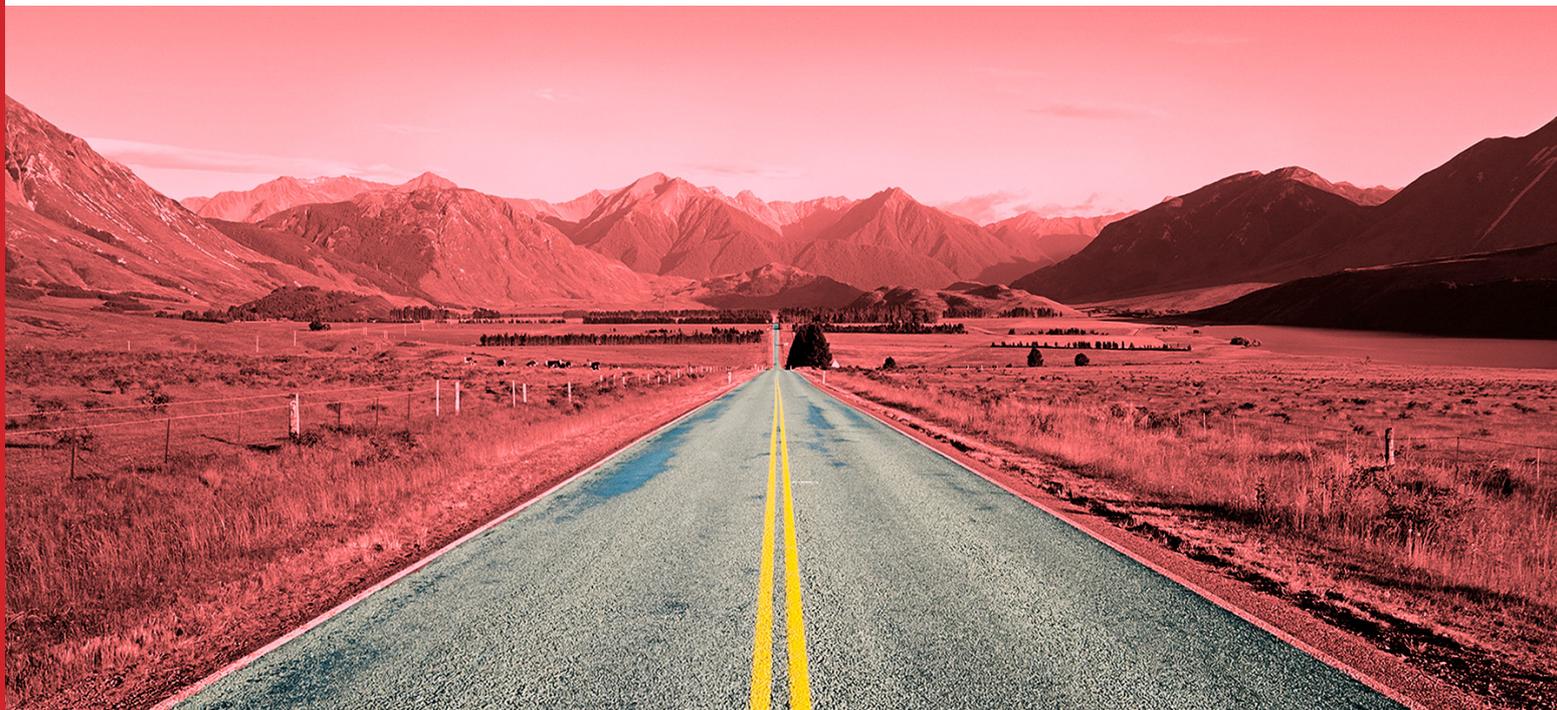


Preqin Investor Outlook: Real Estate

H1 2012

The Opinions of 180 Leading Investors on the Market
and Their Plans for the Next 12 Months



Methodology:

Preqin, the alternative assets industry's leading source of data and intelligence, welcomes you to the H1 2012 edition of Preqin Investor Outlook: Real Estate, a unique look at investors in the asset class, their current opinions of the market and the outlook for fundraising in the year ahead.

Preqin Investor Outlook draws on the results of detailed interviews conducted with over 180 institutional investors from around the world during November and December 2011. The sample of investors was selected from Preqin's Real Estate Online database, the most comprehensive and accurate source of information on investors in private real estate funds available today, and the interviews were carried out by our skilled teams of multi-lingual analysts. Speaking directly to institutions located across the globe has enabled us not only to provide in-depth analysis of their current views and opinions, but to accompany this with comments from key investment professionals in their own words, providing readers with a unique insight into the attitudes of the leading investors in real estate.

We hope that you find the information included within this report useful and interesting and, as always, we welcome any feedback and suggestions you may have for future editions.

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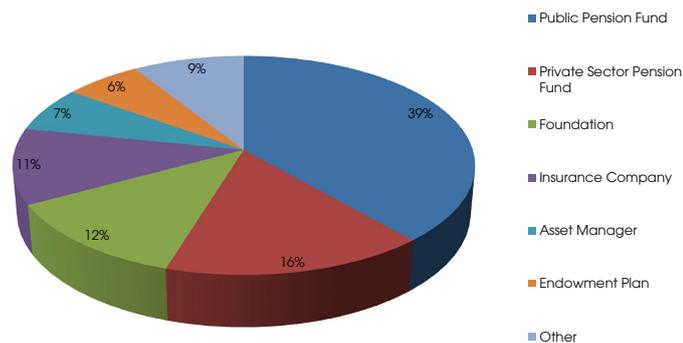
Breakdown of Respondents

Preqin conducted a series of extensive interviews in Q4 2011 with over 180 institutional investors in private real estate funds. Investors of varying size and type were surveyed to examine their intentions and attitudes towards investing in private real estate going into 2012.

Fig. 1 shows the breakdown of institutions surveyed by Preqin. Thirty-nine percent of investors interviewed were public pension funds and 16% were private sector pension funds. Twelve percent of respondents were foundations, 11% insurance companies, 7% asset managers and 6% endowment plans. The remaining 9% of institutions that participated in the survey comprised other investor types including investment companies, family offices and banks.

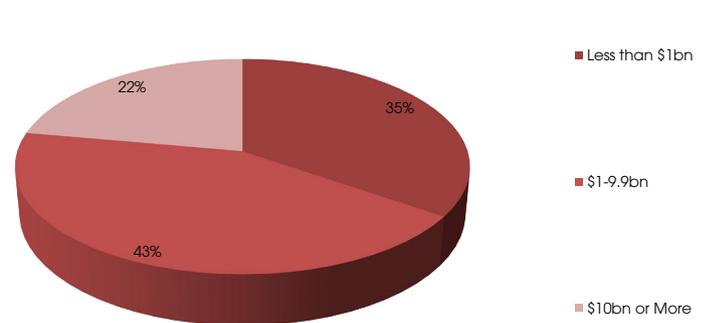
In terms of total assets under management, Fig. 2 shows that 35% of the investors interviewed had less than \$1bn under management and 43% had \$1-9.9bn in total assets. Twenty-two percent had \$10bn or more in assets under management.

Fig. 1: Breakdown of Respondents to Investor Study by Institution Type



Source: Preqin

Fig. 2: Breakdown of Respondents to Investor Study by Assets under Management



Source: Preqin

Fundraising in 2011

Fundraising during 2011 remained relatively slow and, while the \$48.7bn raised during the year represented a small increase on 2010, the results suggest that the private real estate sector is yet to recover from the impact of the financial crisis and that fund managers are still operating in a challenging fundraising environment.

As can be seen in Fig. 3, just 34% of the investors surveyed committed to private real estate funds in 2011. There are a number of factors that contributed to the sluggish real estate fundraising environment in 2011. The uncertainty in the wider financial markets throughout 2011 affected investor confidence and did little to encourage those investors that have refrained from investing in real estate since the financial crisis to return. Performance is also a factor, with real estate taking longer than many other asset classes to see an improvement in returns. While the proportion of investors making new fund commitments remains relatively low, investors will have funded existing commitments, with fund managers having started to call up more capital as deal flow has increased. Many investors are now more actively investing in funds and considering new opportunities, but a significant number are content to remain on the sidelines.

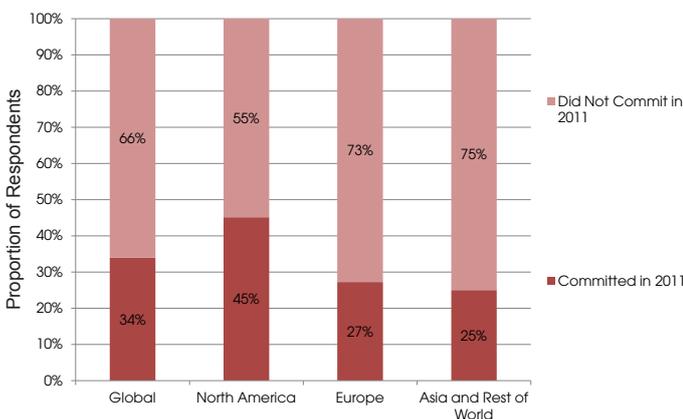
having committed to funds in 2011, compared to 27% of European investors and 25% of Asia and Rest of World-based institutions.

In terms of total assets, 23% of investors with less than \$1bn under management made private real estate fund commitments in 2011. Thirty-one percent of investors with total assets of \$1-9.9bn invested in real estate funds in 2011, as did 56% of investors with \$10bn or more in total assets, demonstrating that the larger investors were more likely to have made new commitments than the smaller investors over the course of the year.

“Just 34% of the investors surveyed committed to private real estate funds in 2011”

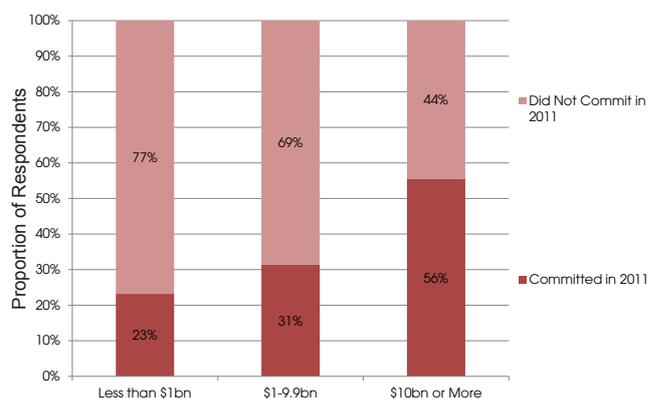
The level of new investment activity seen in 2011 differed by geographic location. North American investors were more active than investors elsewhere in the world, with 45% of those surveyed

Fig. 3: Proportion of Investors that Committed to Private Real Estate Funds in 2011 by Geographic Location



Source: Preqin

Fig. 4: Proportion of Investors that Committed to Private Real Estate Funds in 2011 by Assets under Management



Source: Preqin

Investor Activity in 2012

To give an indication of the outlook for fundraising in 2012, investors that participated in the study were asked whether they planned to commit to private real estate funds in 2012.

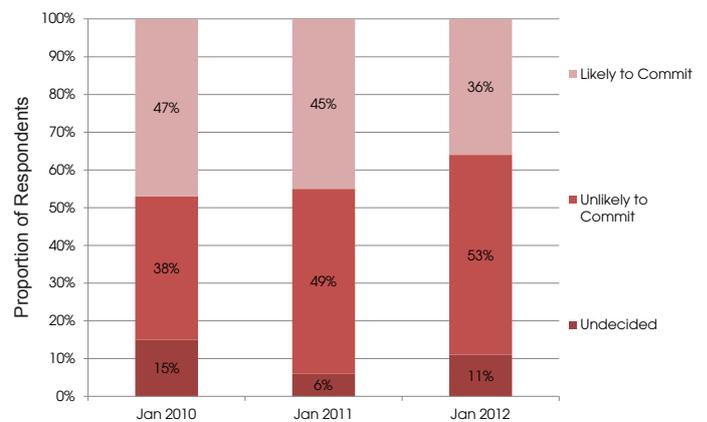
Fig. 5 shows how investors' intentions have changed between January 2010 and January 2012. Investor appetite for private fund commitments is lower than it has been in the past two years, with just 36% of investors stating that they are likely to commit to funds in the next 12 months, compared to 45% in January 2011 and 47% in January 2010. Fifty-three percent of investors surveyed stated that they were unlikely to commit to private real estate funds in 2012 and 11% were undecided if they would invest. These results suggest that the fundraising environment is unlikely to improve significantly as investor appetite for private fund commitments is lower than it has been in the past two years.

The number of investors that are planning to commit to real estate funds varies with geographic location and assets under management. North American investors, and those with \$10bn or more in assets under management, are the most likely to invest in 2012. As shown in Fig. 6, larger investors are more likely to commit to private real estate funds in 2012: 51% of investors with \$10bn or more in total assets are likely to invest, compared to just 26% of investors with less than \$1bn in total assets. Smaller institutions typically make investments less frequently, and are more likely to halt investments due to market conditions and reduced distributions.

North American investors are more likely to commit to private real estate funds in 2012 than European investors, with 41% of those based in North America likely to make a commitment (Fig. 7). Only

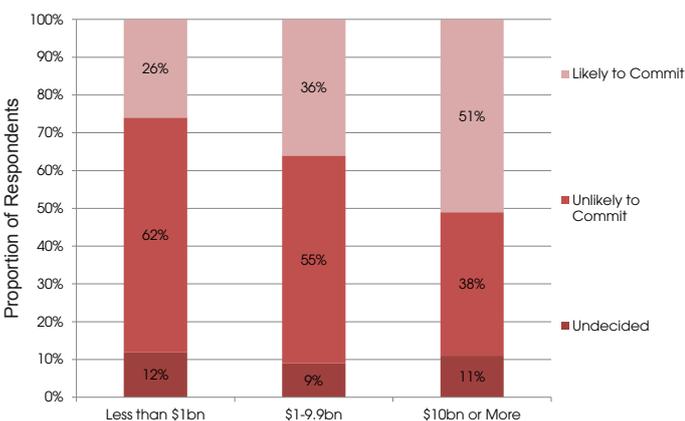
27% of European institutions surveyed committed to private funds in 2011, and just 30% are planning to invest in 2012. European investor appetite is likely to have been affected by the European sovereign debt crisis. Some investors have also been affected by incoming regulations, such as Solvency II, which will affect European insurance companies.

Fig. 5: Investor Intentions for Private Real Estate Investments in Following 12 Months, January 2010 - January 2012



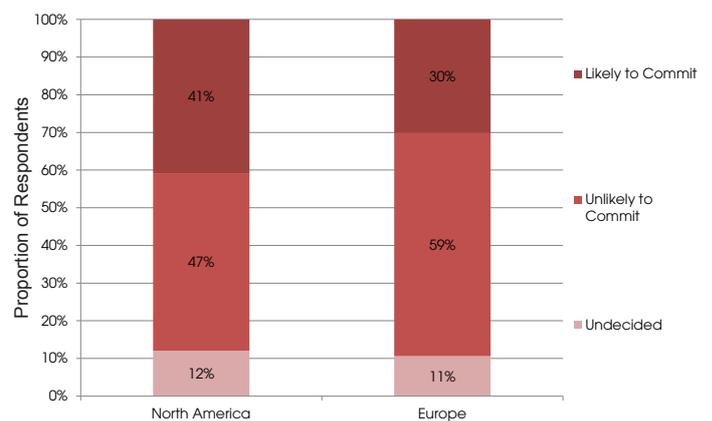
Source: Preqin

Fig. 6: Investor Intentions for Private Real Estate Investments in 2012 by Assets under Management



Source: Preqin

Fig. 7: Investor Intentions for Private Real Estate Investments in 2012 by Investor Location



Source: Preqin

Key Strategies and Geographies in 2012

We asked investors which strategies and geographies they were targeting in 2012 to see where institutional capital will be allocated in the next year.

Key Strategies

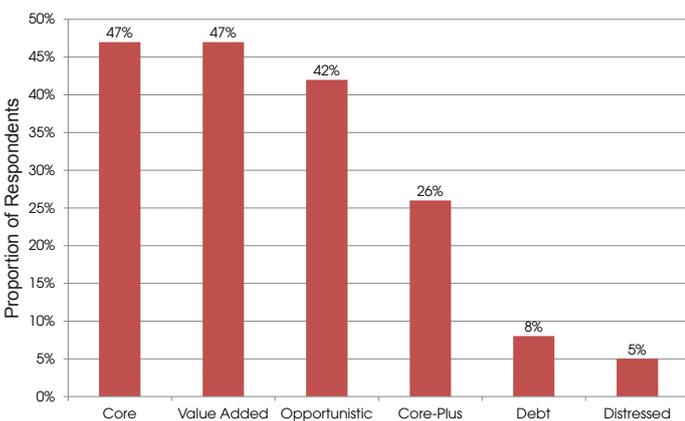
Core and value added are the most popular strategies among investors that will be committing to private funds in 2012, with 47% of investors surveyed stating that they intend to commit to these strategies (Fig. 8). Forty-two percent of investors surveyed plan to commit to opportunistic funds in 2012 and 26% expressed a preference for core-plus funds. Just 8% and 5% of investors interviewed stated that they plan to invest in debt and distressed funds respectively.

“Core and value added are the most popular strategies among investors”

Locations

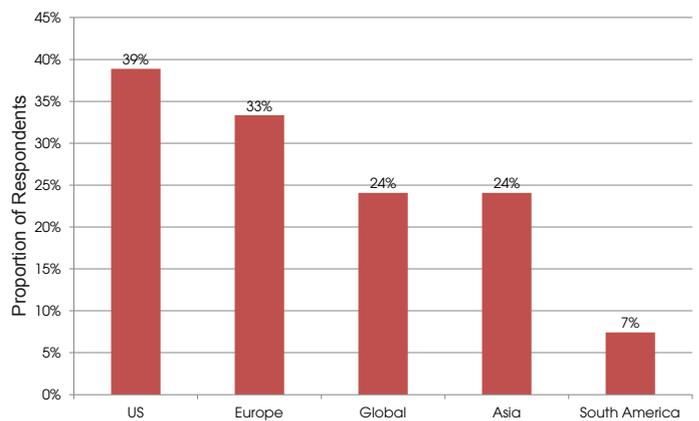
Thirty-nine percent of investors surveyed indicated that they plan to invest in US-focused funds in 2012. This is not overly surprising given that US-based investors are more likely to be committing to funds in 2012 than investors in other locations. Thirty-three percent of investors surveyed that said they would be investing in 2012 will target Europe and 24% will invest on a global basis. Asia is also targeted by 24% of investors, showing that there is an appetite for investing in the region. Finally, 7% of investors interviewed intended to invest in South American private real estate funds in 2012.

Fig. 8: Strategies Targeted by Investors in 2012



Source: Preqin

Fig. 9: Geographies Targeted by Investors in 2012



Source: Preqin

Capital Outlay and Preferred Method of Initial Contact

Investors were asked to estimate the number of fund commitments they intend to make in 2012 and how much capital they are likely to invest. They were also asked how they prefer to be contacted by fund managers.

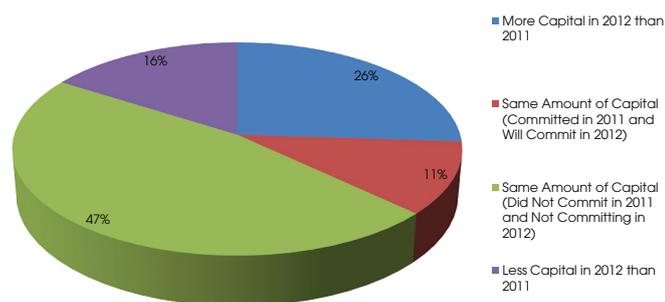
Fig. 10 shows how the amount of capital investors expect to commit to private real estate funds in 2012 compares to the amount they committed in 2011. Twenty-six percent of investors surveyed said they would commit more capital to private real estate funds in 2012 than in 2011, which is a promising sign, although 47% percent of investors surveyed did not commit to funds in 2011 and do not expect to commit to funds in 2012. Sixteen percent of investors will invest less capital in 2012 than in 2011 and 11% intend to commit the same amount of capital in 2012 as they did in 2011.

Capital Outlay

While many investors stated that they would invest on an opportunistic basis, or had yet to decide on a specific amount of capital or number of funds they would invest in, a larger proportion had made clear plans than when investors were surveyed a year ago. Thirty-five percent of investors surveyed that intend to invest in private real estate in 2012 believe they will invest in one or two funds. Twenty-one percent stated that they are likely to commit to between three and six funds, while just 2% intend to invest in more than seven funds. Forty-two percent did not have a set number of funds in mind.

Although many investors had an idea of the number of funds they would invest in, more than half were unsure how much capital they would commit to these funds. Fifteen percent said they would

Fig. 10: Expected Capital Outlay to Private Real Estate Funds in 2012 Compared to 2011



Source: Preqin

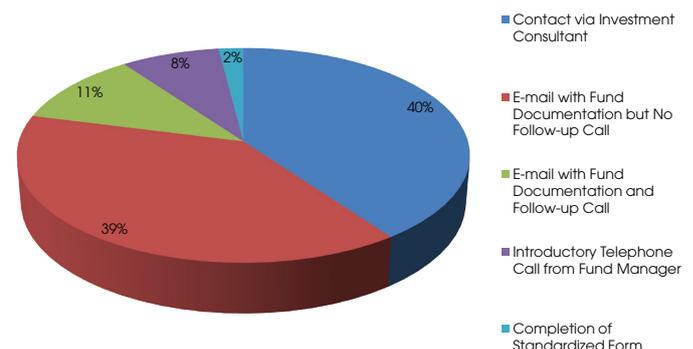
commit up to \$10mn, 15% stated a commitment level of \$10-100mn, and 17% said it was likely they would commit more than \$100mn to private funds in 2012.

“Twenty-six percent of investors will commit more capital to private real estate funds in 2012 than in 2011”

Preferred Method of Initial Contact

As Fig. 11 shows, 40% of investors surveyed indicated that they prefer fund managers, when marketing real estate funds, to contact their investment consultant, highlighting how important these firms are as gatekeepers of institutional capital. Thirty-nine percent indicated that fund managers should e-mail fund documentation without a follow-up call. Eleven percent of investors prefer fund managers to e-mail fund documentation first and then follow up with a telephone call. Eight percent indicated that an introductory phone call is their preferred method of contact, and 2% stated that fund managers would have to complete a standardized form to be considered.

Fig. 11: Preferred Method of Initial Contact by Prospective Fund Managers



Source: Preqin

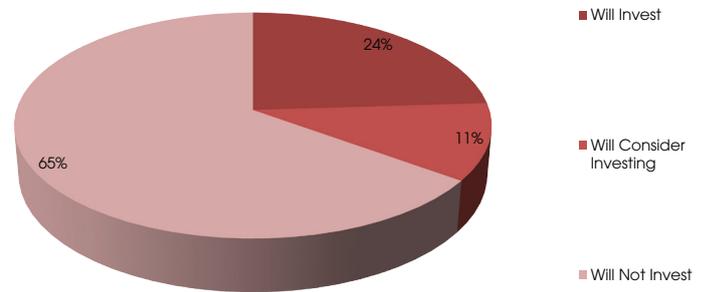
Attitudes to Co-Investments, Joint Ventures and Separate Accounts

As a number of institutional investors are examining the best way to gain exposure to the asset class, Preqin asked investors whether they would invest in real estate through joint ventures, separate accounts, or co-investments, to assess how popular these structures are and whether we will see more of them in the coming year.

As an alternative to investing in real estate funds or to complement their fund commitments, many institutions invest through co-investments, joint ventures or separate accounts. These structures can give the investor more control over how their capital is allocated and can allow them to take a more active role in the management of their investments. Thirty-five percent of investors are interested in co-investment opportunities, 37% in joint ventures and 33% in separate accounts. The majority of investors do not invest via these methods, however, with many lacking the required resources to do so.

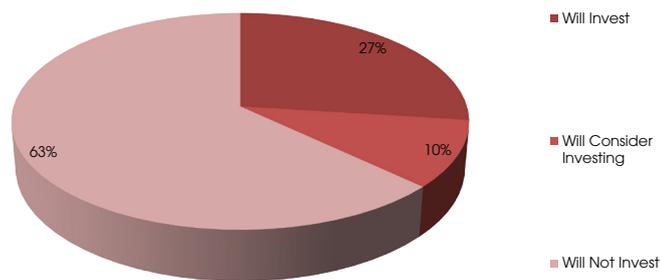
“Thirty-five percent of investors are interested in co-investment opportunities”

Fig. 12: Investor Attitudes to Co-Investments



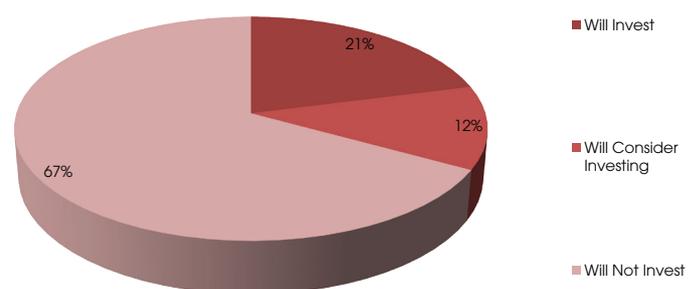
Source: Preqin

Fig. 13: Investor Attitudes to Joint Ventures



Source: Preqin

Fig. 14: Investor Attitudes to Separate Accounts



Source: Preqin

What Can Fund Managers Do to Stand Out?

Fundraising is likely to remain extremely competitive in 2012, with over 450 funds on the road targeting commitments in excess of \$165bn. With this in mind, we asked investors what fund managers can do to stand out from the crowd.

“Have an interesting and unique approach, underlined by a strong track record.” – [A Swiss bank](#)

“It’s very important for fund managers to have staff in their fund’s target countries.” – [A German insurance company](#)

“Offer a niche opportunity, which means demonstrating core competency in one aspect of real estate.” – [A US foundation](#)

“Demonstrate a track record and an ability to find unique deals.” – [A US foundation](#)

“Fund managers need to worry less about benchmarks and more about making money in absolute terms.” – [A UK private sector pension fund](#)

“Fund managers need to hold that first interim close, invest committed capital and make deals so investors can assess the fund’s portfolio.” – [A Finnish insurance company](#)

“Exhibit stability, integrity, experience, track records; present compelling opportunities and follow through with investment strategy. Present themselves well and demonstrate why we should invest in their funds.” – [A US multi-family office](#)

“We see a lot of funds that are duplicates, fund managers with the same stories.” – [A UK asset manager](#)

“They need to be able to align the strategies they implement with the strategy of an investor, while being competitive on fees and demonstrating a good track record.” – [A Swiss private sector pension fund](#)

“Have a proven track record in both good and bad markets. Strategies should be relevant in today’s market.” – [A US insurance company](#)

“Focus on being competitive in relation to terms and conditions, while also establishing positive relationships with investors.” – [A UK public pension fund](#)

“Perform.” – [A UK public pension fund](#)

Preqin: A Direct Approach to Investor Intelligence

Unique, Industry-Leading Investor Data

The real estate institutional investor universe is ever-evolving and investor preferences are continually changing. Fundraising conditions have never been more competitive and a focused fundraising effort is vital to ensure success in the market.

Preqin's Real Estate Online products and services provide comprehensive and exclusive data on investors in private real estate that can help you to achieve your fundraising goals. Our international teams of multi-lingual analysts speak to more than 3,000 investors in real estate each year, as well as tracking every available news and information source, to ensure that our data is as up to date and comprehensive as possible.

Thousands of industry professionals regularly rely on Preqin's data to help focus their investor relations and fundraising activities, with hundreds of top fund managers and 19 of the top 20 placement agents regularly using Preqin products and services to assist them in identifying investor targets and to ensure that they are up to date on the latest developments in the institutional investor universe.

Find out how you too can benefit from the industry-leading data that Preqin has to offer.

Real Estate Online



Real Estate Online is a powerful online database featuring details of over 3,000 LPs, with more being added every day. Constantly updated by our team of dedicated researchers, it represents the most comprehensive and accurate source of investor information today, with global coverage and exclusive information not available anywhere else.

- All key information is included: assets breakdown including RE allocations, sample investments, key contacts, investment plans, fund preferences, plus much more.
- Intricate search options help to identify the best targets for your funds.
- Receive fully customized email digests of updates and news on investors on a daily or weekly basis managed through the Preqin Alerts Centre.
- Premium subscribers can download targets and contact details to Excel.

2011 Preqin Private Real Estate Investor Review



The Private Real Estate Investor Review is a 500-page publication featuring a directory of over 1,500 of the most important investors in private real estate worldwide, as well as 60 pages of detailed, vital analysis on all the latest trends affecting the real estate industry.

- Features all the most important investors in private real estate and their contact details. Investors are arranged by country and region (including US split by census region).
- Use latest trends and analysis on the market to construct a targeted strategy and identify the most likely sources of funding for your new vehicle.
- An excellent complement to the online service, as well as providing a useful fundraising tool in its own right.

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About Preqin

Preqin Real Estate provides information products and services to private real estate funds, funds of funds, investors, placement agents, law firms, investment banks and advisors across the following main areas:

- Fund Performance
- Fundraising
- Investor Profiles
- Fund Terms
- Fund Manager Profiles

Our customers can access this market intelligence in three different ways:

- Online database services
- Hard copy publications
- Tailored data downloads

Our products and services are the most comprehensive resource available to private real estate professionals today, and are relied upon by the majority of leading firms and many other professionals from around the world. Whether you're a fund manager, investor, placement agent, lawyer, or investment consultant this is a vital information service for you.

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Preqin regularly releases research and information on fundraising and all other aspects of the real estate industry as both research reports, and as part of our monthly Spotlight newsletter. To register to receive more research and analysis, please visit: www.preqin.com/research

If you have any comments on this report, please contact: info@preqin.com

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