The 2009 Preqin Real Estate Distressed and Debt Review

- Sample Pages

Contents

Executive Summary

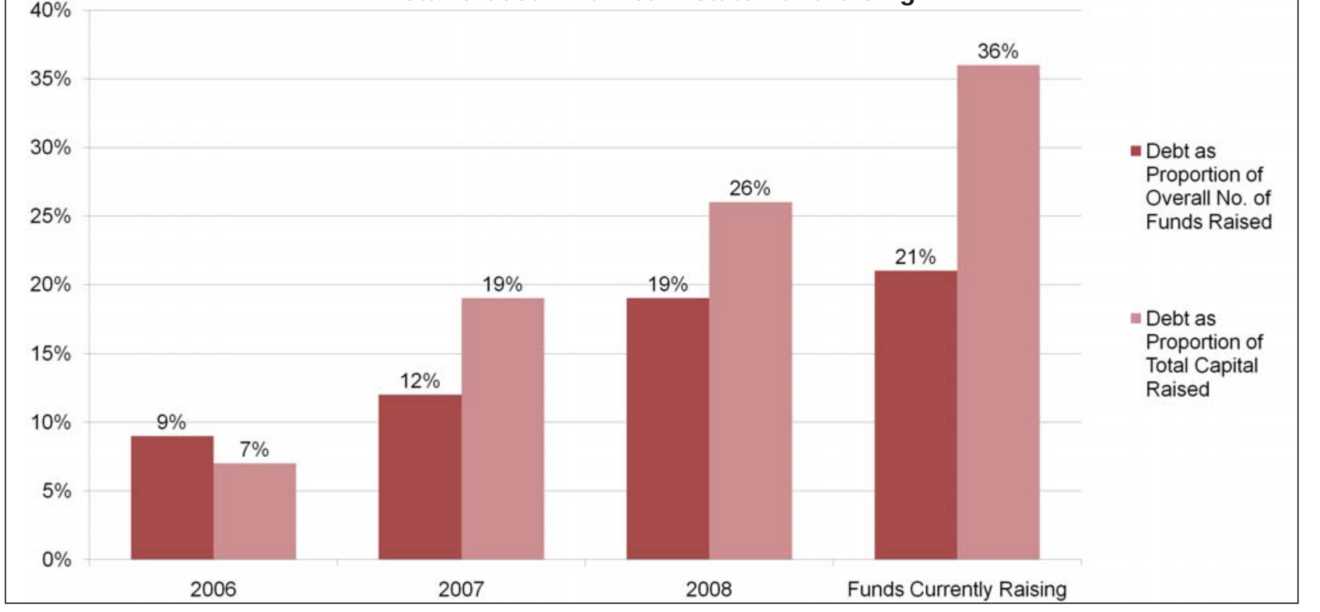
The closed-ended real estate industry has been a stellar performer in investor portfolios. The industry has posted median returns of between 15% and 28% IRR for vintage years 1999 onwards, with funds having to exceed 32% IRR in order to make the top quartile for the 2002 vintage. These impressive performance returns have spurred the growth of the industry, with new records in fundraising being broken every year. Although there was a noticeable slowdown in fundraising in Q4 2008, the closed-ended real estate fund market still had another record year in terms of fundraising, with 166 funds achieving a final close, raising an aggregate $116.7 billion.

The continued strong fundraising, performance and investor support that the industry commands is somewhat contrary to the difficult conditions facing the overall real estate industry. Other areas of the industry have had extremely challenging times, with core property holdings and investors with direct real estate investments seeing poor returns in recent years. However, rather than lowering allocations to real estate altogether, there has been a widespread move towards the closed-end market. Investors have been attracted not only by the strong returns posted by the industry, but also by the adaptability that closed-end fund managers have displayed.

Shift in Focus

Historically the distressed and debt focused real estate fund market has made up a relatively small part of the overall closed-end real estate market. With an abundance of opportunities in the opportunistic and value added market, there were only limited opportunities for distressed and debt players to cover, and only limited support from institutional investors. There were still some specialist fund managers focusing on the area, with some significant funds being raised by the likes of Lone Star, but the focus of the industry was firmly on the opportunistic and value added side.

Fig. A: Real Estate Distressed and Debt Fundraising as a Proportion of Total Closed-End Real Estate Fundraising



The real estate industry was amongst the first to feel the effects following the onset of the credit crunch and resulting change in global economic conditions. The credit crunch has resulted in a number of real estate managers, operators and owners becoming distressed, looking to refinance projects, sell off properties, or completely unable to pay back loans. In such a market, the opportunities for traditional closed-end funds have become more limited, with financing deals in particular becoming increasingly challenging.

The increase in funds focusing on opportunities in the distressed and debt market is the culmination of these two factors - the market has become increasingly distressed, while traditional opportunities and sources of financing have become more scarce. In order to take advantage of this market, distressed and debt focused firms have increased fund sizes and become more active, and in addition there have been a number of managers normally associated with the opportunistic and value added market moving into this area for the first time. In addition to raising dedicated vehicles, some managers of opportunistic funds are also using increasingly large portions of their vehicles to invest in distressed situations.

Key Areas of the Market

Preqin has identified three key areas of the market, and will be covering these in detail in the 2009 Preqin Real Estate Distressed and Debt Review:

Debt Funds: these funds are looking to provide financing opportunities to property developers or owners in need of term financing, or refinancing for property projects. These look to take advantage of the current liquidity crisis and replace the role of the traditional lenders such as banks. Debt funds also look to purchase debt from institutions or operating companies.

Distressed Debt Funds: these funds are looking to invest in distressed debt situations in order to convert debt to equity. This includes managers investing in distressed mortgages in order to foreclose on the property and gain access to the property in order to execute their value added or opportunistic plays.

Distressed Situations Funds: these funds purchase property from distressed sellers, typically developers who are in distress and need to sell off their property or entire property portfolios. Occasionally the property itself will be in physical distress. Distressed situations funds also provide finance for developers in need of capital. Opportunistic real estate funds will also invest into distressed situations.

Importance of the Distressed and Debt Market

The growth of this area of the market has important consequences for all involved. It has been important in ensuring that the real estate market continues to operate effectively. Due to the lack of liquidity in the market, these funds have stepped into the breach to provide alternative solutions to those that need to refinance, sell property quickly, or are in a state of distress.

It has given innovative fund managers the opportunity to continue to be active in the real estate market despite the more challenging conditions, which in turn has enabled investors in the asset class to continue to gain equity-like returns when traditional equity focused funds are less able to do so.

Investors are keen to maintain allocations to the closed-end real estate market as it has provided such strong returns over recent years. In the long term it is likely that if credit issues become resolved then the market for funds of this type will experience a slowdown. However, in the current market investors are reassessing their portfolios, and distressed and debt funds will seem an increasingly promising proposition with the economic climate remaining so uncertain.

Gaining a good understanding of the key trends in this area, and accessing intelligence on all the key players and investors is a vital consideration for all those involved with the closed-end real estate market. We are confident that the 2009 Preqin Real Estate Distressed and Debt Review addresses the demand for more information in this area, and will be an effective tool in furthering understanding in this increasingly important sector of the market.

Fundraising for the Distressed Market

In recent years distressed real estate funds have been an increasingly popular form of investment, as illustrated in Fig. 3.2. The market has grown substantially from 2002, when just six funds raised a total of $1.04 billion. The amount of capital increased steadily from 2002 to 2004, with a significant increase in 2005, which saw 15 funds raise $12 billion compared to 13 funds raising $3.7 billion the year before. This was due to Lone Star Fund V raising $5 billion. Lone Star Fund VI also had a similar impact on the market in 2008 when it closed on $7.5 billion. Lone Star have cemented their place as the most prominent player in the distressed real estate market. In Q1 2009 Lone Star launched Lone Star Real Estate Fund II, a $10 billion distressed situations fund looking to invest into distressed commercial assets. It also launched the Lone Star Fund VII, a distressed debt fund targeting $10 billion, looking to invest into distressed residential mortgages and defaulting corporate bonds and loans. Although interest in the distressed real estate market had been steadily growing for some time, the asset class only really took off in 2007 when the effects of the credit crisis became apparent.

Debt and Distressed Funds by Geographic Focus

The distressed real estate market is dominated by funds focusing on North America. As Fig. 3.3 shows, 46 funds closed during 2007-2008 with a primary focus on North America, raising $33 billion. This accounts for 69% of all the capital raised by distressed real estate funds during this period. The dominance of North American focused funds is a reflection of the fact that the location of the majority of current opportunities are situated here. In recent years the US has experienced an unparalleled construction boom which was brought to a halt by

Fig. 3.4: Split of Funds Currently Raising by Primary Geographic Focus (Sorted by Aggregate Capital Sought)

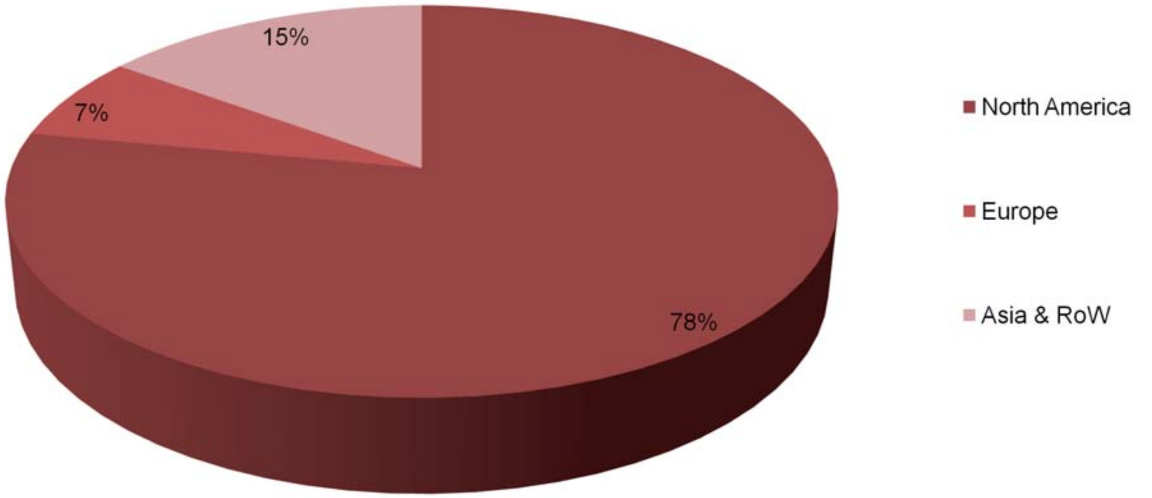
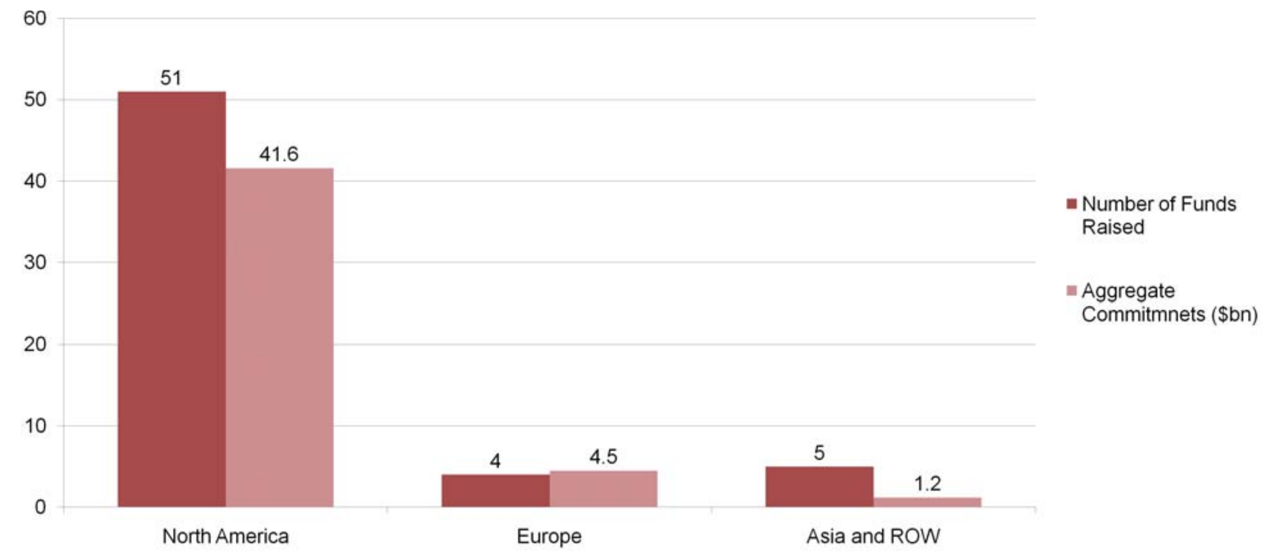


Fig. 3.5: Split of Distressed and Debt Real Estate Fundraising 2007-2008 by Fund Manager Location



Fund and Firm	Final Close (mn)	Close Date	Placement Agent	Strategy	Legal Structure	Location Preference	Property Preference	Debt Preference	Investors
Fillmore West Fund Fillmore Capital Partners	500 USD	Dec-08		Debt and Distressed Debt	Limited Partnership	Mexico, US	Medical/Healthcare, Multi-family, Office, Retail, Senior Home	B-Notes, Distressed Debt, Mezzanine, Preferred Equity	Washington State Investment Board, Pennsylvania Public School ERS, Pennsylvania State ERS, School ERS of Ohio, Kansas Public ERS, San Bernardino County Employees' Retirement Association
Five Mile Capital Partners II Five Mile Capital Partners	1,530 USD	May-08	Credit Suisse Private Fund Group (Placement Agents)	Debt	Limited Partnership	US	RE Companies	B-Notes, CMBS, Mezzanine, Preferred Equity	Teacher Retirement System of Texas, New Jersey State Investment Council, Varma Mutual Pension Insurance Company, UTIMCO, Arizona State Retirement System, John D. and Catherine T. MacArthur Foundation, Penn Square Real Estate Group
Forum Asian Realty Income II Forum Partners	792 USD	Jun-07	Triton Pacific Capital	Debt	Limited Partnership	Asia		Mezzanine, Preferred Equity	Teacher Retirement System of Texas, Regents of the University of California, Public School Retirement System of Missouri, Los Angeles Fire and Police Pension System, Australia Post Superannuation Scheme
Forum European Realty Income III Forum Partners	442 EUR	Nov-08	Atlantic-Pacific Capital	Debt and Opportunistic	Limited Partnership	Europe	Industrial, Mixed Use, Office, Residential, Retail	Mezzanine	PGGM, Teacher Retirement System of Texas, Northrop Grumman Pension Plan
GoldenTree InSite Partners Real Estate Opportunity GoldenTree InSite Partners	508 USD	Dec-07		Debt, Distressed and Opportunistic		US, South America, West Europe	Commercial, Hotels, Industrial, Land Development, Leisure/ Entertainment, Medical/Healthcare, Office, Residential, Retail, Senior Home	Distressed Debt, Mezzanine	Los Angeles Fire and Police Pension System, YMCA Retirement Fund
Gresham Property Fund No. 3 Gresham Property	140 AUD	Jul-07		Debt		Australia, New Zealand	Any	Mezzanine, Preferred Equity	Vision Super

Fund & Firm	Fund Target (mn)	Closings	Strategy	Legal Structure	Location Preference	Property Preference	Debt Preference
Marathon Real Estate Opportunity Fund II Marathon Asset Management	700 USD		Distressed and Distressed Debt		US	Commercial	Mezzanine, Preferred Equity, Distressed Debt
Marshall Real Estate Management Fund Marshall Capital Partners	500 EUR		Distressed and Opportunistic		Russia		
Mesa West Real Estate Income Fund II Mesa West Capital	400 USD		Debt		US		B-Notes, Mezzanine, Preferred Equity
Meyer Bergman Europe Retail Partners Meyer Bergman	600 EUR		Distressed, Opportunistic and Value Added	Limited Partnership	East Europe	Retail	
Morgan Stanley Real Estate Fund VII Global Morgan Stanley Real Estate	10,000 USD	First Close: 3,000 USD (Jun-08), Final Close (Expected): 8,000 USD (Mar-09)	Distressed and Opportunistic	Limited Partnership	Global	Hospitality, Industrial, Mixed Use, Multi-family, Office, RE Companies, Residential, Retail	Distressed Debt
Morrison Street Fund III NBS Real Estate Capital	100 USD	First Close: 16 USD (Jan-08), Second Close: 62 USD (Aug-08)	Debt and Value Added	Limited Partnership	Mountain, Pacific	Industrial, Multi-family, Office, Retail	Bridge Loans, Mezzanine, Preferred Equity
New Century Holdings New Europe Property Fund II New Century Holdings	1,000 USD	Final Close (Expected): (May-09)	Distressed	Limited Partnership	East Europe	Commercial, Land	
NYLIM Real Estate Mezzanine Fund III New York Life Investment Management Real Estate	500 USD		Debt, Distressed Debt and Value Added	Limited Partnership	US	Apartment, Hotels, Industrial, Office, Retail	Distressed Debt, Mezzanine
Omega Opportunity Fund I Omega Commercial Finance Corporation	1,000 USD		Distressed and Opportunistic	Limited Partnership	North America	Commercial, Hotels, Multi-family, Office, Retail	
OWS Mortgage Opportunity Fund One William Street Capital	625 USD		Debt	Limited Partnership	US		
Orion European Real Estate Fund III Orion Capital Managers	650 EUR	First Close: 834 EUR (Sep-08), Second Close: 900 EUR (Nov-08), Final Close (Expected): 1,250 EUR (Apr-09)	Debt and Opportunistic	CV	West Europe		Non-Performing Loan
US Residential Opportunity Fund I Pacifica Equity Partners	250 USD	Final Close (Expected): (Nov-09)	Debt and Distressed	Limited Partnership	North America	Apartment, Residential	Distressed Debt
Page Mill Properties III Page Mill Properties	500 USD		Debt		US		
Parmenter Realty Fund IV Parmenter Realty Partners	500 USD		Debt, Distressed and Value Added	Private REIT	US	Office	Distressed Debt

Angelo, Gordon & Co

245 Park Avenue, New York, NY, 10167, US
Tel: +1 212 692 2000
Fax: +1 212 867 9328
www.angelogordon.com
information@angelogordon.com

Raised (mn): 500 USD

Angelo, Gordon & Co began investing in commercial real estate in 1993 and has acquired over USD 5 billion of properties. The firm focuses on a value added approach through the acquisition of sub-performing real estate properties across a broad range of geographical markets and product types. The firm closed its first debt fund in 2008, AG Real Estate Debt Opportunity Fund. The fund focuses primarily on investment grade rated securities that are mispriced relative to their true risk characteristics. In Q1 2009, it began marketing its second debt fund, with a fundraising target of USD 300 million.

Contacts

Mr. Keith Barket	Senior Managing Director	kbarket@angelogordon.com
Mr. Andrew Solomon	Managing Director, Real Estate Debt	asolomon@angelogordon.com
Ms. Aliana Spungen	Client Services, Real Estate	aspungen@angelogordon.com

All/Any	Commercial	Hotels	Industrial	Land Development	Mixed Use	Multi-family	Office	RE Companies	Residential	Retail	North America	Europe	Asia & RoW
											•		

Distressed	Debt	Distressed Debt	B-Notes	Bridge Loans	CMBS	CRE CDOs	First Mortgages	Mezzanine	Non-Performing Loan	Preferred Equity	RMBS	Senior Debt	Whole Loans
	•				•								

Fund	Vintage	Status	Size (mn)	Legal structure	Strategy	Geographic Focus
AG Real Estate Debt Opportunity Fund II	2009	Raising	300 USD *		Debt	US
AG Real Estate Debt Opportunity Fund	2008	Closed	500 USD		Debt	US

Arch Capital Management

1203, 05 - Citibank Tower, 3 Garden Road, Hong Kong
Tel: +852 2287 4680
Fax: +852 2878 1178
www.archcapital.net
info@archcapital.net

Raised (mn): 294 USD

ARCH Capital Managment is a joint venture between Ayala Corp, Ayala Land and Great Arch. It specialises in real estate private equity fund management. Through the opportunistic ARCH Asia Property Fund, ARCH Capital Managment makes selective investments in distressed properties in addition to targeting development opportunities.

Contacts

Miss Karen Kwok	Associate Director	kkwok@archcapital.net
Mr. Richard Yue Wah-Chuk	Founder	

All/Any	Commercial	Hotels	Industrial	Land Development	Mixed Use	Multi-family	Office	RE Companies	Residential	Retail	North America	Europe	Asia & RoW
							•		•				•

Distressed	Debt	Distressed Debt	B-Notes	Bridge Loans	CMBS	CRE CDOs	First Mortgages	Mezzanine	Non-Performing Loan	Preferred Equity	RMBS	Senior Debt	Whole Loans
•													

Distressed	Debt	Distressed Debt	B-Notes	Bridge Loans	CMBS	CRE CDOs	First Mortgages	Mezzanine	Non-Performing Loan	Preferred Equity	RMBS	Senior Debt	Whole Loans
•		•							•				

* = Fund Target

Griffin Advisors

Tel: +48 22 212 19 10 | www.griffinadvisors.pl
Plac Pilsudskiego 1, 00-078, Warsaw, Poland | Raised (mn): 120 EUR | Fax: +48 22 212 19 99 | info@griffinadvisors.pl

Griffin Property Investors invests in Central European property markets and is particularly interested in Polish property. The firm believes Polish property to be an attractive investment due to the millions of buildings that are set to be reconstructed in the coming years. It held a first close on its Griffin Property Finance Fund in December 2007. The fund provides mezzanine financing for residential, commercial and industrial real estate.

Contacts

Mr. Helmut Fischer	Senior Partner	hfischer@griffinadvisors.pl
Mr. Marcin Trusaczyk	Partner	mtrusaczyk@griffinadvisors.pl

All/Any	Commercial	Hotels	Industrial	Land Development	Mixed Use	Multi-family	Office	RE Companies	Residential	Retail	North America	Europe	Asia & RoW
	•		•						•			•	

Distressed	Debt	Distressed Debt	B-Notes	Bridge Loans	CMBS	CRE CDOs	First Mortgages	Mezzanine	Non-Performing Loan	Preferred Equity	RMBS	Senior Debt	Whole Loans
								•					

Fund	Vintage	Status	Size (mn)	Legal structure	Strategy	Geographic Focus
Griffin Property Finance Fund	2007	First Close	250 EUR *		Debt	Central Europe, East Europe, Poland

Grosvenor

Tel: +44 (0)20 7408 0988 | www.grosvenor.com
70 Grosvenor Street, London, W1K 3JP, UK | Raised (mn): 100 USD | Fax: +44 (0)20 7629 9115

Grosvenor is a group of privately-owned international property development, investment and fund management businesses. It manages real estate assets worth over USD 25 billion. Its origins lie in the central London landholding of the Grosvenor family, dating back to 1677. Grosvenor has five regional investment and development businesses in Britain and Ireland, the Americas, Continental Europe, Australia and Asia Pacific. Its international fund management business operates across all these markets. Grosvenor has 17 global office locations and acts as a developer, investor and fund manager in multiple sectors - residential, retail, office, industrial, hotel, land, healthcare and debt.

In 2007 it launched Grosvenor Residential Investment Partners to invest in a portfolio of debt and mezzanine debt investments related to the acquisition and development of residential properties throughout the US.

Contacts

Ms. Kathleen Hands	Managing Director	kathleen.hands@grosvenor.com
Mr. Richard Layman	Senior Managing Director	dick.layman@grosvenor.com
Mr. James O'Neill	Marketing and Client Relations	james.oneill@grosvenor.com
Mr. David Reiner	Managing Director	david.reiner@grosvenor.com

All/Any	Commercial	Hotels	Industrial	Land Development	Mixed Use	Multi-family	Office	RE Companies	Residential	Retail	North America	Europe	Asia & RoW
									•		•		

Distressed	Debt	Distressed Debt	B-Notes	Bridge Loans	CMBS	CRE CDOs	First Mortgages	Mezzanine	Non-Performing Loan	Preferred Equity	RMBS	Senior Debt	Whole Loans

As demonstrated by Fig. 15.2, North America accounts for 78% of investors, with almost 76% coming from the US. While US investors dominate the industry, a more reasonable balance between investors in the major regions of the world is likely to occur as the distressed industry develops. Although distressed and debt funds are by no means a new phenomenon within the industry, the rate at which these funds are going to market, and therefore the rate of investor commitments, is greater than ever before. With distress set to continue in global real estate markets for the foreseeable future, investors from Europe and Asia and Rest of World are likely to increase their exposure to distressed opportunities. Europe represents 16% of investors in the industry, while Asia and Rest of World accounts for 6%. Preqin data shows that investor interest in the private equity real estate market as a whole is more balanced geographically. 61% of investors are from North America, 30% are from Europe and 9% are from Asia and Rest of World. While the figures will not shift enough to correlate with those seen in the overall private equity real estate universe, they will change to some degree to make Europeans and others a larger force within the distressed and debt industry.

Fig. 15.3 shows that the US is by far the most significant investor base for the distressed and debt universe. Trailing some way behind is the UK, which makes up 4.7% of investors in the sector. This is a low percentage compared to the 10.2% of private equity real estate investors overall that come from the UK, but as with continental Europe, the number of investors likely to allocate to distressed or debt funds will increase over the next few quarters. Royal Mail Pension Plan is a prominent UK investor with total assets of £23.5 billion. It has access to distressed markets via its commitment to LaSalle Asia Opportunity Fund III, a vehicle purchasing property from distressed sellers and those undergoing restructuring.

Australia has the largest investor base outside of North America and Europe. 2.5% of the world's distressed and/or debt investors are based in this country. The majority of these investors are superannuation schemes. One such investor is Australia Post Superannuation Scheme (APSS). APSS has a history of diversifying its closed-ended real estate portfolio with commitments to debt vehicles. Through various allocations it has exposure to mezzanine, preferred equity, distressed debt and distressed property. It has invested in North American, Asian and Japanese focused funds.

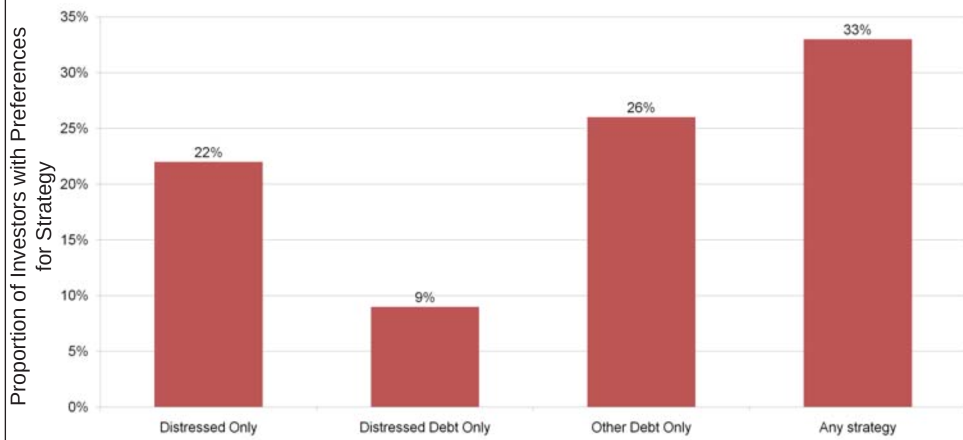
Investor Focus

With the growth of the distressed and debt real estate industry as rapid as the decline of the overall market that spawned it, more investors are interested in debt and distressed funds than ever before. The increase in interest in debt funds over just a few months is significant. In Q3 2008 14% of closed-ended real

Fig. 15.3: Centres of Activity - Biggest Countries for Investor Activity (Sorted by Number of Active Investors)

Country	Percentage of Global Investors
US	75.6%
UK	4.7%
Netherlands	4.0%
Australia	2.5%
Canada	2.5%
Finland	1.4%
Germany	1.4%
Switzerland	1.4%

Fig. 15.4: Investor Preference within the Distressed & Debt Market



Government of Singapore Investment Corporation (GIC)

Sovereign Wealth Fund

168 Robinson Road, 37-01 Capital Tower, 068912, Singapore
Tel: +65 6889 8888 Web: www.gic.com.sg
Fax: +65 6889 6869

GIC Real Estate is the real estate investment arm of Government of Singapore Investment Corporation. GIC Real Estate invests the 10% allocation that the Government of Singapore Investment Corporation makes to real estate. The sovereign wealth fund has accelerated the pace of its real estate investments in the last few years. It makes direct real estate investments globally across most property sectors, including office, retail, residential, industrial and hotel, as well as other niche sectors such as senior and student housing, and sports and medical facilities. It also invests extensively in indirect real estate vehicles such as private equity real estate funds, public REOCs, private REITs and real estate debt.

In terms of private equity real estate funds, GIC Real Estate invests in all parts of the world, and has no preference for fund type. GIC has no overall group strategy for its real estate private equity programme. Each regional office will make investments in their own country/region and are therefore responsible for devising appropriate strategies. GIC is positive with regards to private real estate-related funds because it feels the returns potential is very strong at the moment.

In Q4 2008, GIC Real Estate decided to commit USD 1 billion to LoanCore Capital, a vehicle targeting real estate debt opportunities in the US. Managed by both DivcoWest Properties and LoanCore Capital, GIC was expected to allocate a further USD 500 million to this vehicle in January 2009. The vehicle aims to provide liquidity in markets lacking capital by acquiring debt or providing finance for the acquisition and development of new or existing properties. The predominant focus of the fund is buying existing debt on deals involving the main property types.

Total Assets (mn):	220,000 USD	
Committed to Real Estate (mn):	22,000 USD	10% of Total Assets

Preferences

Dist. Debt	Debt	Distressed	N. America	Europe	Asia & RoW
•	•		•		

Sample Fund Investments

Fund Name	Manager	Vintage	Fund Size	Fund Focus	Committed (mn)
LoanCore Capital	LoanCore Capital	2009	3,000 USD T	US	1,500.0 USD

Contact Name	Position	Telephone	Email
Wendy Wong	Senior Vice President	+65 6889 6928	wendywong @gic.com.sg

Kleinwort Benson Private Bank

Asset Manager

30 Gresham Street, London, EC2V 7PG, UK
Tel: +44 (0)20 3207 7000 Web: www.kbpb.co.uk
Fax: +44 (0)20 3207 7001

Kleinwort Benson Private Bank (KBPB) is a significant investor in the real estate investment class. It invests on behalf of private clients and therefore has no definitive allocation to real estate. The bank regards private equity real estate funds as an important part of its investment portfolio, and does not invest in direct real estate. Although KBPB's strategy will vary depending on the requirements of its clients, the bank's main strategy is to invest in core real estate.

The bank also commits to opportunistic vehicles and will invest in value added property if the appropriate chance presents itself. It is particularly interested in niche property sectors, investing in projects that incorporate property types such as student accommodation and leisure facilities. Historically the bank has invested in the UK, Eastern Europe and the US and it also has an interest in Asia. It expects a minimum 12% IRR from UK investments and 20% IRR from Eastern European and Asian opportunities.

In June 2008, KBPB was cautious in regard to UK markets and was unlikely to commit until Q1 2009. It was also waiting to see how European markets performed but did envisage allocating to the region in the medium-term. In December 2008, KBPB had less capital to invest in real estate due to the denominator effect and was not happy with how its real estate portfolio had performed in 2008. It did not expect to increase its exposure to the asset class in 2009 and planned to invest in real estate funds as it had done in the past. The bank planned to invest in one distressed real estate fund and one real estate debt vehicle in 2009, because it felt that market conditions and pricings created favourable opportunities in these areas. KBPB was unsure as to how much capital it would invest in these funds, but expected to invest in the US and UK, with existing managers who had a track record in these vehicles.

Total Assets (mn):	7,500 GBP

Preferences

Dist. Debt	Debt	Distressed	N. America	Europe	Asia & RoW
	•	•	•	•	•

Contact Name	Position	Telephone	Email
Delyth Richards	Head of Real Estate Advisory	+44 (0)20 3207 7000	delyth.richards @kbpb.co.uk

T = Fund Target

Nigel Burton	Property Analyst	+44 (0)20 3207 7252	nigel.burton @kbpb.co.uk
Richard Sankey	Real Estate Analyst	+44 (0)20 3207 7000	richard.sankey @kbpb.co.uk

New Jersey State Investment Council

Public Pension Fund

Division of Investment, P.O. Box 290, Trenton, NJ, 08625-0290, US

Tel: +1 609 633 6565 Web: www.state.nj.us/treasury

New Jersey State Investment Council has a preference for investing in value added and opportunistic real estate funds, although it does also invest in core and core-plus vehicles, as well as debt and distressed situations funds. It will consider any geographical location, preferring to maintain a globally diverse fund. It has previously committed between USD 25 million and USD 500 million to individual funds. New Jersey State Investment Council is advised by Townsend Group.

New Jersey Investment Council has allocated to a number of debt and distressed funds in the last couple of years. It was a significant contributor to CT High Grade Partners II, investing USD 500 million of the USD 667 million raised by the fund.

The fund allocates to CMBS, mezzanine and CRE CDO strategies. The pension plan also allocated USD 75 million to Walton Street Real Estate Fund VI. This vehicle targets equity and debt interests in real estate–related assets and real estate operating companies. It focuses on distressed residential land and home builders, distressed debt and commercial developments. The fund primarily invests in the US, but has exposure to other markets, including India and Mexico.

New Jersey State Investment Council will allocate USD 1 billion to commercial real estate in 2009. Much of this will be invested in a fund focused exclusively on commercial real estate fixed assets. The pension fund is open to various options for the investment of the remainder of its designated real estate capital. Direct investments are likely, whilst a joint venture with a REIT manager is also a possibility.

In Q1 2009, New Jersey Investment Council decided to hold off seeing through commitments of USD 150 million to Morgan Stanley Real Estate Fund VII Global (an opportunistic and distressed situations vehicle) and USD 100 million to AEW Core Property Trust, so that it could free greater capital for real estate debt opportunities. It reasoned that in the current climate of unimpressive market prices, better investment opportunities were available in real estate debt.

Total Assets (mn):	60,600 USD	
Target to Real Estate (mn):	3,030 USD	5% of Total Assets
Target to PE Real Estate (mn):	1,114 USD	36% of Real Estate Target
Committed to PE Real Estate (mn):	1,282 USD	

Preferences

Dist. Debt	Debt	Distressed	N. America	Europe	Asia & RoW
•	•	•	•	•	•

Sample Fund Investments

Fund Name	Manager	Vintage	Fund Size	Fund Focus	Committed (mn)
CB Richard Ellis Strategic Partners US Opp V	CB Richard Ellis Investors	2008	1,050 USD	US	75.0 USD
CT High Grade Partners II	Capital Trust	2008	667 USD	US	500.0 USD
LaSalle Asia Opportunity Fund III	LaSalle Investment Management	2008	3,000 USD	RoW	100.0 USD
Morgan Stanley Real Estate Fund VII Global	Morgan Stanley Real Estate	2008	8,000 USD	RoW	165.0 USD
TA Realty Associates IX	TA Associates Realty	2008	1,850 USD T	US	100.0 USD
Walton Street Real Estate Fund VI	Walton Street Capital	2008	2,100 USD	US	75.0 USD
Five Mile Capital Partners II	Five Mile Capital Partners	2007	1,530 USD	US	100.0 USD
Guggenheim Structured Real Estate Fund III	Guggenheim Real Estate	2007	1,250 USD	US	100.0 USD
Guggenheim Structured Real Estate Fund II	Guggenheim Real Estate	2006	768 USD	US	50.0 USD

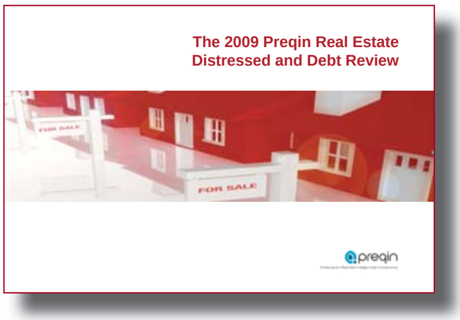
Contact Name	Position	Telephone	Email
James Falstrault	Head of Real Estate	+1 609 777 2942	james.falstrault @treas.state.nj.us
Kathy Jassem	Portfolio Manager	+1 609 633 6565	kathy.jassem @treas.state.nj.us

T = Fund Target

2009 RE Distressed & Debt Review: Order Form

The 2009 Preqin Real Estate Distressed and Debt Review is the leading source of information on the private equity real estate industry, and is an essential purchase for all real estate professionals.

- Detailed analysis, data and listings for all aspects of the private equity real estate distressed and debt industry.
- See vital information on investors, fundraising, firms, fund terms, fund performance and more.



For more information please visit:
www.preqin.com/redistressed

2009 Preqin Real Estate Distressed and Debt Review Order Form - Please complete and return via fax, email or post

I would like to purchase the 2009 Real Estate Distressed and Debt Review:

☐ £465 + £10 Shipping ☐ $795 + $40 Shipping ☐ €495 + €25 Shipping

Additional Copies

☐ £110 + £5 Shipping ☐ $180 + $20 Shipping ☐ €115 + €12 Shipping

(Shipping costs will not exceed a maximum of £15 / $60 / €37 per order)

I would like to purchase the 2009 Preqin Real Estate Distressed and Debt Review Graphs & Charts Data Pack in MS Excel Format:

☐ $300 / £175 / €185 *(contains all underlying data for charts and graphs contained in the publication. Only available alongside purchase of the publication).*

Name:

Firm: Job Title:

Address:

City: Post / Zip Code: Country:

Telephone: Email:

Payment Options:

☐ Cheque enclosed (please make cheque payable to 'Preqin')

☐ Credit Card ☐ Visa ☐ Mastercard ☐ Amex

☐ Please invoice me

Card Number:

Expiration Date: Security Code*:

Name on Card:

*Security Code:

Visa / Mastercard: the last 3 digits printed on the back of the card.

American Express: the 4 digit code is printed on the front of the card.

Preqin - Scotia House, 33 Finsbury Square, London, EC2A 1BB
w: www.preqin.com / e: info@preqin.com / t: +44 (0)20 7065 5100 / f: +44 (0)87 0330 5892 or +1 440 445 9595