Volume 10, Issue 6

Real Estate Spotlight

September 2016

Welcome to the latest edition of **Real Estate Spotlight**, the monthly newsletter from Preqin providing insights into real estate performance, investors, deals and fundraising.
Real Estate Spotlight uses information from our **Real Estate Online** service.

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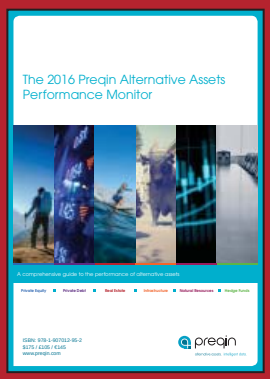

2016 Preqin Alternative Assets Performance Monitor

Did you know...?

You can download all the data in this month's Spotlight in Excel.

Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. You are welcome to use the data in any presentations you are preparing; please cite Preqin as the source.

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Private Real Estate in Asia: Local Players Come to the Fore

In this month's feature article, Chris Beales provides an in-depth review of the private real estate fundraising market in Asia and how international and domestic fund managers target the region, prevalent strategies and where fund managers are acquiring property.

Introduction:

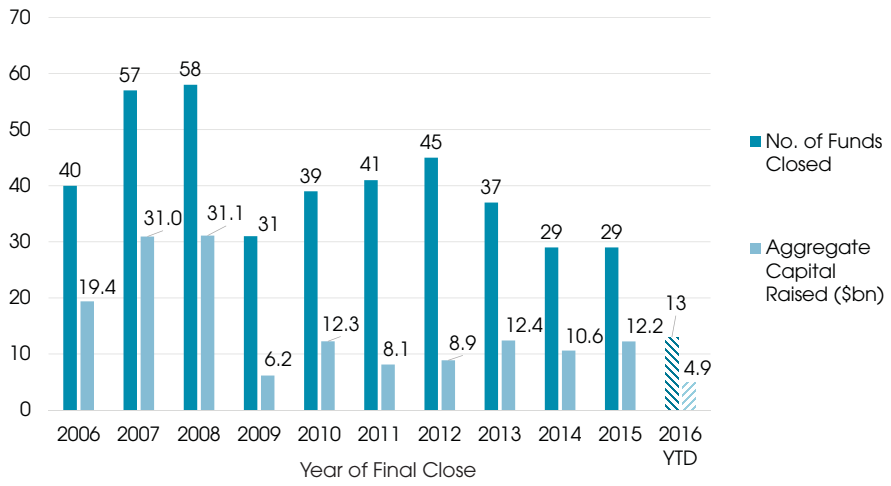
In the years following the Global Financial Crisis (GFC), the fundraising environment for Asia-focused private real estate funds has been relatively consistent, with the capital raised each year remaining well below the levels seen in 2007 and 2008. Higher risk, opportunistic strategies dominate the fundraising environment, with China- and Pan-Asia-focused funds the most prevalent in terms of geographic focus. The Asian real estate landscape provides a variety of ways in which investors can diversify their portfolios and generate strong returns; the region provides opportunities to invest in highly developed lower yield markets such as Hong Kong and Taipei, as well the higher yield regions in Indian cities such as Mumbai and Delhi. With such a range of investment opportunities across Asia, we provide insight into which fund managers are active in the region and how both international and domestic managers use the Asian markets to generate returns for their investors.

Using data from Preqin's Real Estate Online, which features extensive information on over 500 Asia-focused funds and over 250 fund managers active in the Asian market, we examine how the Asian private real estate market is evolving.

Fundraising

Following the Global Financial Crisis (GFC), Asia-focused private real estate fundraising fell to a low of 31 funds reaching a final close for $6.2bn in 2009 (Fig. 1). The number of funds closing annually rebounded to pre-crisis levels relatively quickly, with 39, 41 and 45 funds closing in 2010, 2011 and 2012 respectively. While the amount of capital raised did recover from 2009 lows relatively quickly (funds closed in 2010 secured $12.3bn), totals are still below the levels seen from 2006 to 2008. Funds closed in more recent years (2012 to present) have seen a more sustained recovery in capital raised annually, despite the number of funds reaching a final close falling from 45 in 2012 to 29 in both 2014 and 2015, in line with global trends of capital concentration among a smaller selection of fund managers. Unsurprisingly, over a quarter (26%) of funds closed in 2015 raised $500mn or more, compared with just 8% of funds in 2012, further illustrating the increasing size of Asia-focused vehicles. Examples of this include Singapore-headquartered Global Logistic Properties' CLF II, which closed in July 2015, securing $3bn for investment in China.

Fig. 1: Annual Primarily Asia-Focused Closed-End Private Real Estate Fundraising, 2006 - 2016 YTD (As at 9 August 2016)



Source: Preqin Real Estate Online

Pan-Asia- ($25bn) and China-focused funds ($24bn) together represent 71% of all Asia-focused capital raised since 2010 (Fig. 2). However, India-focused funds have secured 21% of all capital raised in 2016 so far – the largest proportion secured since 2006, surpassing China-focused funds (9%). While India-focused funds attracted significant proportions of total Asia-focused capital in 2006 (20%) and 2007 (18%), since the GFC, fewer India-focused vehicles have been established, although it seems that institutional investors are increasingly watching India and the growth potential of its real estate markets.

Value added and opportunistic vehicles dominate the Asia-focused fundraising market as the risks involved in investing in the region mean that investors typically target higher returns from their capital. Twenty-three opportunistic funds and eight value added funds have reached a final close since 2015, securing $11.2bn and $2.9bn respectively, compared with just seven core and core-plus funds reaching a final close on $2.6bn in the same period (Fig. 3).

Nearly a third (31%) of all Asia-focused funds closed since 2010 spent less than six months on the road, a significantly larger proportion than funds focused on Europe (16%) or North America (15%). However, when looking at private real estate funds closed in 2016, Asia-focused funds have spent more time on the road than both North America- or Europe-focused funds – a trend not seen before. This rise in time spent on the road correlates with the size of Asia-focused funds reaching a final close: the average size of Asia-focused funds reached a post-crisis high of $453mn in 2015. A narrow majority of Asia-focused funds closed since 2014 have met or exceeded their target size (Fig. 4). To put this into context, just 39% of Europe-focused

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funds closed in 2016 so far reached their target size.

The vast majority of the largest Asia-focused private real estate funds to close since 2015 operate opportunistic strategies. Interestingly, considering the dominance of higher risk strategies in the Asian market, the second largest fund to close since 2015 – PAG Real Estate Partners – operates core and core-plus as well as value added strategies (Fig. 5). Two of the largest funds have been raised by US-headquartered fund managers, while the remaining eight are managed by domestic fund managers.

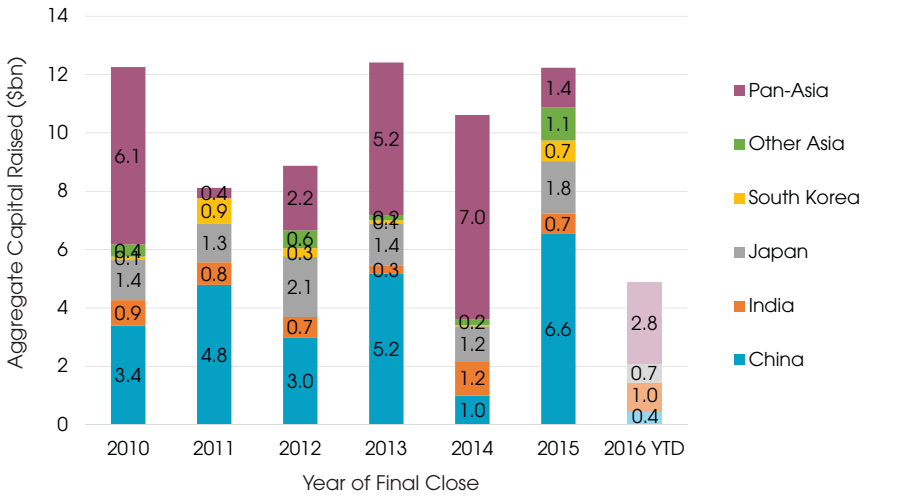
Domestic vs. International Fund Managers: Fundraising

Despite the continued presence of a handful of the largest global players, Asia-headquartered fund managers are now dominating fundraising in the region. As the track records of domestic players have lengthened and their experience in fund management develops, institutional investors are becoming more comfortable with allocating capital to their funds. Twelve of the 13 Asia-focused funds closed in 2016 so far are managed by domestic firms, with one fund managed by US-based PGIM Real Estate. This represents a shift towards more domestically managed vehicles entering the market since 2008, when only 52% of Asia-focused funds closed were managed by Asia-based firms and 13% were managed by firms in North America.

Domestic fund managers are also prevalent in terms of the amount of capital raised for Asia-focused closed-end private real estate funds over the past five years (Fig. 6). Only two managers based outside Asia feature in the league table, while Singapore-based Global Logistic Properties has raised the most Asia-focused capital since 2011.

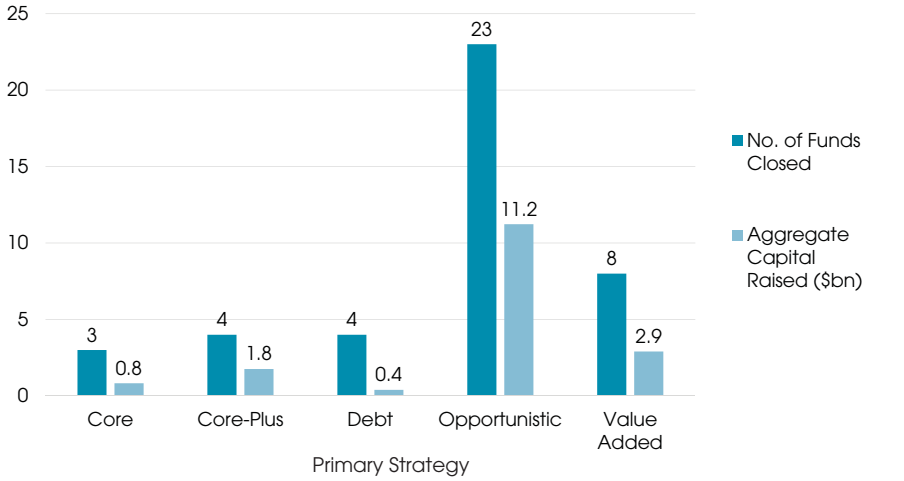
In the period 2006-2008, funds managed by international firms were much more prevalent in the Asian private fund market than in recent years (Fig. 7). While a similar trend is seen in terms of aggregate capital raised, 2014 was dominated by the $5bn closure of Blackstone Group's Blackstone Real Estate Partners Asia, resulting in international fund managers accounting for 62% of Asia-focused capital raised, compared with just 15% in 2015.

Fig. 2: Annual Primarily Asia-Focused Closed-End Private Real Estate Fundraising by Geographic Focus, 2010 - 2016 YTD (As at 9 August 2016)



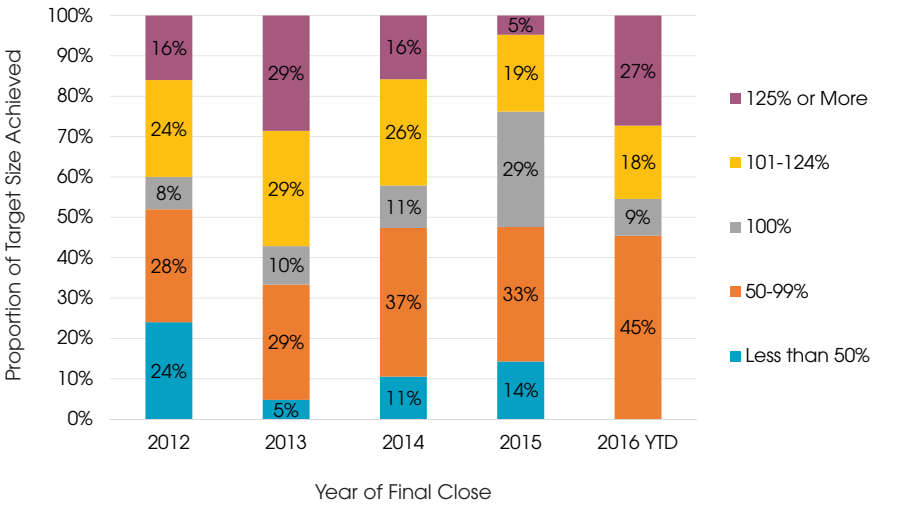
Source: Preqin Real Estate Online

Fig. 3: Primarily Asia-Focused Closed-End Private Real Estate Fundraising by Primary Strategy, 2015 - 2016 YTD (As at 9 August 2016)



Source: Preqin Real Estate Online

Fig. 4: Primarily Asia-Focused Closed-End Private Real Estate Funds Closed by Proportion of Target Size Achieved, 2012 - 2016 YTD (As at 9 August 2016)



Source: Preqin Real Estate Online

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Funds in Market

There are currently fewer Asia-focused private real estate funds in market than 12 months ago; however, the 56 funds currently raising capital are targeting $317mn more in capital commitments than in August 2015 (Fig. 8).

As would be expected given the overwhelming trend in the strategies of Asia-focused private real estate funds, opportunistic strategies account for half of both the number of funds in market and aggregate target capital (Fig. 9).

Domestic vs. International Fund Managers: Funds in Market

The largest Asia-focused private real estate fund currently seeking capital is Hong Kong-based PAG Real Estate's Secured Capital Real Estate Partners VI, which is targeting $1.5bn for opportunistic investments in Japan, South Korea and China. Edelweiss Real Estate Fund, which is targeting $750mn, represents Mumbai-based Edelweiss Alternative Asset Advisors' first solely residential private real estate fund targeting opportunities in India.

International fund managers are more prevalent among Asia-focused private real estate funds seeking capital than those recently closed. While each of the funds in market seeking $1bn or more in capital commitments are managed by Asia-based firms, four of the 10 largest funds currently on the road are managed by US-based firms. However, of the 17 Asia-focused private real estate funds to have held an interim close in 2016 so far, just three are managed by firms based outside Asia.

Fig. 5: 10 Largest Primarily Asia-Focused Private Real Estate Funds Closed, 2015 - 2016 YTD (As at 9 August 2016)

Fund	Firm	Headquarters	Strategy	Fund Size (mn)	Geographic Focus	Final Close Date
CLF II	Global Logistic Properties	Singapore	Opportunistic	3,700 USD	China	Jul-15
PAG Real Estate Partners	PAG Real Estate	Hong Kong	Core, Core-Plus, Value Added	1,350 USD	Asia, Australia	Jun-16
Fortress Japan Opportunity Fund III	Fortress Investment Group	New York, US	Debt, Distressed, Opportunistic	1,100 USD	Japan	Oct-15
Fudo Capital III	CLSA Capital Partners - Fudo Capital	Hong Kong	Distressed, Opportunistic, Value Added	1,000 USD	Asia, Australia	Jun-15
Stable Earner No. 1	Dalian Wanda Group	Beijing, China	Opportunistic	5,000 CNY	China	Jun-15
GreenOak Asia II	GreenOak Japan	Tokyo, Japan	Opportunistic, Value Added	655 USD	Japan	Mar-16
Asia Property Fund III	PGIM Real Estate	Madison, US	Core, Opportunistic, Value Added	580 EUR	Asia, Australia	Mar-16
Everbright Ashmore Beijing Tongzhou Real Estate Fund	Everbright Ashmore	Beijing, China	Value Added	3,500 CNY	China	Feb-15
Mapletree Japan Office Fund	Mapletree Investments	Singapore	Core, Core-Plus	65,000 JPY	Japan	Jan-15
Korea Logistics Development Club	Kendall Square Logistics Properties	Seoul, South Korea	Opportunistic	500 USD	South Korea	Nov-15

Source: Preqin Real Estate Online

Fig. 6: 10 Largest Fund Managers by Aggregate Capital Raised for Primarily Asia-Focused Closed-End Private Real Estate Funds in the Last Five Years (As at 9 August 2016)

Firm	Headquarters	No. of Funds Raised in Last Five Years	Aggregate Capital Raised in Last Five Years ($bn)
Global Logistic Properties	Singapore	3	5.6
Blackstone Group	New York, US	1	5.0
CapitaLand	Singapore	5	3.2
PAG Real Estate	Hong Kong, China	2	2.8
Fortress Investment Group	New York, US	2	2.7
Mapletree Investments	Singapore	3	2.5
Alpha Investment Partners	Singapore	1	1.7
SC Capital Partners	Singapore	2	1.4
CR Capital Real Estate Partners	Hong Kong	4	1.1
Gaw Capital Partners	Hong Kong	2	1.1

Source: Preqin Real Estate Online

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PERE Deals

In line with the global trend in private equity real estate (PERE), office assets represent the largest proportion (40%) of deals completed in Asia since 2015 (Fig. 10). Mixed-use property accounts for just 14% of the number of deals completed for Asian assets; however, mixed-use assets represent nearly half (46%) of aggregate PERE deal value. While these statistics are significantly affected by Qatar Investment Authority's $2.5bn acquisition of Asia Square Tower 1 from BlackRock in 2016, even if this deal were excluded from the data set, this asset type would still account for the largest proportion of Asia PERE deal value since 2015.

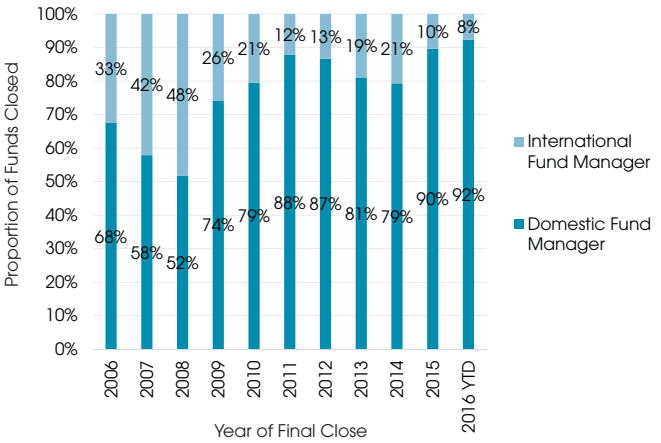
As seen in Fig. 11, Indian assets represent a quarter of Asian deal flow since 2015, while deals involving Singaporean property represent the largest proportion (38%) of aggregate deal value of any single country. However, excluding the Asia Square Tower 1 deal in Singapore would make Japan the most targeted region for Asian PERE deals in terms of aggregate value.

Deals for larger assets (property over 500,000ft^2 in size) dominate the Asian PERE deal landscape, accounting for nearly half (42%) of the number of deals and over three-quarters (76%) of aggregate deal value since 2015 (Fig. 12). This is a significantly different trend to that of the PERE deal landscape in North America.

Domestic vs. International Fund Managers: PERE Deals

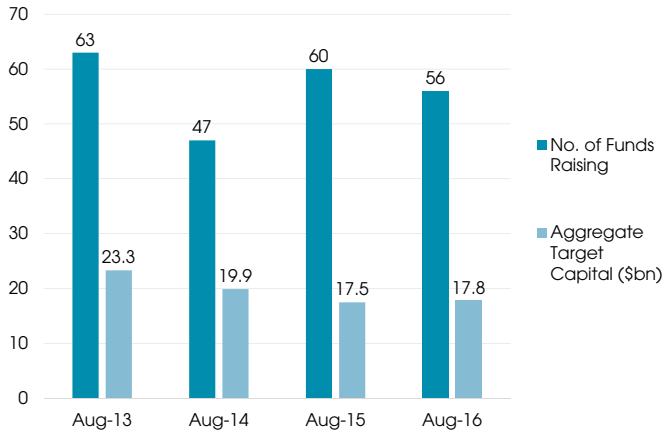
In terms of the 20 largest Asian PERE deals completed since 2015, just three involved buyers located outside the region, with Blackstone Group's acquisition of L'Avenue, a mixed-use property located in Shanghai, for $854mn, was the largest deal involving an international fund manager. Nearly half of the 20 largest deals for Asian property involved Singapore-based buyers: one such buyer is Ascendas, a fund manager that has been involved in two of the 20 largest deals since 2015, acquiring CPF Building and One@Changi City Business Park for SGD 550mn and SGD 420mn respectively. Both assets are located in Singapore.

Fig. 7: Primarily Asia-Focused Closed-End Private Real Estate Funds Closed by Fund Manager Location (As at 9 August 2016)



Source: Preqin Real Estate Online

Fig. 8: Primarily Asia-Focused Closed-End Private Real Estate Funds in Market over Time, August 2013 - August 2016 (As at 9 August 2016)



Source: Preqin Real Estate Online

Fig. 9: 10 Largest Primarily Asia-Focused Closed-End Private Real Estate Funds Currently in Market (As at 9 August 2016)

Fund	Firm	Headquarters	Primary Strategy	Target Size (mn)
Secured Capital Real Estate Partners VI	PAG Real Estate	Hong Kong, China	Opportunistic	1,500 USD
Gateway Real Estate Fund V	Gaw Capital Partners	Hong Kong, China	Value Added	1,300 USD
Alpha Asia Macro Trends Fund III	Alpha Investment Partners	Singapore	Value Added	1,000 USD
Redwood Japan Logistics Fund II	The Redwood Group	Singapore	Value Added	1,000 USD
Aetos Capital Asia V	Aetos Capital Real Estate	New York, US	Value Added	750 USD
AG Asia Realty Fund III	Angelo, Gordon & Co	New York, US	Opportunistic	750 USD
Asia Property Fund IV	BlackRock	New York, US	Opportunistic	750 USD
Edelweiss Real Estate Fund	Edelweiss Alternative Asset Advisors	Mumbai, India	Debt	750 USD
LaSalle Asia Opportunity Fund V	LaSalle Investment Management	Chicago, US	Opportunistic	750 USD
HDFC Capital Affordable Real Estate Fund-1	HDFC Capital Advisors	Mumbai, India	Opportunistic	50,000 INR

Source: Preqin Real Estate Online

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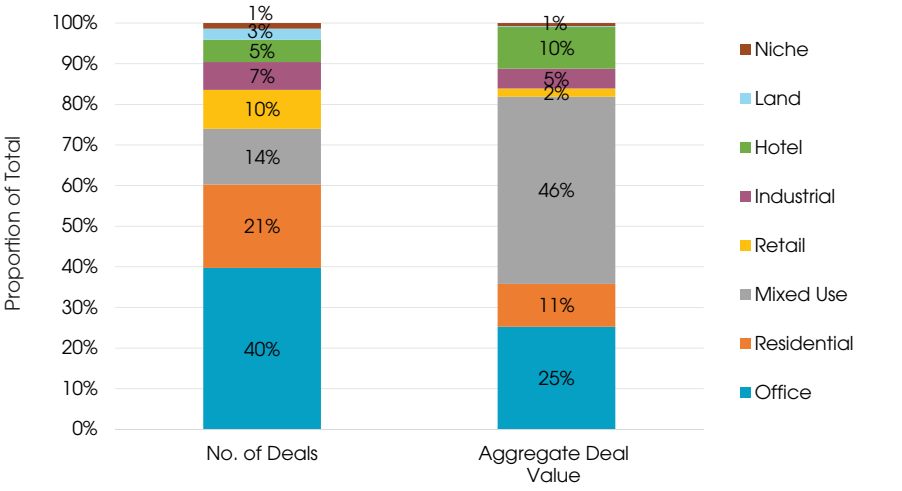
Outlook

The private real estate fund market in Asia has seen significant changes in recent years. As Asia-based fund managers have become more established and experienced, they have grown to dominate the market, with only a handful of the largest international players maintaining a major influence. Higher risk strategies continue to account for the bulk of aggregate capital raised, but there are signs that investors are also more prepared to commit capital to income-generating investments in Asia as well.

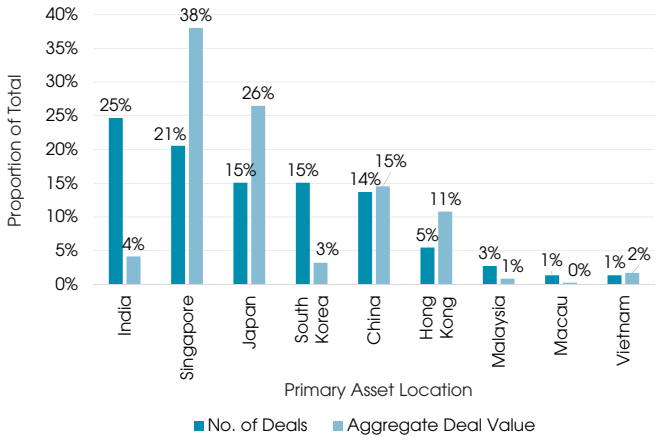
While fundraising levels remain well below the level seen in 2007 and 2008, with Asia uniquely housing cities that provide some of the most developed and valuable real estate in the world – as well as other emerging, high growth cities that attract investment due to the potential for yield in a low interest rate environment – there remains huge potential for the private real estate industry in Asia to continue to grow and diversify in the years to come.

Fig. 10: Asian Private Equity Real Estate Deals by Primary Asset Type, 2015 - 2016 YTD (As at 9 August 2016)



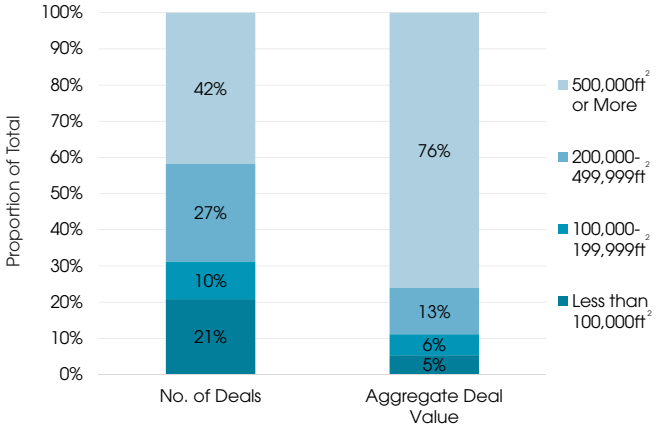
Source: Preqin Real Estate Online

Fig. 11: Asian Private Equity Real Estate Deals by Primary Asset Location, 2015 - 2016 YTD (As at 9 August 2016)



Source: Preqin Real Estate Online

Fig. 12: Asian Private Equity Real Estate Deals by Asset Size, 2015 - 2016 YTD (As at 9 August 2016)



Source: Preqin Real Estate Online

Fig. 13: Five Largest Asian Private Equity Real Estate Deals, 2015 - 2016 YTD (As at 9 August 2016)

Asset	Primary Asset Type	Transaction Type	Buyer(s)	Seller(s)	Deal Size (mn)	Asset Location	Deal Date
Asia Square Tower 1	Mixed Use	Single Asset	Qatar Investment Authority	BlackRock	2,450 USD	Singapore	Jun-16
Meguro Gajoen	Mixed Use	Single Asset	China Investment Corporation, LaSalle Investment Management	Unidentified Seller(s)	140,000 JPY	Tokyo, Japan	Feb-15
Tokyo, Japan, Office Portfolio	Office	Portfolio	PAG Real Estate	GE Japan Corporation	1,000 USD	Tokyo, Japan	Jul-15
InterContinental Hong Kong Hotel	Hotel	Single Asset	Gaw Capital Partners	Intercontinental Hotels UK Pension Plan	938 USD	Hong Kong	Jul-15
L'Avenue	Mixed Use	Single Asset	Blackstone Group	Unidentified Seller(s)	854 USD	Shanghai, China	May-15

Source: Preqin Real Estate Online

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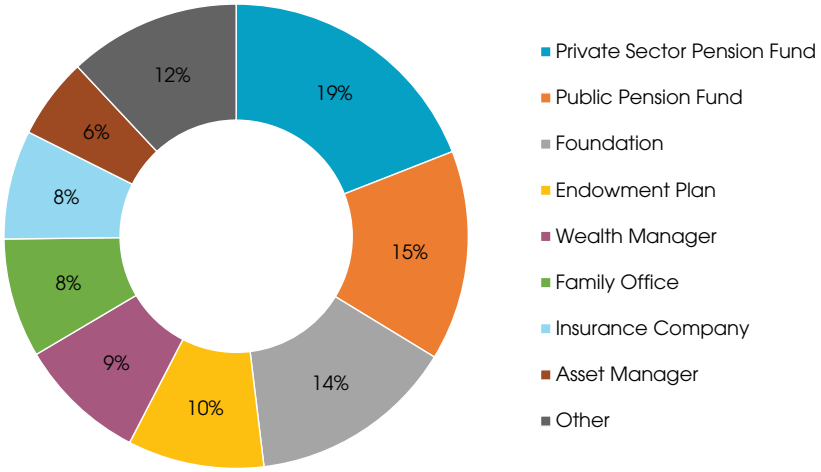
Pension Funds Investing in Real Estate

The $16.3tn in assets under management held by pension funds around the world continues to be a key source of capital for the real estate industry. Charles Wood provides an in-depth review of this investor universe, including their strategic preferences, largest allocations to real estate and which pension funds are looking to add to their current portfolio.

Preqin's Real Estate Online currently tracks 1,005 private sector pension funds and 772 public pension funds that invest in real estate, accounting for 19% and 15% respectively of all institutional investors active in the asset class, more than any other investor type (Fig. 1). Despite greater participation from those in the private sector, public pension funds currently allocate more than double the amount of capital to the asset class: $681bn compared with the $340bn allocated by private sector pension funds – 28% and 14% of all capital allocated to real estate respectively (Fig. 2).

Real estate remains a principal component of most pension fund portfolios, with 87% of all public and 73% of all private sector pension funds currently investing in the asset class (Fig. 3). The 87% of public pension funds that invest in real estate is the highest participation rate of any institutional investor type: three-quarters (76%) of endowment plans are active in real estate, with insurance companies (68%), sovereign wealth funds (60%) and family offices (48%) among other investor groups with significant participation in the asset class. These high participation rates are partly due to the alignment of the asset class with the long-term investment horizons of investors, as well as satisfying many of these investors' mandates for a diversified portfolio of investments. A number of pension funds are increasing their real estate weightings, including New Jersey State Investment Council: after recently announcing a reduction in its allocation to hedge funds, the public pension fund has subsequently increased its target allocation to real estate from 5.3% of its total assets to 6.3% for the 2017 fiscal year – equating to approximately $700mn of fresh capital. Furthermore, pension funds which have previously not invested in the asset class are now also looking to add real estate to their portfolio: Pensionskasse des Bundes PUBLICA is one example, having recently created a 4% target allocation to international real estate and is currently in the market for its maiden investment.

Fig. 1: Institutional Investors in Real Estate by Type

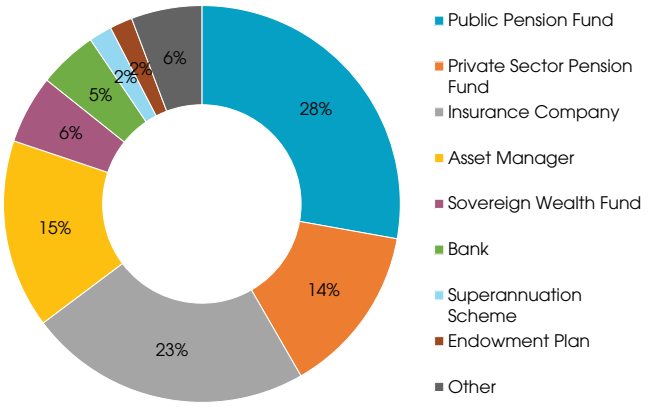


Source: Preqin Real Estate Online

Location

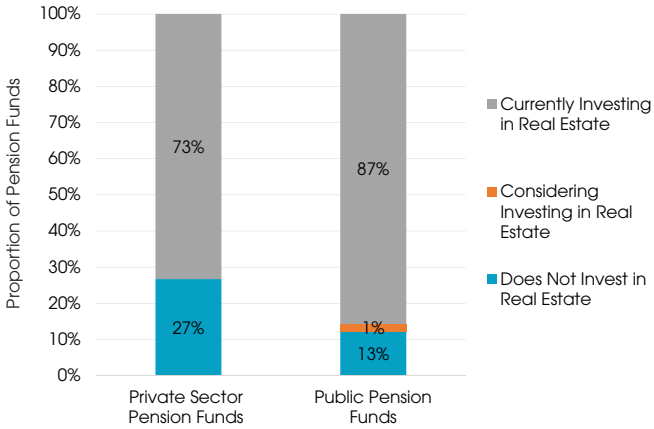
Pension funds are geographically diverse, although higher concentrations of funds exist in regions of greater economic development (Fig. 4). The majority of private sector pension funds targeting real estate are split almost equally between those based in North America (47%) and

Fig. 2: Capital-Weighted Breakdown of Institutional Investors Investing in Real Estate by Type



Source: Preqin Real Estate Online

Fig. 3: Pension Funds Investing in Real Estate by Investment Status



Source: Preqin Real Estate Online

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Europe (45%); however, their public sector counterparts are more concentrated in North America than Europe. Pension funds in Asia and Rest of World account for only 7% of both private sector and public pension funds currently investing in real estate.

Assets under Management

As shown in Fig. 5, all of the largest private sector pension funds (those with over $100bn in AUM invest in the asset class, owing to the sizeable human and capital resources available, providing greater capability to source, select and monitor a diversified portfolio of properties and fund investments. Conversely, smaller private sector pension funds are less likely to allocate to real estate: two-thirds of private sector pension funds with less than $1bn invest in the asset class. However, public pension funds do not exhibit this trend, with a consistently large proportion (84%) of participation.

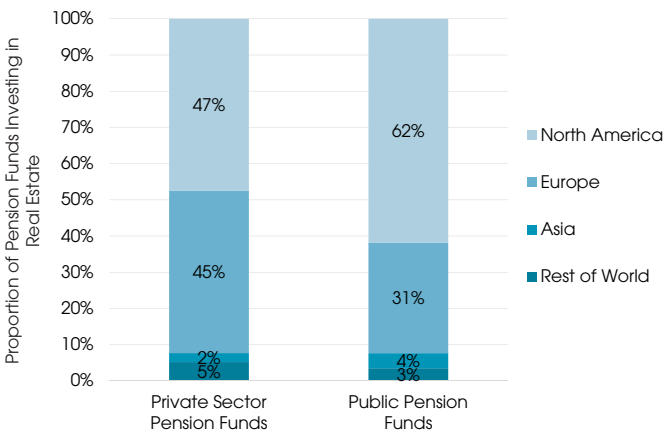
Largest Investors

Institutions based in the US and the Netherlands feature prominently as the largest allocators to real estate for both private sector and public pension funds (Fig. 6 & 7). The largest real estate allocation by a private sector pension fund is from US-based Teachers Insurance and Annuity Association (TIAA), which invests $24.2bn in the asset class primarily through direct investments, although it also allocates to listed and unlisted funds. ABP, the national civil pension fund of the Netherlands, invests just over 10% of its $400bn in AUM via direct, listed and unlisted investments, making it the largest public pension fund active in real estate. As shown in Fig. 8, public pension funds maintain a higher average current and target allocation to real estate (9.7% and 10.3% respectively) compared to private sector pension funds, which allocate 9.3% and 10.2% respectively.

Route to Market

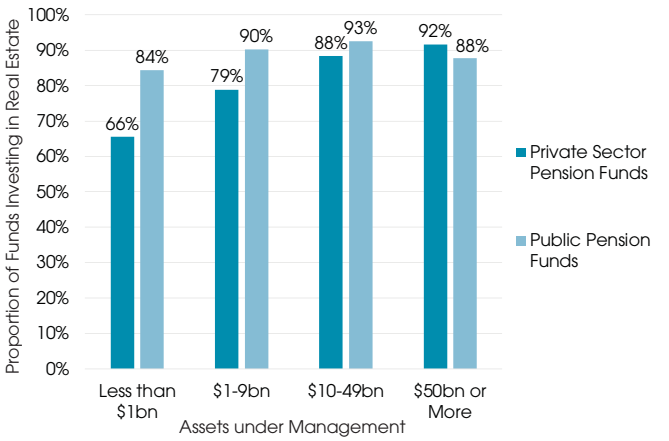
Both private sector and public pension funds look to gain access to real estate in a variety of ways. As shown in Fig. 9, unlisted investment in real estate funds

Fig. 4: Pension Funds Investing in Real Estate by Location



Source: Preqin Real Estate Online

Fig. 5: Pension Funds Investing in Real Estate by Assets under Management



Source: Preqin Real Estate Online

Fig. 6: Five Largest Private Sector Pension Funds by Current Allocation to Real Estate

Investor	Headquarters	Current Allocation to Real Estate (% of Total Assets)	Current Allocation to Real Estate ($bn)
TIAA	New York, US	2.8%	24.2
AMF Pensionsförsäkring	Stockholm, Sweden	12.5%	7.7
Pension Fund for the Dutch Construction Industry	Amsterdam, Netherlands	15.7%	7.2
Metal and Engineering Pension Fund	Rijswijk, Netherlands	10.0%	6.6
BT Pension Scheme	London, UK	11.2%	6.4

Source: Preqin Real Estate Online

Fig. 7: Five Largest Public Pension Funds by Current Allocation to Real Estate

Investor	Headquarters	Current Allocation to Real Estate (% of Total Assets)	Current Allocation to Real Estate ($bn)
ABP	Heerlen, Netherlands	10.3%	41.0
CPP Investment Board	Toronto, Canada	9.9%	27.6
California Public Employees' Retirement System (CalPERS)	Sacremento, US	9.1%	27.3
California State Teachers' Retirement System (CalSTRS)	Sacremento, US	13.8%	26.0
PFZW - Care and Welfare Pension Fund	Zeist, Netherlands	12.0%	22.1

Source: Preqin Real Estate Online

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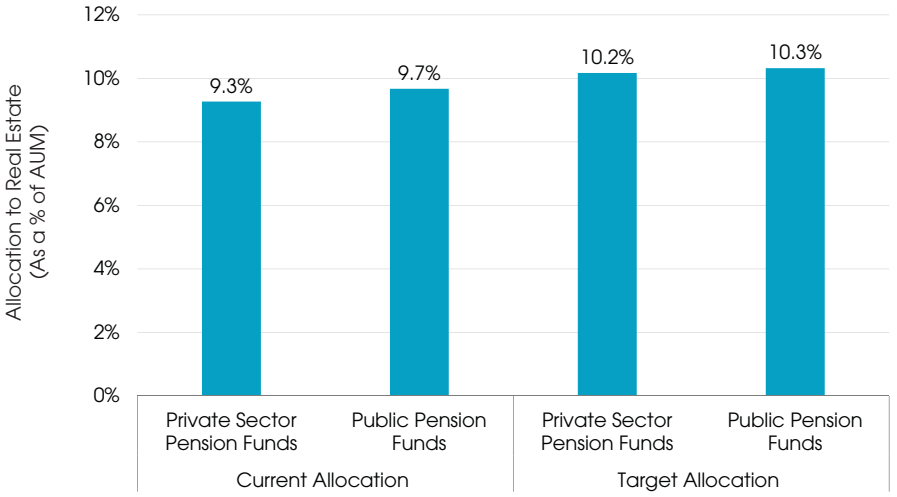
remains the most widely used route to market for both types of pension funds (77% and 84% respectively). Private real estate funds suit the many characteristics of these long-term investors, providing low correlation with bonds and stocks, while reducing the sensitivity of investor capital to the potential short-term market volatility of listed real estate investment trusts.

Both direct and listed real estate investments are utilized by approximately a third of pension funds. The higher cost and experience required to invest, as well as the illiquid nature of direct investments, could be reasons behind the lower participation rate. Listed funds can experience short-term volatile price movements in turbulent markets, possibly dissuading pension fund investment. Similar proportions (31% and 24% respectively) of public and private sector pension funds also target co-investments; both investor types are also currently open to investing alongside a fund manager.

Fig. 8: Average Allocation to Real Estate: Private Sector Pension Funds vs. Public Pension Funds



Source: Preqin Real Estate Online

As seen in Fig. 10, the rate of participation in direct real estate by pension funds has a strong correlation to investor AUM, as would be expected. Just 13% of public pension funds with less than $1bn in AUM partake in direct investments, compared with nearly two-thirds of investors with over $50bn in AUM, with this figure rising to 82% for private sector pension funds.

The $820mn City of Fort Lauderdale Police & Fire Retirement System has its entire real estate portfolio invested in private real estate funds – an indicator of the restricted scope available to smaller pension funds and the high barriers in place for direct investment. On the other hand, larger pension funds have the capability to access real estate through all routes to market, including direct holdings: one such investor is Stockholm-based AMF Pensionsförsäkring. The private sector pension fund invests its $7.7bn allocation to real estate solely via direct acquisitions.

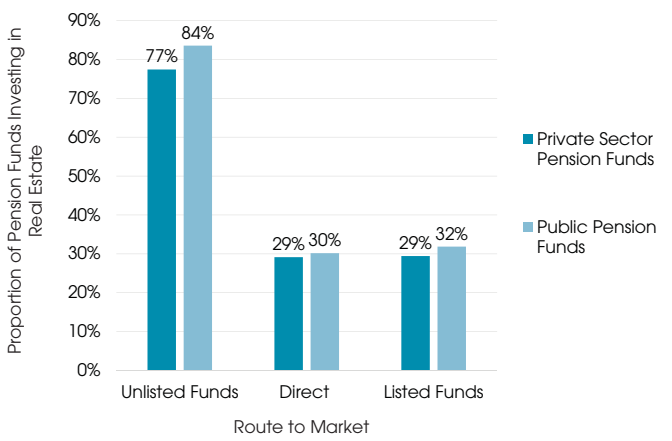
Strategy Preferences

Overall, there is a general preference of both private sector and public pension funds for lower risk core strategies, as investors aim to match their long-term liabilities with funds generating reliable income (Fig. 11). However, higher risk value added real estate strategies are also utilized by significant proportions of both private sector and public pension funds (49% and 60% respectively).

Regional Preferences

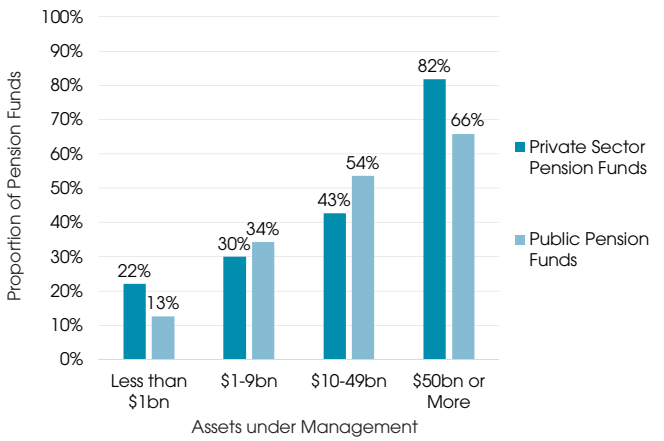
North America is the most targeted investment destination by both private sector and public pension funds, with 49% and 63% of each investor type active in the region respectively (Fig. 12). Furthermore, nearly half of all private sector and public pension funds target real estate investments in Europe, this is unsurprising given the high concentration of both public and private sector pension funds based in these established regions as well as the amount of institutional-quality real estate located in these markets.

Fig. 9: Pension Funds Investing in Real Estate by Route to Market



Source: Preqin Real Estate Online

Fig. 10: Pension Fund Participation in Direct Real Estate by Assets under Management



Source: Preqin Real Estate Online

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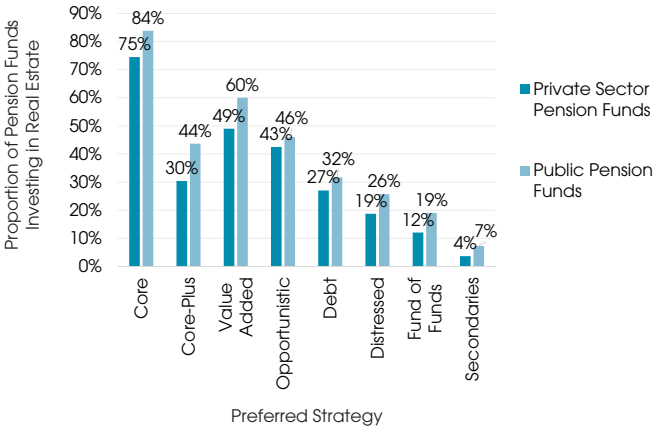
Outlook

Pension funds face a number of challenges in the current real estate market: two-thirds (67%) of pension funds currently view asset prices as a key concern in the industry, while 64% believe it is harder to find attractive opportunities compared with 12 months ago. A limited supply of, and increasing demand for, institutional quality assets means that gaining exposure for the right price has become increasingly difficult for pension funds and other investors alike.

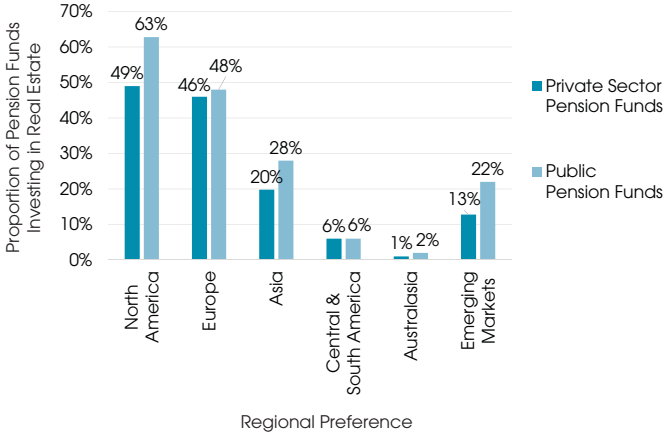
Nonetheless, real estate remains a crucial part of many pension fund portfolios, with investments in the asset class able to mitigate against fluctuations in traditional bond and stock markets. Additionally, real estate can further diversify investment portfolios, hedge against inflation and produce a consistent income stream that can be matched against the long-term liabilities held by pension funds.

Fig. 11: Strategy Preferences of Pension Funds Investing in Real Estate



Source: Preqin Real Estate Online

Fig. 12: Regional Preferences of Pension Funds Investing in Real Estate



Source: Preqin Real Estate Online

Fig. 13: Sample of Pension Funds Investing in Real Estate in the Next 12 Months

Investor	Type	Headquarters	Investment Plans for the Next 12 Months
Versicherungseinrichtung des Flugpersonals der Swissair (VeF)	Private Sector Pension Fund	Zurich, Switzerland	In Q3 2016, VeF is planning to invest CHF 30mn in one real estate fund. The fund is seeking an existing fund manager in its portfolio operating a core strategy.
Stichting Grafische Bedrijfsfondsen (PBF)	Private Sector Pension Fund	Amsterdam, Netherlands	PBF is planning to commit €400mn to three core funds in the next 12 months.
United States Steel and Carnegie Pension Fund	Private Sector Pension Fund	New York, US	Over the next 12 months the pension fund is targeting opportunistic funds on a global basis.
City of Pontiac Michigan Retirement Systems	Public Pension Fund	Michigan, US	The fund is seeking global exposure to value added, core-plus or core strategies, planning to commit $20-40mn to at least one fund.
Kwacha Pension Trust Fund	Public Pension Fund	Lusaka, Zambia	Kwacha Pension Trust Fund plans to invest opportunistically in listed and private real estate funds in the next 12 months; the fund is targeting opportunities in Africa.
Public Officials Benefit Association (POBA)	Public Pension Fund	Seoul, South Korea	POBA is seeking opportunities through both separate accounts and private real estate funds over the next 12 months; the investor has a preference for Europe-focused core strategies.

Source: Preqin Real Estate Online

Data Source:

Preqin's **Real Estate Online** currently tracks 1,777 pension funds investing in real estate, providing key information on investment preferences, geographic foci, strategies employed, fund managers invested with, future investment plans, key contact details and more.

For more information, or to arrange a demonstration, please visit:

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PREQIN GLOBAL DATA COVERAGE

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	PRIVATE EQUITY*	HEDGE FUNDS	REAL ESTATE	INFRASTRUCTURE	PRIVATE DEBT	NATURAL RESOURCES
INVESTOR COVERAGE	6,297 Active Private Equity LPs	5,026 Active Hedge Fund Investors	5,383 Active Real Estate LPs	2,804 Active Infrastructure LPs	2,253 Active Private Debt Investors	2,058 Active Natural Resources Investors
FUND COVERAGE	20,118 Private Equity Funds	22,174 Hedge Funds	5,848 PE Real Estate Funds	1,088 Infrastructure Funds	2,092 Private Debt Funds	1,567 Natural Resources Funds
FIRM COVERAGE	10,216 Private Equity Firms	8,208 Hedge Fund Firms	3,578 PE Real Estate Firms	499 Infrastructure Firms	1,082 Private Debt Firms	824 Natural Resources Firms
PERFORMANCE COVERAGE	6,420 Private Equity Funds	14,163 Hedge Funds	1,569 PE Real Estate Funds	224 Infrastructure Funds	761 Private Debt Funds	442 Natural Resources Funds
FUNDRAISING COVERAGE	2,234 Private Equity Funds	15,828 Hedge Funds	1,013 PE Real Estate Funds	200 Infrastructure Funds	291 Private Debt Funds	261 Natural Resources Funds

DEALS COVERAGE	BUYOUT	VENTURE CAPITAL	REAL ESTATE	INFRASTRUCTURE
	48,162 + 21,902 Buyout Deals** Exits	104,278 + 12,285 Venture Deals*** Exits	13,455 Real Estate Deals	16,660 Infrastructure Deals

Alternatives Investment Consultants Coverage:
536
Consultants Tracked

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14,900
Funds

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***Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.

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As at 1 August 2016

Preqin Industry News

Following on from this month's feature article, Chris Beales takes a look at the recent activity of Asia-focused real estate funds and pension funds in the real estate industry, as well as an excerpt from the recently launched 2016 Preqin Alternative Assets Performance Monitor.

Recently Closed Asia-Focused Funds

In August 2016, Logos China Logistics Venture, an opportunistic vehicle managed by Logos Property, reached a final close securing $400mn. The fund acquires and develops logistics facilities in Shanghai and neighbouring cities. Sydney-based Logos Property also manage one other China-focused fund, LOGOS China Logistics Club, which also invests in logistic properties in Shanghai.

Amplus Capital Advisors' Amplus Realty Fund II held a first close in July 2016, securing INR 2bn of its INR 3bn target size. The fund is a follow on from Amplus Realty Fund I and invests in projects and developments in higher growth cities such as Gujarat, Bangalore, Mumbai and the National Capital Region. It mainly targets mid-market to high-end residential development projects, but will also look at opportunistic investments in commercial and retail projects.

Investors in Asia-Focused Funds

PAG Real Estate Partners (PAG) reached a final close in June 2016, securing $1.35bn. Among the investors in the core fund is public pension fund, California State Teachers' Retirement System (CalSTRS) and Netherlands-based asset manager, PGGM. PAG's eleventh real estate vehicle seeks to acquire properties in nine gateway cities across Asia in markets such as Japan and Australia, with the fund able to deploy up to 20% of its capital to investments in China.

Gaw Capital Partners is currently raising its fifth fund that seeks to invest in properties in Greater China as well as the rest of the ASEAN region. In April 2016, Gateway Real Estate Fund V reached a first close securing $700mn of its $1.3bn target size, attracting commitments from New York State Teachers' Retirement System and San Francisco Employees' Retirement System. Gateway Real Estate Fund V targets a diversified range of property types such as retail, office and hospitality assets and can invest up to 50% in Chinese property.

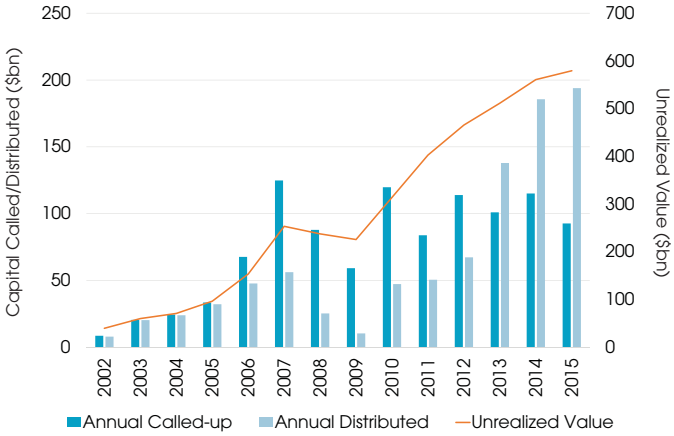
India-Focused Funds Seeking Capital

In July 2016, First Eagle Capital Advisors launched its maiden private real estate fund, Alpha Advantage Real Estate Fund. The fund is targeting INR 5bn to invest in Indian property and will employ an opportunistic strategy targeting commercial and residential assets, with a focus on investing equity in mid-sized developments at an early stage.

Newly established Lapis India Capital Advisors is currently raising a Singapore-domiciled private real estate fund, Lapis India Fund II. The fund is targeting $150mn to invest in the Indian residential market and seeks to invest at least 80% of its capital in for-sale residential projects and the rest in rescue investments.

Chart of the Month

Real Estate - Annual Capital Called, Distributed and Unrealized Value



Source: 2016 Preqin Alternative Assets Performance Monitor

September's Chart of the Month comes from the recently launched 2016 Preqin Alternative Assets Performance Monitor, an annual publication providing unrivalled insight into the performance of over 22,800 alternative assets funds, including over 1,500 real estate funds.

As seen in the chart above, 2015 saw a record amount of capital ($194bn) distributed back to investors from private real estate funds, increasing 4% from the $186bn returned to investors in 2014. The $93bn called up by fund managers in 2015 was also the smallest amount called up since 2011 ($84bn). The unrealized value of assets held by private real estate fund managers has increased every year since 2009 ($226bn) to 2015 ($579bn), helping to drive industry assets under management up to $809bn as of 31 December 2015.

To find out more about the 2016 Preqin Alternative Assets Performance Monitor, or to order your copy, please visit: www.preqin.com/pm

Do you have any news you would like to share with the readers of Spotlight? Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.

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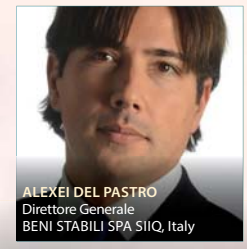
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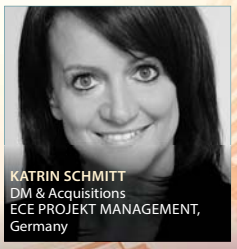
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Fund Manager Outlook

Using data from the recently launched Preqin Special Report: Real Estate Fund Manager Outlook, we present fund manager views on competition in the real estate industry.

Key Facts

59%

Proportion of fund managers that currently consider ESG policies as part of their deal-making process.

26%

Over a quarter of fund managers believe that their network is the most important factor in differentiating themselves from competitors.

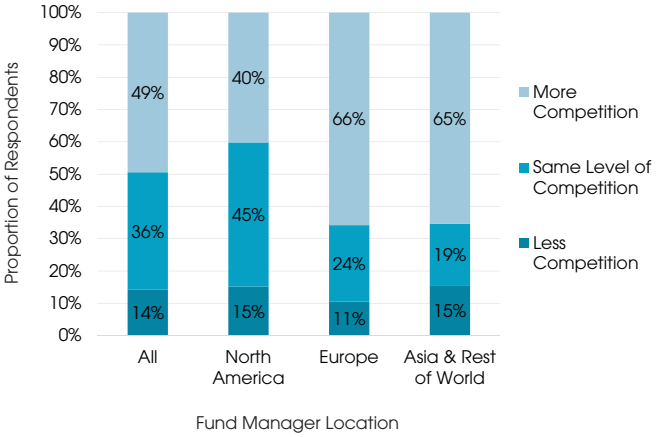
63%

Nearly two-thirds of fund managers plan to commit more capital to the real estate industry in the next 12 months than the previous year.

58%

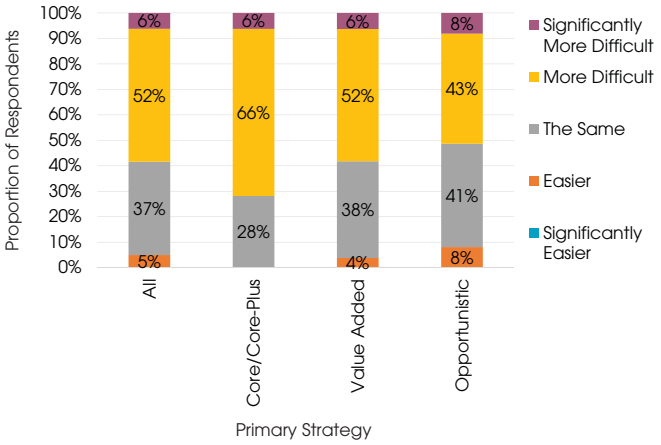
Proportion of fund managers that reported an increase in the appetite of Asia-based investors for real estate over the past 12 months.

Fig. 1: Fund Manager Views on the Level of Competition for Real Estate Assets Compared to 12 Months Ago by Fund Manager Location



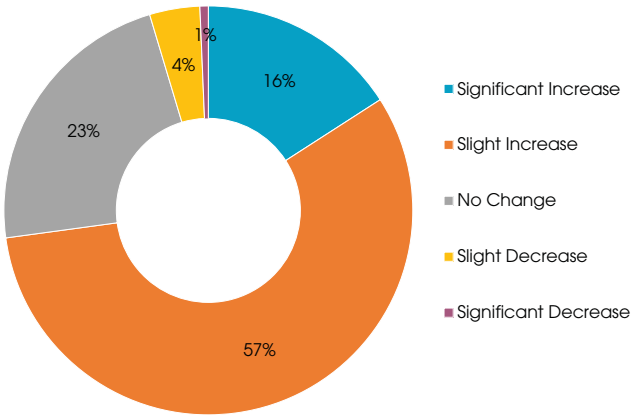
Source: Preqin Special Report: Real Estate Fund Manager Outlook, July 2016

Fig. 2: Fund Manager Views on the Level of Difficulty in Finding Attractive Investment Opportunities Compared to 12 Months Ago by Primary Strategy



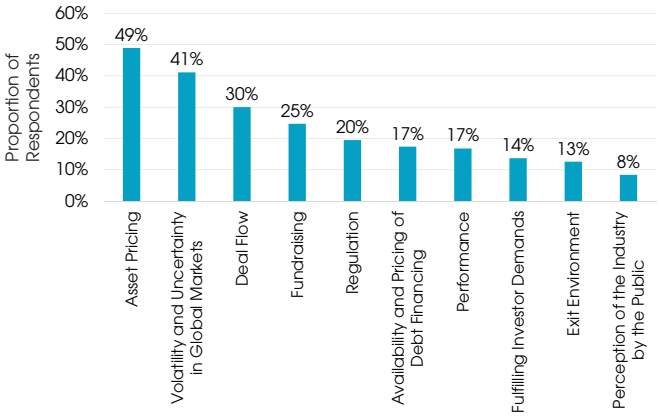
Source: Preqin Special Report: Real Estate Fund Manager Outlook, July 2016

Fig. 3: Fund Manager Views on the Level of Competition for Investor Capital Compared to 12 Months Ago



Source: Preqin Special Report: Real Estate Fund Manager Outlook, July 2016

Fig. 4: Biggest Challenges Facing Real Estate Fund Managers in the Next 12 Months



Source: Preqin Special Report: Real Estate Fund Manager Outlook, July 2016

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Residential Private Equity Real Estate Deals

Following on from last month's analysis of the office private equity real estate deal landscape, Luke Alexander takes a look at the residential industry, including the largest deals completed in recent years and prevalent asset locations.

Key Facts

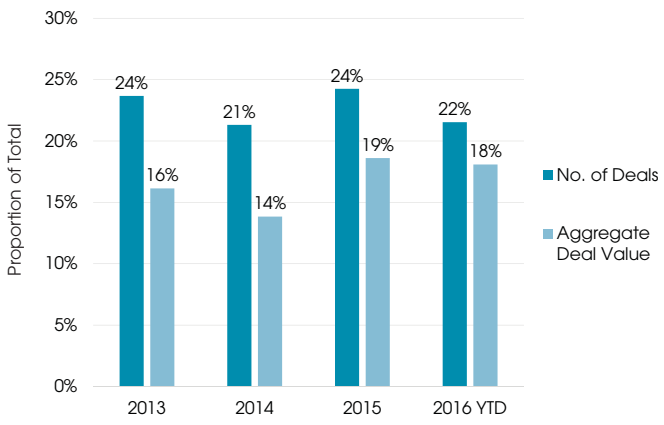
20%
Proportion of the aggregate value of residential private equity real estate deals completed since 2015 that is accounted for by New York-based assets.

$6.1bn
Connecticut-based Starwood Capital Group is the largest individual buyer of residential assets since 2015, completing seven deals for $6.1bn.

23%
Proportion of private equity real estate deals completed since 2015 accounted for by residential assets, second only to deals involving office assets (30%).

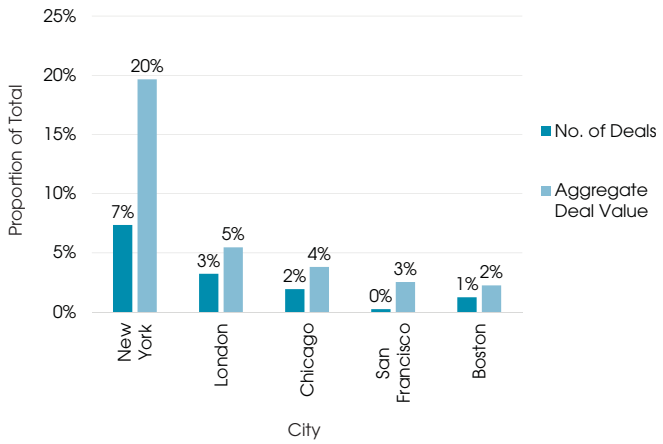
$390mn
The joint venture between Slate Property Group and GreenOak Real Estate for the 38-storey RiverTower building in New York was the largest single-asset residential private equity real estate deal completed in 2016,

Fig. 1: Residential Private Equity Real Estate Deals as a Proportion of All Completed Private Equity Real Estate Deals, 2013 - 2016 YTD (As at 12 August 2016)



Source: Preqin Real Estate Online

Fig. 2: Top Five Cities for Residential Private Equity Real Estate Deals by Number and Aggregate Value, 2015 - 2016 YTD (As at 12 August 2016)



Source: Preqin Real Estate Online

Fig. 3: Five Largest Single-Asset Residential Private Equity Real Estate Deals, 2015 - 2016 YTD (As at 12 August 2016)

Asset	Buyer(s)	Seller(s)	Deal Size (mn)	Asset Location	Deal Date
Stuyvesant Town-Peter Cooper Village	Blackstone Group, Ivanhoe Cambridge	BlackRock, Tishman Speyer	5,457 USD	New York, US	Oct-15
The Belnord	HFZ Capital Group	Extell Development Company	575 USD	New York, US	Mar-15
50 Riverside Boulevard	General Investment & Development Companies	Carlyle Group, Extell Development Company	411 USD	New York, US	Apr-15
Tower Two at One Rincon Hill	Maximus Real Estate Partners, Rockpoint Group	Principal Real Estate Investors	410 USD	San Francisco, US	Sep-15
RiverTower	GreenOak US, Slate Property Group	Equity Residential	390 USD	New York, US	Apr-16

Source: Preqin Real Estate Online

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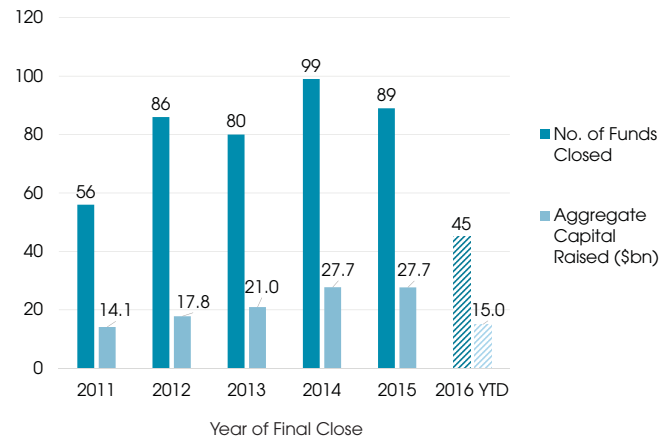
Value Added Fundraising

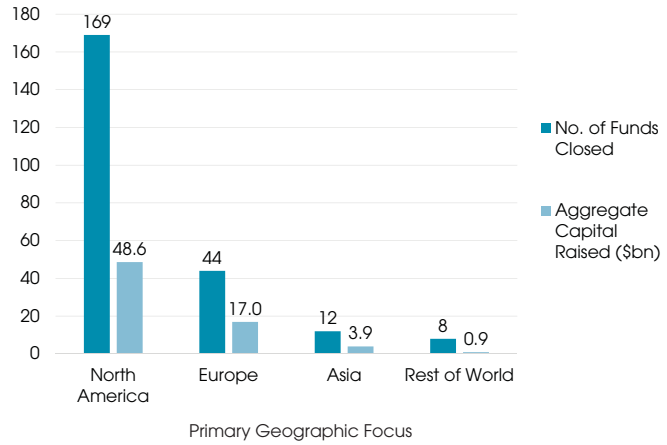
Lauren Mason takes a detailed look at closed-end value added private real estate fundraising, by geographic and property focus, as well as the largest funds operating this strategy to have closed in recent quarters.

Fig. 1: Annual Closed-End Value Added Private Real Estate Fundraising, 2011 - 2016 YTD (As at 12 August 2016)



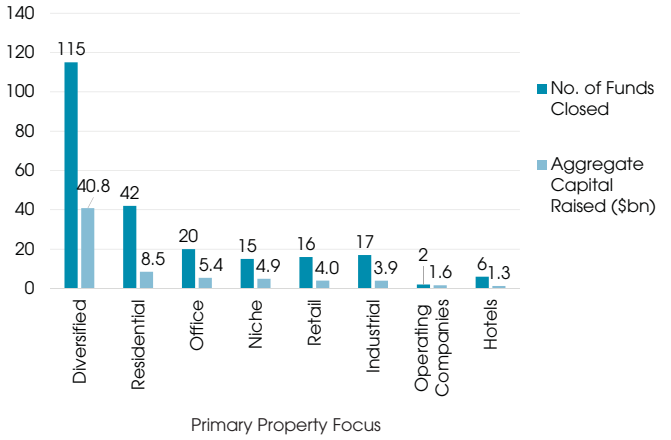
Source: Preqin Real Estate Online

Fig. 2: Closed-End Value Added Private Real Estate Fundraising by Primary Geographic Focus, 2014 - 2016 YTD (As at 12 August 2016)



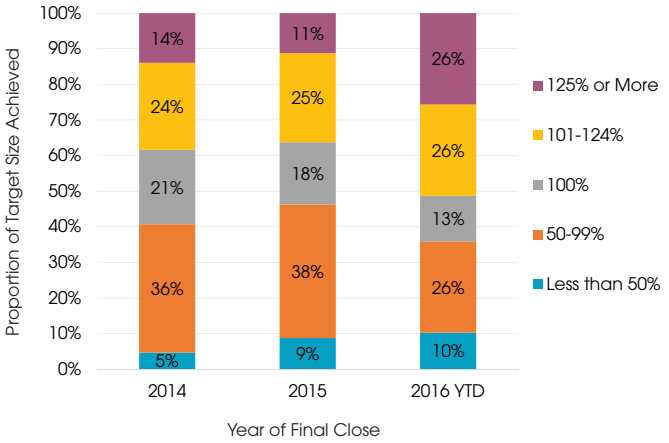
Source: Preqin Real Estate Online

Fig. 3: Closed-End Value Added Private Real Estate Fundraising by Primary Property Focus, 2014 - 2016 YTD (As at 12 August 2016)



Source: Preqin Real Estate Online

Fig. 4: Closed-End Value Added Private Real Estate Fundraising by Proportion of Target Size Achieved, 2014 - 2016 YTD (As at 12 August 2016)



Source: Preqin Real Estate Online

Fig. 5: Five Largest Closed-End Value Added Private Real Estate Funds Closed, 2015 - 2016 YTD (As at 12 August 2016)

Fund	Firm	Primary Property Focus	Fund Size (mn)	Geographic Focus	Final Close Date
Westbrook Real Estate Fund X	Westbrook Partners	Diversified	2,850 USD	Global	Jan-16
Crow Holdings Realty Partners VII	Crow Holdings Capital – Real Estate	Diversified	1,854 USD	US	Dec-15
European Property Investors Special Opportunities 4	Tristan Capital Partners	Diversified	1,500 EUR	Europe	Jul-15
Almanac Realty Securities VII	Almanac Realty Investors	Operating Companies	1,420 USD	US	Jun-15
CBRE Strategic Partners US Value 7	CBRE Global Investors	Diversified	1,300 USD	US	Jul-15

Source: Preqin Real Estate Online

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Conferences Spotlight

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
MIPIM Japan	8 - 9 September 2016	Osaka	MIPIM	–	–
1st Annual Real Estate Family Office & Private Wealth Management Forum	12 - 13 September 2016	Chicago, IL	IMN	–	10% Discount - PQ10
Europe GRI	14 - 15 September 2016	Paris	GRI	–	–
15th Global Real Estate Private Equity Summit: West	14 - 15 September 2016	Los Angeles, CA	iGlobal Forum	–	10% Discount - Preqin
FundForum Africa	14 - 16 September 2016	London	KNect365	–	15% Discount - FKP2429PNWB
5th Annual Real Estate CFO Forum	19 - 20 September 2016	New York	IMN	–	10% Discount - PQ10
Ai CEO Institutional Investment Summit 2016	19 September 2016	New York	Africa investor	–	–
Latin Private Wealth Management Summit	22 - 23 September 2016	Panama	marcus evans Summits	–	–
West Africa Real Estate Investor Forum 2016	23 September 2016	London	Ace Corporate Events	–	–
DACH Elite Summit	25 - 27 September 2016	Frankfurt	marcus evans Summits	–	–
Context Summits West 2016	25 - 27 September 2016	Dana Point, CA	Context Summits LLC	–	–

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AsiaPac Property Leaders Summit

Date: 26 - 27 September 2016

Information: www.apreasummit.asia

Location: Asia Society Hong Kong Center, 9 Justice Dr, Admiralty, Hong Kong

Organizer: Asia Pacific Real Estate Association Limited (APREA)

The AsiaPac Property Leaders Summit is an exclusive gathering of key decision makers at the largest institutional property investors, fund managers and corporates in Asia Pacific. Join us to learn about new trends impacting business strategy and to meet your next business partner.

IMN's Borrower & Investor Forum on Real Estate Mezzanine Financing & Subordinated Debt

Date: 1 November 2016

Information: http://www.imn.org/resubdebt16

Location: New York, NY

Organizer: IMN

IMN's Borrower's Forum on Real Estate Mezzanine Lending/Sub Debt Forum is scheduled for Nov 1 at the Union League Club in NY. This event convenes the "who's who" of Mezz Lenders and Borrowers to discuss financing strategies for new acquisitions, development and refinance. Discount Code = PQ10

Italia GRI 2016

Date: 8 - 9 November 2016

Information: www.italiagri.com

Location: Milan, Rosa Grand Milano Hotel

Organizer: GRI

Italia GRI 2016 is a get-together of senior international and local real estate investors, developers and lenders.

India GRI 2016

Date: 30 November - 1 December 2016

Information: http://www.griclub.org/event/world/india-gri-2016_94.html?utm_source=Preqin&utm_medium=FeatureListing&utm_campaign=India2016

Location: Mumbai

Organizer: Global Real Estate Institute

India GRI is a get-together of senior international and local real estate investors, lenders and developers active in India. The collegial discussions enable you to interact and engage - much like an after-dinner conversation in your own living room. Identify like-minded peers, build relationships, and continue the conversation afterwards.

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