

Preqin Industry News

Jessica Sutro explores the latest on public pension funds investing in real estate, featuring exclusive data from Preqin's analysts. Real Estate Online subscribers can click on the investor/firm/fund names to view the full profiles.

Pension funds make up a significant proportion of investors committing to private real estate funds. The Chart of the Month reveals a breakdown of public pension funds by the strategies they are targeting in their real estate investments over the next 12 months.

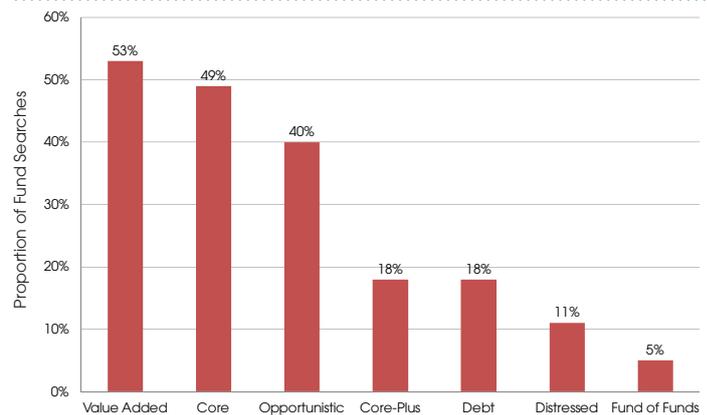
Of the public pension funds currently investing in the asset class, the majority (53%) are targeting value added investments in the next 12 months, and a number of public pension funds have recently made plans to invest in value added vehicles. [Boston City Retirement System](#) has issued an RFP via its consultant [NEPC](#) to invest up to \$40mn in value added and opportunistic real estate. The pension fund will hire at least one fund manager to oversee this mandate. Applicants need to be raising a private equity real estate fund with an expected final close date of no sooner than 31 December 2012. The public pension fund has a preference for firms that have previously raised at least two opportunistic or value added funds and are in the process of raising a minimum of \$300mn for their current offering. The deadline for proposals is 2 November 2012, and the commitment(s) will be made by the end of this year or in 2013.

Elsewhere, South Korea-based [Military Mutual Aid Association](#) (MMAA) is considering making its maiden commitment to a value added private equity real estate fund in the next 12 months. MMAA has signalled its interest in participating in real estate funds since early 2012 but has yet to make any commitments. Currently, the public pension fund has exposure to real estate through direct investments in Vietnam, China, Kazakhstan, Guam, Russia and the UK. It has an allocation of 30% to the asset class and intends to commit between \$300mn and \$500mn to real estate investments over the next 12 months.

Additionally, a number of vehicles with a value added strategy have recently closed. [EnCampus Residencias de Estudiantes](#), managed by [Azora](#), held a final close on €85mn in October 2012. The value added fund is targeting student housing in Spain. Fund manager [Hines](#) also held a final close of \$210mn on its value added vehicle [Hines U.S. Office Value Added Venture III](#) in October 2012. The fund, which invests in office properties in the US, aims to create value through leasing, management, or redevelopment activities.

The Chart of the Month shows that the second and third most attractive strategies to public pension funds investing in real estate are core and opportunistic, with 49% and 40% respectively stating this as a strategy sought in the next 12 months. UK-based [Strathclyde Pension Fund](#) is looking to commit to three global private real estate funds in the next 12 months with managers following core and opportunistic strategies. The public pension fund, which has a global multi-manager mandate with [Partners](#)

Chart of the Month: Strategies Sought by Public Pension Funds Investing in Real Estate in the Next 12 Months



Source: Preqin Real Estate Online

[Group](#), has a 12.5% target allocation to real estate, with 10% of its total assets set aside to direct property and 2.5% to private real estate funds.

Denmark-based [PBU](#) is also looking to commit to vehicles with an opportunistic strategy in the next 12 months. The public pension fund is looking to invest DKK 20-22mn across two or three private equity real estate funds in the next 12 months, and will seek opportunities within emerging markets. PBU currently has an 8% allocation to real estate, meeting its target allocation to the asset class; its portfolio is split 67% to private real estate funds and 33% to domestic direct real estate.

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Future Fund Searches and Mandates

The difference between success and failure in attracting institutional commitments can be the ability to initially identify which investors are most likely to be interested in your fund.

To help with this task, Preqin's Real Estate Online now allows fund managers and placement agents to identify potential investors in their funds by searching for institutional investors by their future investment plans.

Preqin updates these details by speaking directly to investors – saving you time and ensuring our intelligence is up to date and accurate.

- **Future Investment Plans** - Investor profiles include details of investors' future fund searches, detailing whether they are targeting specific private real estate strategies and/or regions of focus, and also contain summaries of their plans for the next 12 months.
- **Future Fund Searches and Mandates** - Forward-looking search for all the institutional investors that are looking to invest in funds that match your criteria.
- Filter potential investors by location, investor type, fund type preferences for the next 12 months, regional preferences for the next 12 months, and likely timeframe for their next fund commitment.

Future Plans, Searches and Mandates Jump to...

Date of Plans: Q4 2012

Strategies Targeting: Core, Value Added, Opportunistic

Regions Targeting: Asia Pacific, Europe, North America, Emerging Markets, Global

Timeframe: Next 12 Months

Next 12 Months:	Estimated Investments:	Estimated Amount (mn):
4		60 USD

Summary: As of October 2012, [Investor Name] was planning to commit USD 60 million to four funds in the following 12 months. It would target markets in Asia, Europe and North America and seek core, value added and opportunistic funds.

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Fund Searches and Mandates

Select all required filter criteria

- Investor Type
- Investor Location
- Strategy Preferences - Fund Searches and Mandates
 - Core Core-Plus
 - Value Added Opportunistic
 - Distressed Debt
 - Fund of Funds Secondaries
- Region Preferences - Fund Searches and Mandates
 - Asia Pacific Emerging Markets
 - Europe Global
 - North America Rest of World
- Timeframe of Next Investment
 - Immediately
 - Next 6 Months
 - Next 12 Months
 - Longer term
 - Opportunistic

Keyword Search:

Investor Name	Strategies	Regions	Date Inserted
[Investor Name]		North America	08-Oct-12
[Investor Name]			08-Oct-12
[Investor Name]	Core, Fund of Funds	Europe	05-Oct-12
[Investor Name]	Core, Value Added, Opportunistic	Europe, Global	05-Oct-12
[Investor Name]		Europe	05-Oct-12
[Investor Name]	Value Added		05-Oct-12
[Investor Name]		Rest of World	04-Oct-12
[Investor Name]		North America	04-Oct-12

Whether you're hoping to secure new commitments for a US-focused opportunistic fund or launch a Europe-focused core vehicle, access to Preqin's Real Estate Online database can help.

[Real Estate Online](http://www.preqin.com/reo)

For more information and to arrange a walkthrough of the service, please visit:
www.preqin.com/reo