



Editor's View - Industry News

[Andrew Moylan](#) looks at the latest news in the private real estate market, including investor appetite for the asset class, and satisfaction with performance.

The data for this month's feature article was taken from the newly released [Preqin Investor Outlook: Alternative Assets, H2 2013](#), which features the results of extensive interviews carried out with more than 450 institutions investing in alternatives. Fundraising for private real estate funds looks set to remain a tough prospect in the coming year, with just 40% of investors in private real estate expecting to make new fund commitments in the coming year. However, of those which do expect to be active, there are many investors expecting to put large amounts of capital to work in the coming year. Seventy-six percent of those institutions which do plan to be active anticipate committing at least \$50mn to private real estate funds in the next 12 months.

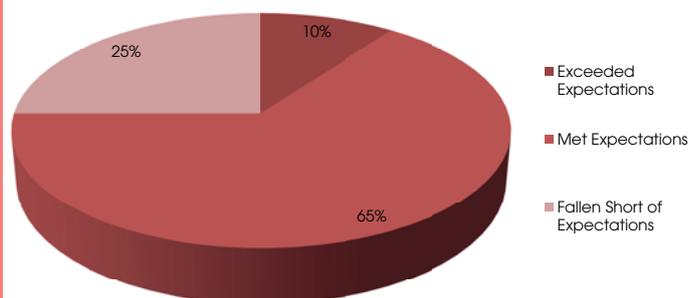
One such investor is [Ohio Bureau of Workers' Compensation](#) which expects to commit \$300mn to private real estate vehicles in the next year. The insurance company is targeting value added real estate vehicles which are specialized by property type and location within North America. Another institution that will be allocating large amounts of capital to real estate is [Oregon State Treasury](#). The public pension fund will invest \$1.2bn in real estate in the coming year, which will include commitments to value added private real estate funds.

We also found that opportunistic and value added strategies are the most widely targeted by investors searching for new funds. One investor adopting this approach is [Montana Board of Investments](#), which expects to allocate \$100-150mn to between five and eight private real estate funds in the coming year. It will focus on value added and opportunistic funds targeting North America.

While fundraising remains very difficult, this month's *Fundraising Update* (page 11) shows that more managers are now exceeding their fundraising goals. Forty-three percent of funds to close in 2013 to date did so above target, compared with 36% in 2012 and 34% in 2011. One such manager was [KTR Capital Partners](#), which exceeded its \$750mn target for [KTR Industrial Fund III](#), closing the fund with \$1.2bn in commitments. Another firm that has achieved considerable fundraising success is [Perella Weinberg Partners](#), which closed its second real estate fund on €1.3bn, above its €1.2bn target. [Perella Weinberg Real Estate Fund II](#) is an opportunistic real estate fund which invests across Europe and is the largest Europe-focused fund to close in 2013 to date.

Have Private Real Estate Investments Lived Up to Expectations?

Chart of the Month: Proportion of Investors that Feel Their Private Real Estate Fund Investments Have Lived up to Expectations over the Past 12 Months



Source: Preqin Investor Outlook, H2 2013

The majority of investors interviewed (65%) stated that the performance of their real estate fund investments had met their expectations in the last 12 months. These results could be attributed to the improving performance of real estate funds in the last couple of years; there has been a positive average change in NAV of closed-end real estate funds in each of the 11 quarters to December 2012. These results may also reflect changing attitudes of investors, which may accept more modest returns in the current environment.

This month's lead article on page 8 looks at the latest performance figures for private real estate funds and demonstrates that many of the funds launched in recent years have the potential to be strong performers. The median IRR for 2009 vintage funds is 16.0%, while the figure for 2010 vintage funds is 12.9%. As the Chart of the Month demonstrates, the majority of investors are satisfied with the performance of their private real estate funds over the past 12 months, although a quarter did state it had fallen short of their expectations.

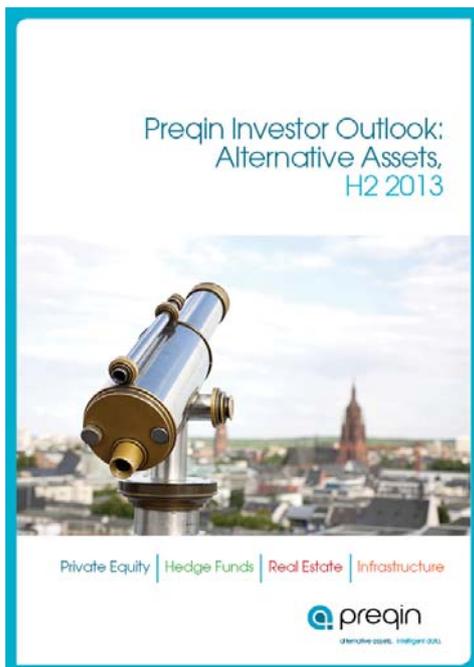
Do you have any news you would like to share with the readers of Spotlight?

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.

Preqin Investor Outlook: Alternative Assets, H2 2013

Based on the results of extensive interviews with 450 institutional investors in private equity, hedge funds, real estate and infrastructure, Preqin Investor Outlook: Alternative Assets, H2 2013 features in-depth analysis on:



- ▶ Investor appetite in the year ahead
- ▶ Strategies and geographies targeted
- ▶ Key issues in the industry today
- ▶ Satisfactions with returns
- ▶ Fund terms and conditions, and more

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