

Real Estate Spotlight

April 2008 / Volume 2 - Issue 3

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Real Estate Spotlight is the monthly newsletter published by Preqin Real Estate packed full of vital information and data all based on our latest research into the private equity real estate industry.

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Feature Article: Sovereign Wealth Funds and Private Real Estate

Featuring exclusive analysis from the Preqin Sovereign Wealth Fund Review we investigate:

- How big are sovereign wealth funds?
- How active are they in private real estate?
- How are they gaining exposure to the market?

Please see page 1 for more information

Investor News:

We take a look at some of the latest news amongst investors in private equity real estate. This month's news includes information on:

- Norway Government Pension Fund - Global
- EBRD
- CalSTERS

Please see page 7 for more information

Fundraising News:

We take a look at some of the latest news for private equity real estate fundraising. This month's news includes information on:

- Who is in market?
- Who has recently closed a fund?
- How much is being raised?

Please see page 5 for more information

Preqin Real Estate in the Spotlight

Preqin Real Estate Online is the industry's leading online source of information on private equity real estate, with data for:

- Fundraising
- Fund Performance
- Investor Profiles
- Plus more...

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Please see page 8 for more information

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OUT NOW

The Preqin Sovereign Wealth
Fund Review

More information available at:
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Feature Article: Sovereign Wealth Funds

Sovereign wealth funds have been hitting the headlines recently due to their increasing influence on global investment markets. In this month's spotlight, using data from our latest publication the Preqin Sovereign Wealth Fund Review, we look at the impact that these funds are having on the real estate world and what kind of investments these funds are making.

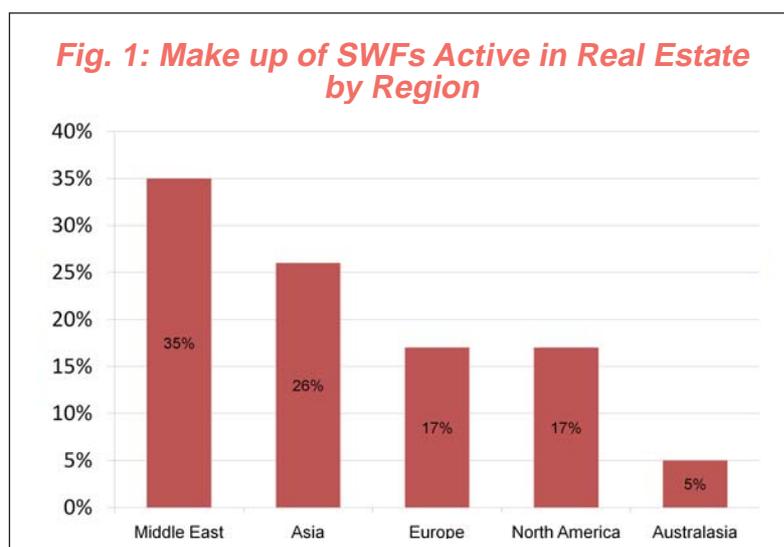
As sovereign wealth funds have grown over the years it is no surprise that they have started to become important players in the world of global real estate investment. According to information from the Preqin Sovereign Wealth Fund Review, the total assets of all sovereign wealth funds currently stands at \$3.05 trillion, with this capital coming from 46 confirmed funds. When investing in real estate they will engage in both indirect and direct investments of a wide scale, ranging from taking stakes in some of the top US real estate management companies to small development projects localised to their region.

The sovereign wealth funds of the Middle East are some of the largest in the world making up 35% of all known sovereign wealth fund investors as shown in fig 1. These sovereign wealth funds are playing an important role in attempting to make their regions less dependent on oil revenue for sustaining its economy. The Mubadala Development Company of Abu Dhabi is an example of this. It invests into property projects that are focused on the development of tourism and financial services in the region. Recent projects include the development of the MGM Grand Abu Dhabi, a luxury hotel project, and a joint venture with Singapore based real estate firm Capitaland to develop property in the GCC. The Emirate of Dubai has also seen huge investment into local property projects. Istithmar Real Estate, the real estate arm of Dubai based SWF Istithmar World, has been involved in the development of several important and ambitious projects in the region in order to encourage tourism and bring more foreign capital into the area. As well as domestic investments, the sovereign wealth funds of the Middle East are active in investing in foreign property and aggressively buying up portfolios of class A properties in areas such as London and

New York. An example is the Qatar Investment Authority which invests into property through Qatari Diar Real Estate Investment and Development Company. In February 2008, Qatar purchased the Chelsea Barracks in London from the Ministry of Defence.

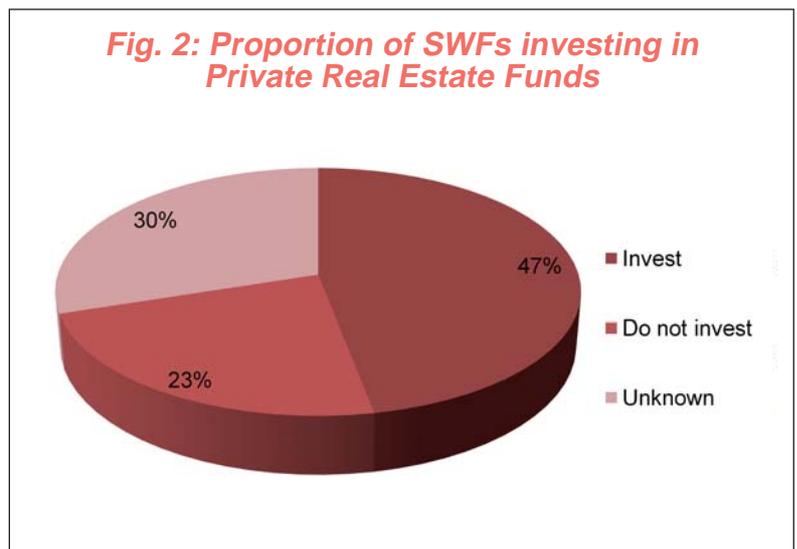
Different sovereign wealth funds have different regional focuses as part of their investment strategies, based on their particular needs. As previously mentioned, SWFs of the Middle East often invest in projects in order to diversify their local economy and to ensure a prosperous future for the local population. Other funds, such as the Palestine Investment Fund, are looking to create jobs and homes for the local population. Funds of more established economies such as North America and Europe are looking to create balanced and diversified portfolios of real estate investments more typical of a traditional institutional investor.

Fig. 1: Make up of SWFs Active in Real Estate by Region

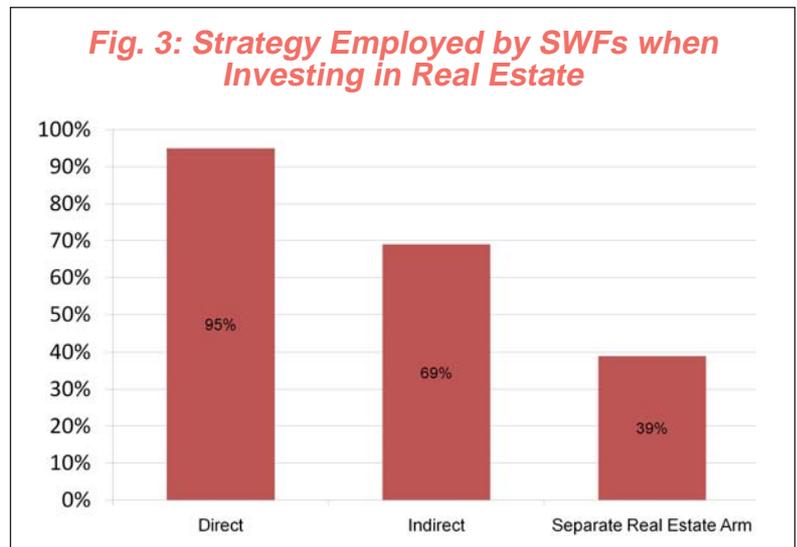


“...95% of sovereign wealth funds active in real estate manage their own direct portfolio of property investments...”

Sovereign wealth funds will employ a variety of strategies when investing in real estate. Fig. 2 shows the proportion of sovereign wealth funds that invest in private property funds. Private property funds can be a very attractive investment option for sovereign wealth funds. They will use property funds raised by third party managers as a means of gaining access to foreign property portfolios. Kuwait Investment Authority’s property portfolio only consists of property funds and it has a preference for investing in funds focusing on the US and Asia. Property funds can provide an accessible method of gaining an international portfolio for these sovereign wealth funds, as they maybe fairly inexperienced in investing directly into foreign property and may not possess the resources to source the deal.



In researching the publication we tried to find out exactly how sovereign wealth funds were making investments into property. As fig 3 shows, 95% of sovereign wealth funds active in real estate manage their own direct portfolio of property investments, with 69% of funds also holding indirect fund investments. 39% of SWFs have established separate real estate arms. Separate real estate arms are essential for large and sophisticated investors. One of the largest specialist real estate investment managers is GIC Real Estate which manages the real estate investments of the Government of Singapore Investment Corporation. It manages a multi-billion US dollar portfolio of property investments worldwide, with over 200 investments across more than 30 countries. It has offices in Singapore, San Francisco, New York, London, Tokyo, Seoul and Shanghai and has almost 150 employees.



The recent credit crunch has brought about market conditions in which sovereign wealth funds have become increasingly important. Sovereign Wealth Funds have been given a competitive edge when making deals and purchasing extensive portfolios of property, as they are not

dependent on borrowing money due to the large reserves of capital that they have at their disposal. They are able to move much quicker when completing deals and will possibly provide increased competition for traditional real estate managers, especially at the higher end of the market. However, as fig. 3 shows, a large proportion of

Feature Article: Sovereign Wealth Funds

sovereign wealth funds also hold indirect funds as part of their portfolio. With oil prices continuing to drive the total assets managed by sovereign wealth funds ever higher, these investors will be continually investing into new funds simply in order to maintain their current allocation as a percentage of their total assets.

In terms of both direct and indirect participation, sovereign wealth funds are becoming serious players in the global real estate market, and it is likely that it will be those fund managers that are able to form relationships with sovereign wealth funds and gain an understanding of their strategies and investment plans that may claim a strategic advantage in years to come.

This article is based upon data taken from the newly released Preqin Sovereign Wealth Fund Review.

This publication provides a detailed analysis of sovereign wealth funds and their activity in private equity and private real estate markets. The Review contains vital analysis plus full profiles for over 50 sovereign wealth funds.

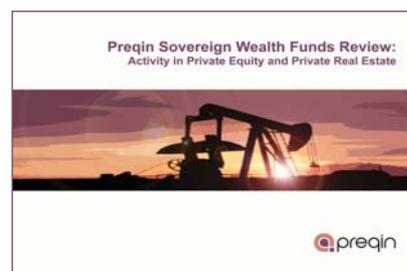
Order before March 31st and receive a 17% pre-publication discount making copies just \$495 / £245 / €325

For more information including sample pages and executive summary, please visit: www.preqin.com/swf

Preqin Sovereign Wealth Fund Review: Order Form

Sovereign wealth funds have continued to grow in size and importance. The 120 page Preqin Sovereign Wealth Fund Review is a must have for all those working in the private equity and private real estate industries seeking to discover more about this increasingly important investor class. Features include:

- Profiles for all known sovereign wealth funds, with details on their private equity and private real estate activity, sample investments, future plans and key financial information. Full contact details for fund and staff are included.
- Vital analysis on the sovereign wealth fund market, including a detailed overview, plus specific sections showing trends and statistics for private equity and private real estate.
- League tables and listings for sovereign wealth funds.



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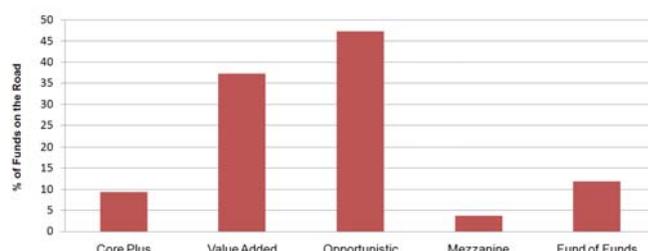
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Preqin Real Estate: Fundraising Review

REAL ESTATE FUNDS ON THE ROAD

Funds on Road	US	Europe	Asia & RoW	Total
Number	127	86	66	279
Total Target Value (\$bn)	81	43	31	155
Average Target Size (\$mn)	638	500	470	556

Funds Currently In the Market By Strategy



(Note: Some funds have multiple strategies)

REAL ESTATE FUNDS ON THE ROAD

Fund	Firm	Strategy	Fund Target (Mn)
Blackstone Real Estate Partners VI	Blackstone Real Estate Group	Opportunistic	10,000 USD
Lone Star Fund VI	Lone Star Funds	Opportunistic	6,500 USD
Beacon Capital Strategic Partners VI	Beacon Capital Partners	Value Added	6,000 USD
Lehman Brothers Real Estate Partners III	Lehman Brothers' Global Real Estate Group	Opportunistic	4,000 USD
Germany Aktiv Property Fund	Teesland IOG	Value Added	2,000 EUR
NN Advanced Property Fund	Nauerz & Noell AG	Opportunistic	2,000 EUR
Walton Street Real Estate Fund VI	Walton Street Capital	Opportunistic and Value Added	2,500 USD
Rockpoint Real Estate Fund III	Rockpoint Group	Opportunistic	2,500 USD
Stockbridge Real Estate Fund III	Stockbridge Capital Partners	Opportunistic	2,500 USD
DLJ Capital Partners IV	Credit Suisse Alternative Investments	Opportunistic	2,500 USD

RECENTLY CLOSED REAL ESTATE FUNDS

Apollo Europe Real Estate Fund III

Manager: Apollo Real Estate Advisors

Structure: Limited Partnership

Strategy: Opportunistic

Geographic Focus: Europe

Target IRR (Net): 16-20%

Final Close: 1,400 USD (Mar 2008)

Sample Investors: New York State Common Retirement Fund, Pennsylvania Public School Employees' Retirement System

Niam Fund IV

Manager: Niam

Strategy: Opportunistic

Target IRR (Net): 15-16%

Final Close: 700 EUR (Feb-2008)

Known Investors: California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System

Colyzeo II

Manager: Colony Capital

Structure: Limited Partnership

Strategy: Opportunistic

Property Types: Hotels, Retail, Office, Residential, Industrial

Geographic Focus: Europe

Target IRR (Net): 20%

Final Close: 1,000 EUR (Jan-2008)

2007 Real Estate Review: Order Form

The 2007 Private Equity Real Estate Review is the leading source of information on the private equity real estate industry, and is an essential purchase for all real estate professionals.

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Preqin Real Estate: Investor News

Each month Investor News brings you the latest institutional investor news from around the globe. All information comes from our online Preqin Real Estate Online database.

Government Pension Fund – Global hires Partners Group to assist on formulating global real estate mandate.

In March 2008 the EUR 249 billion sovereign wealth fund hired real estate consultant Partners Group to assist Norges Bank Investment Management, which manages the pension fund, on formulating a global real estate mandate. The pension fund has been looking to develop an extensive real estate portfolio for some time, having previously only invested in real estate through listed equity and fixed-income markets. The pension fund is hoping to invest in unlisted real estate through investments in funds, joint ventures and it is also considering making direct investments. Government Pension Fund – Global will have an initial target of 3% to real estate but hopes to expand this to 10% in four years time.

California State Teachers' Retirement System (CalSTRS) gains exposure to Indian and Nordic real estate.

CalSTRS has committed EUR 100 million to Niam Fund IV, which has raised EUR 700 million to make opportunistic investments in Scandinavia, and USD 50 million to IL&FS India Realty Fund II, which will invest across property types in tier I and tier II cities in India. The USD 173 billion public pension fund announced in mid-2007 that it was planning to triple its exposure to international real estate over the next four years.

European Bank for Reconstruction and Development commits to Eastern-European Fund.

The EUR 58 billion bank has committed EUR 48 million to Bluehouse Accession Property III. The fund will make equity or quasi-equity investments in real estate across Eastern Europe. The European Bank for Reconstruction and Development only invests in real estate funds that fit with its strategy to help build market economies and democracies in 27 countries from Central Europe to Central Asia.

Pennsylvania State Employees' Retirement System receives excellent returns from its real estate portfolio.

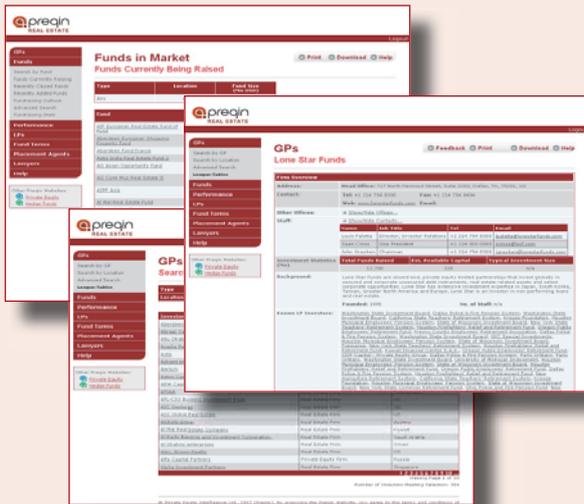
The real estate portfolio of the USD 35 billion public pension fund returned 22.6% in 2007, an increase on the 17.6% return it received in 2006. Real Estate was one of most successful asset classes for the pension fund which returned 17.2% overall in 2007. Pennsylvania State Employees' Retirement System allocates approximately 30% of its real estate portfolio to unlisted funds and has a preference for opportunistic vehicles.

IVG Immobilien launches its first Asian focused fund of funds vehicle.

In Q1 2008 the real estate fund of funds manager launched an Asian fund of funds called IVG Balanced Portfolio Asia. The vehicle, which has a USD 240 million fundraising target, will invest in value added and opportunistic funds focusing on Asia.

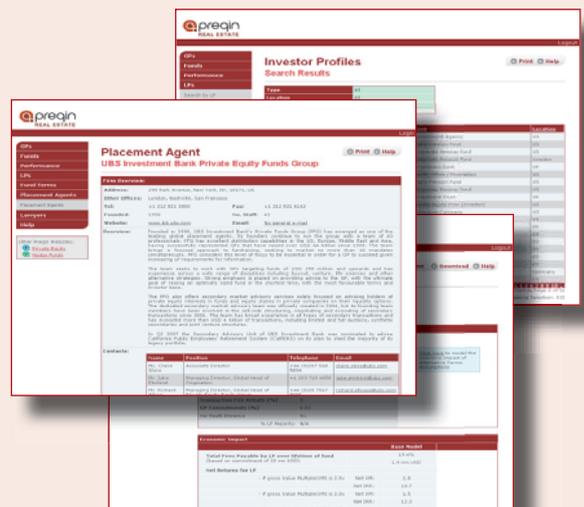
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- **Fund Terms:** What are the typical terms that a real estate fund charges? What are the implications of making changes to different fees? How do these fees vary between fund type and strategy? Model fee changes in our unique online Fund Terms Calculator.
- **Placement Agents:** Which agents are currently working with or have previously worked with real estate funds and which are willing to work with them in future? Includes detailed profiles for each placement agent.
- **Lawyers:** Which lawyers are the most active with real estate private equity funds currently? Which lawyers have worked with real estate funds previously? See detailed profiles for each lawyer.



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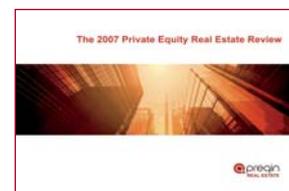
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