

# Real Estate Spotlight

September 2007 / Volume 1 - Issue 4

realestate.preqin.com

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.

Preqin Real Estate is an online service providing constantly updated data and analysis, with information on fundraising, fund performance and institutional investor profiles. For more information and to register for a free trial, please visit: [realestate.preqin.com](http://realestate.preqin.com)

## Feature Article: Private Equity Real Estate Still Booming

**Private Equity Real Estate Still Booming** but increased competition is set to make fundraising conditions considerably harder in 2008. We examine the reasons behind the industry's continued growth, with forecasts and predictions for the coming year.

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:

- Neste Oil Pension Fund
- Oregon Public Employees' Retirement Fund
- Indiana State Teachers' Retirement System

Please see page 9 for more information

## Fundraising

The amount of real estate funds on the road continues to increase throughout 2007. There are currently 194 funds in market seeking an aggregate \$92 billion:

- How much has been raised?
- Where is the capital being raised?
- How many funds are on the Road?
- What property types are funds focusing on?

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...

We take an in-depth look at the product, and how it can help you. Includes information on ordering and registering for your free trial.

Please see page 10 for more information

If you would like to receive Real Estate Spotlight each month please email [respotlight@preqin.com](mailto:respotlight@preqin.com).

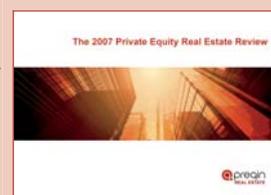
Publisher: Private Equity Intelligence Ltd  
Fleet House, 8-12 New Bridge Street, London. EC4V 6AL

Tel: +44 (0)207 822 8500      w: [realestate.preqin.com](http://realestate.preqin.com)

**OUT NOW**

**The 2007 Real Estate Review**

More information available  
at: [www.preqin.com/RE](http://www.preqin.com/RE)



# Preqin Real Estate Feature Article: Private Equity Real Estate Still Booming

The growth experienced by the private equity real estate industry over recent years is unparalleled in the history of the asset class. From a niche sector in the overall private equity universe, real estate funds have now grown in stature, and are currently second only to buyout funds in terms of capital raised.

2006 proved to be a record breaking year for real estate fundraising, with a total of 116 funds achieving final closes, raising an aggregate \$72bn in commitments. This record looks set to be beaten again however, as by August 2007 a total of \$50bn had already been raised over the first eight months of the year.

Investor appetite for the asset class has been the driving force behind this growth, as existing investors increase their allocations, and new investors continue to make their maiden investments. The average allocation to real estate amongst current investors is 4.6%, with the average target allocation to real estate a significant 1.1% higher at 5.7%.

It is clear that there is potential for even greater growth over the coming years; in fact a survey undertaken in the course of gathering data for the Real Estate Review indicates that an

overwhelming 78% of investors plan to increase their allocations to private equity real estate in the medium to long term. Managers raising new vehicles will also be encouraged by figures indicating that 72% of existing investors are currently short of their target allocations, with only 3% unlikely to invest over the next two years.

The forces driving this growth in investor appetite are clear: strong, steady performance. Median IRRs of private equity real estate funds have been excellent, varying between 8% and 12% for funds of vintages 1996-1999 and between 16% and 26% for funds of vintages 2000 to 2004. These returns are amongst the best in the industry, with median performance consistently exceeding the Preqin All Private Equity Benchmark, also beating the buyout performance for funds of all but two vintage years since 1998.

Fig. 1: Investors' Current Portfolio Situation

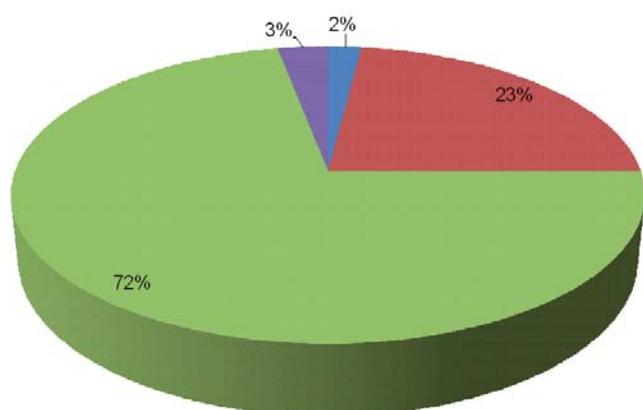
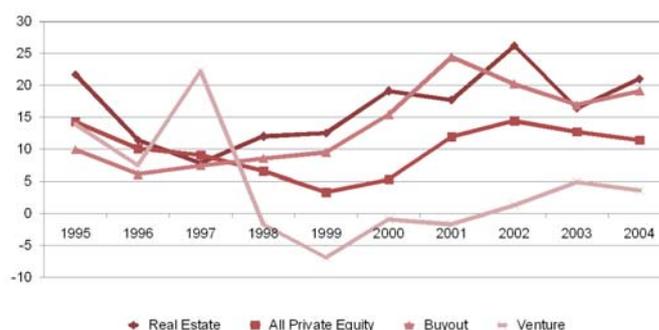


Fig. 2: Real Estate vs. Buyout, Venture & All PE Median Net IRR%, 1995 - 2004



**“... These returns are amongst the best in the industry, with median performance consistently exceeding the Preqin All Private Equity Benchmark, also beating the buyout performance for funds of all but two vintage years since 1998...”**

The dispersion of individual fund performance is characterised by a relatively small standard deviation around the median, meaning that although real estate funds are unlikely to produce the incredible returns that the top performing venture and buyout have, real estate funds are relatively unlikely to provide negative returns to their investors. Only 5% of real estate funds raised over the past twenty years have produced negative IRRs, comparing favourably with venture (39%) and buyout (17%).

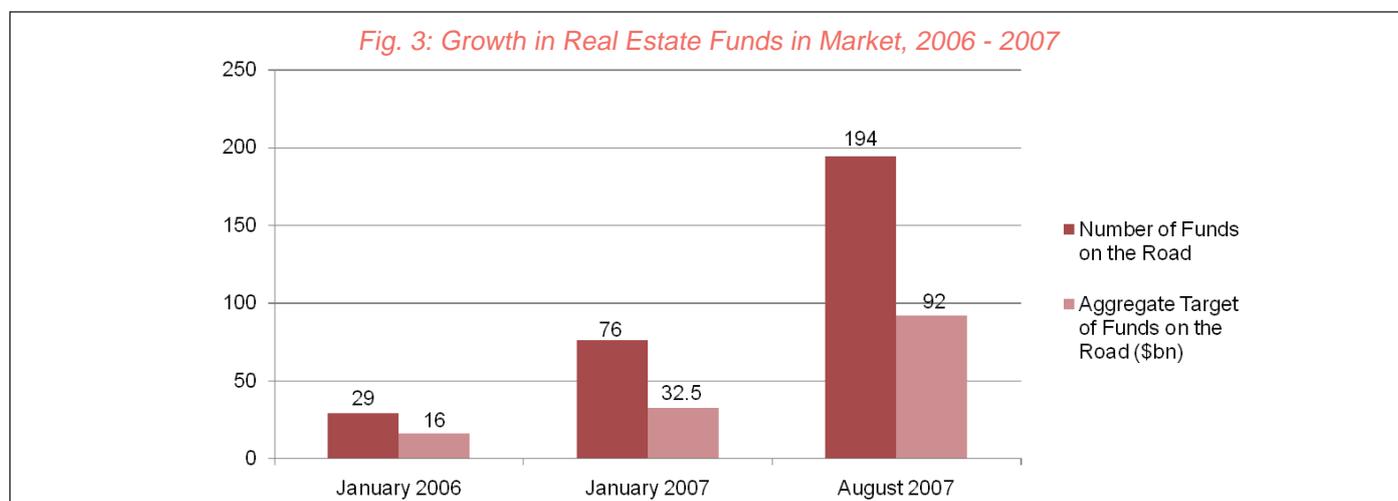
With such a strong track record driving ever increasing investor enthusiasm for real estate funds, the future for the industry is certainly looking good. Fund managers have responded to the high demand, and there are currently more vehicles on the road than at any other point in the history of the asset class. Quarterly fundraising has been steadily increasing, and with such an excellent stock of new vehicles on the road, and with investor appetite at a high level, we predict that 2007 will be another record breaking year.

In terms of aggregate capital commitments, we predict that \$75 - \$85 billion will be raised by 90 - 100 funds at year end for 2007, and with an increased level of funds in the market, and

with average fund sizes continuing to grow, we expect 2008 to match if not exceed the total raised in 2007. We predict a further \$80 - \$100 billion to be raised over the course of 2008 from a similar number of vehicles, with mega-sized funds accounting for a significant proportion of this total.

However, although overall strong fundraising levels are set to continue, conditions for managers raising new vehicles are set to become more demanding in 2008 and beyond.

The private equity real estate industry has grown dramatically over the past three years, with strong and steady returns leading to high levels of investor appetite and demand for new vehicles. Real estate managers have been able to raise new vehicles at a frenetic pace - In January 2006 the aggregate target of funds on the road was \$16 billion, but over the course of the year a total of \$72 billion was raised. With so much demand for new vehicles fund managers were able to gather commitments in record time, and the stock of new vehicles on the road, although healthy, was relatively low in comparison with the huge levels of capital being raised.



# Preqin Real Estate Feature Article: Private Equity Real Estate Still Booming

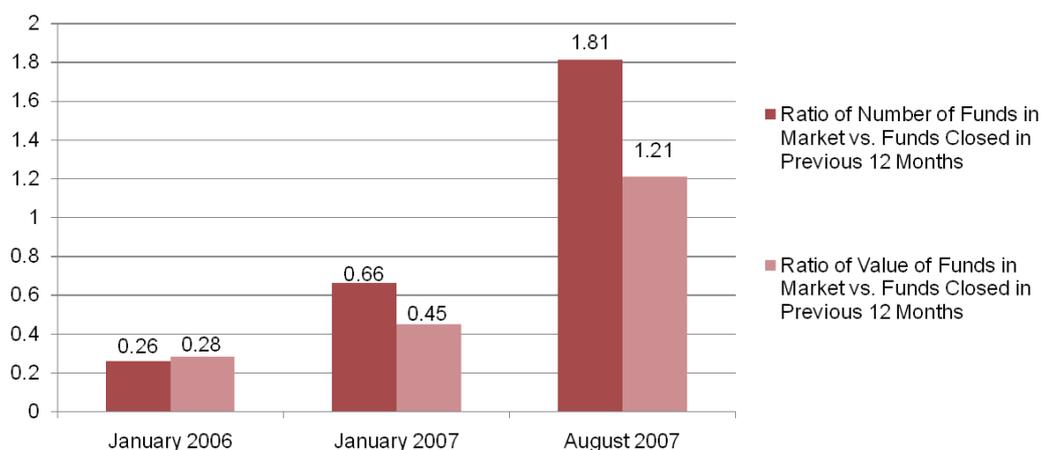
First time fund managers, who have traditionally found fundraising to be a demanding process have enjoyed great success, with 28% of funds closed in the period 2006 - August 2007 being raised by newly established firms. When this is compared with the figure of 13% for the private equity industry as a whole, it becomes clear just how buoyant the real estate fundraising market has been. Managers of all sizes and levels of experience have been able to raise capital in an environment where the reasonably low stock of funds on the road has ensured that all managers have been able to make themselves heard, enabling them to achieve, if not exceed, their targeted fundraising.

However, there is evidence that the fundraising environment is beginning to change. Whereas in the past the level of funds on the

road has represented only a few months of fund closes in terms of aggregate fund value, there is now a much greater level of competition in the market. The aggregate target value of the 194 funds in market currently stands at \$92 billion, representing just over one year's worth of fund closes. This is still a manageable level, but does indicate that that managers may find it more difficult to gain the attention of investors in a more competitive market.

The appetite for new funds is still high, but with an increased number of firms vying for investor's attention and commitments, careful targeting of LPs and an effective marketing campaign will become more important than ever in 2008 and beyond.

*Fig. 4: Ratio of Funds in Market vs. No. Funds Closed Previous 12 Months, 2006 - 2007*



*The data and analysis in this month's feature article is taken from the 2007 Private Equity Real Estate Review. Released in September, this year's Review is bigger and better than ever, featuring detailed analysis and data for all aspects of the private equity real estate industry, with information on fundraising, fund terms and conditions, performance and investors.*

*For more information please visit: [realestate.preqin.com/RER](http://realestate.preqin.com/RER)*

# 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.

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

Order before Friday September 28th to qualify  
for a 25% Pre Publication Discount



For more information please visit:  
[realestate.preqin.com](http://realestate.preqin.com)

2007 Real Estate Review Order Form - Please complete and return via fax, email or post

I would like to purchase the 2007 Real Estate Review with the special 25% Pre-Publication Discount:

£495 + £10 Shipping     \$995 + \$40 Shipping     €725 + €25 Shipping

I would like to purchase the 2007 Real Estate Package (publication plus 12 month's access to Real Estate Online)

£1,495 + £10 Shipping     \$2,995 + \$40 Shipping     €2,245 + €25 Shipping (Prices include 55% discount on full publication price)

Additional Copies

£95 + £10 Shipping     \$180 + \$40 Shipping     €135 + €25 Shipping

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

Name: \_\_\_\_\_

Firm: \_\_\_\_\_

Job Title: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

Post / Zip Code: \_\_\_\_\_

Country: \_\_\_\_\_

Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

PAYMENT OPTIONS:

Cheque enclosed (please make cheque payable to 'Private Equity Intelligence')     Please invoice me

Credit Card     Visa     Amex     Mastercard

Card Number: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

Name on Card: \_\_\_\_\_

Private Equity Intelligence - Fleet House, 8 - 12 New Bridge Street, London, EC4V 6AL

w: [www.preqin.com](http://www.preqin.com) / e: [info@preqin.com](mailto:info@preqin.com) / t: +44 (0)20 7822 8500 / f: +44 (0)87 0330 5892 or +1 440 445 9595

# Preqin Real Estate: Fundraising Update

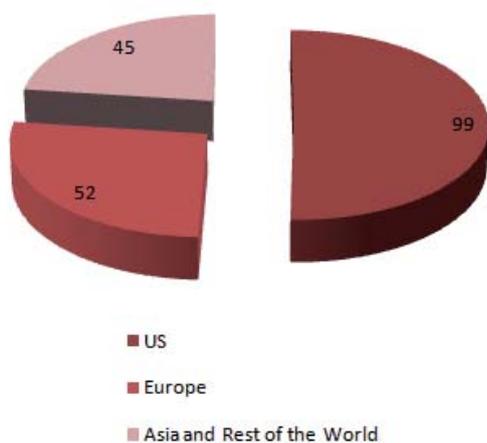
**Preqin Real Estate: Fundraising Update - The amount of real estate funds on the road continues to increase throughout 2007. There are currently 194 funds in market seeking an aggregate \$92 billion, a significant increase from last month when there were 173 real estate funds seeking an aggregate \$83 billion.**

US-focused funds continue to dominate the fundraising market, with a total of 99 funds seeking an aggregate \$53 billion - 51% of the global total being sought. Significant US focused funds on the road include the \$4 billion CB Richard Ellis Strategic Partners V, which is looking to make value added and opportunistic investments in retail, office, residential and industrial property and the \$2.5 billion Rockpoint Real Estate Fund III. Other funds such as the \$10 billion Blackstone Real Estate Partners VI have a primary investment focus on the US, but will also make investments in places such as Western Europe.

A total of 52 European-focused funds are currently on the road seeking \$23.5 billion, 27% of the global total being sought. Funds include the €1.5 billion Aberdeen European Shopping Property Fund, which will be investing in retail property across Western Europe and Scandinavia and the €1 billion Colyzeo II, an opportunistic real estate fund investing in hotels, retail, office, residential, and industrial property.

A total of 45 Asia and Rest of the World funds are seeking an aggregate \$15.5 billion in capital, 17% of the global total. Notable funds on the road include the \$2.5 billion LaSalle Asia Opportunity Fund III, an opportunistic fund

*Fig. 1: Number of Funds on the Road by Regional Focus*



*Fig. 2: Value of Funds on the Road by Regional Focus (\$bn)*



# Preqin Real Estate: Fundraising Update

investing in retail, commercial, office, residential, and logistics property and the \$1 billion opportunistic ARA Asia Dragon Fund, which is investing in retail, office and residential property.

## Closed Funds by Property Focus:

Looking at funds that have achieved a final close from 2006 – 2007 YTD, it is possible to identify several different trends when examining the property focus of funds focusing on different regions.

In the US market, office is the most dominant property with 74% of funds investing in the property type. 56% of funds will invest in residential property, 51% in industrial and 38% in retail. Funds investing in these property types include the \$4 billion Beacon Capital which closed in

2007 and will only be investing in office property and the \$4 billion CB Richard Ellis Strategic Partners V which is investing in office, residential, industrial and retail property. Among the specialised property types 25% of funds will invest in commercial, 19% in hotels, 7.5% in multi-family, hospitality and leisure/entertainment, 6% in senior-home and medical/healthcare and 4.5% in land development. House Investment Opportunity Fund IV, which closed on \$30 million in April 2007, will solely invest in senior housing projects and Stratford Land Fund III will only be investing in land development projects in the south of the US.

There is a similar situation as with the US for European focused funds that have closed during this period, with 63% of funds investing in office property, 51% of funds investing in residential property, 48% in retail and 36% in industrial. The €700 million ING European Office Fund will only make

Fig. 3: Fundraising by Property Focus - US

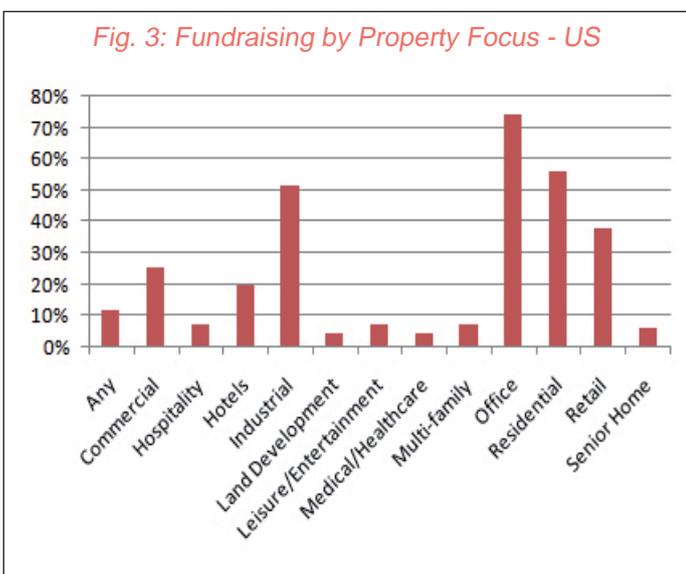
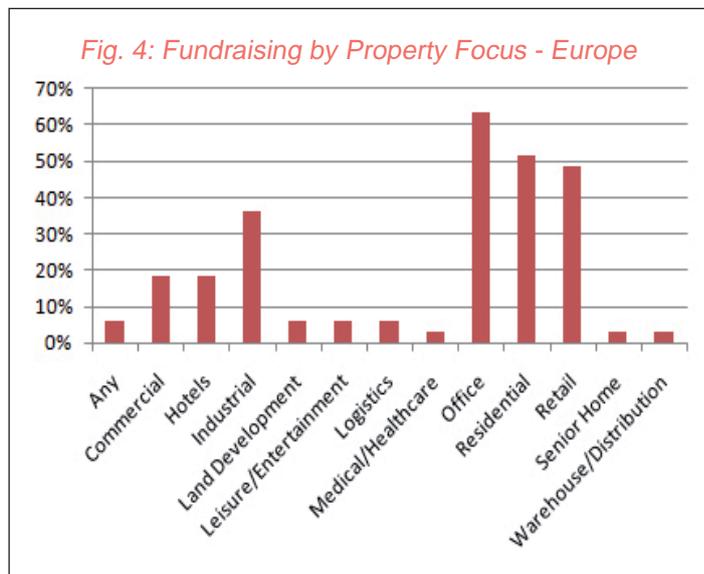


Fig. 4: Fundraising by Property Focus - Europe



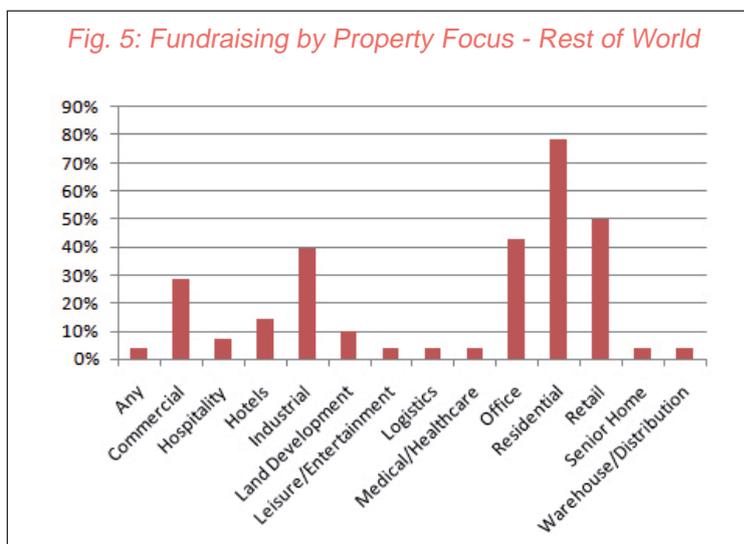
# Preqin Real Estate: Fundraising Update

investments into office property and the Tishman Speyer European Real Estate Venture VI, a €1.35 billion fund will only invest in residential and office projects in countries such as Belgium, France, the Netherlands and many more. 18% of funds will invest in commercial property and hotels, 6% in logistics, land development and leisure/entertainment and 3% in medical/healthcare, senior home and warehouse/distribution.

Unlike Europe and the US, residential property dominates the market for funds focusing on Asia and the Rest of the World, with 78% of funds investing in the property type.

This is a reflection of the demand for different types of property in different regions. 50% of Asia and Rest of World-focused funds will invest in retail, 42% in office and 39% in industrial. CPI Capital Partners Asia, a \$1.2 billion opportunistic fund, will be investing a significant amount of its capital in residential opportunities in cities in China. The \$800 million HIREF International fund invests in residential property in India. A total of 28% of funds will invest in commercial property, 14% in hotels, 10% in land development, 7% in hospitality and 3.5% will invest in leisure/entertainment, logistics, medical/healthcare, senior home and warehouse/distribution property.

*Fig. 5: Fundraising by Property Focus - Rest of World*

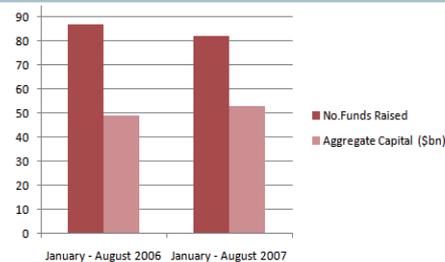


# Prequin Real Estate: Fundraising Update

## REAL ESTATE FUNDS ON THE ROAD

Funds on the Road	US	Europe	ROW	Total
Number	99	52	45	194
Total Target Value (\$bn)	53	23.5	15.5	92
Average Target Size (\$mn)	535	452	344	474

## FINAL CLOSES BAROMETER



## REAL ESTATE FUNDS ON THE ROAD

Fund	Manager	Strategy	Target Size (mn)	Manager Location
Blackstone Real Estate Partners VI	Blackstone Real Estate Group	Opportunistic	10,000 USD	US
CB Richard Ellis Strategic Partners V	CB Richard Ellis Investors	Opportunistic & Value Added	4,000 USD	US
Walton Street Real Estate Fund VI	Walton Street Capital	Opportunistic & Value Added	2,500 USD	US
Rockpoint Real Estate Fund III	Rockpoint Group	Opportunistic	2,500 USD	US
LaSalle Asia Opportunity Fund III	LaSalle Investment Management	Opportunistic	2,500 USD	US
Stockbridge Real Estate Fund III	Stockbridge Capital Partners	Opportunistic	2,500 USD	US
Aberdeen European Shopping Property Fund	Aberdeen Property Investors	Core and Value Added	1,500 EUR	Sweden
Aberdeen Property Fund Norway II	Aberdeen Property Investors	Value Added	1,500 EUR	Sweden
Capri Urban Investors	Capri Capital	Opportunistic	2,000 USD	US
CIM Urban Real Estate Fund III	CIM Group	Value Added	1,750 USD	US

## RECENTLY CLOSED REAL ESTATE FUNDS

### Beacon Capital Strategic Partners V:

**Manager:** Beacon Capital Partners  
**Target Size (mn):** 4,000 USD  
**First Close (mn):** 1,000 USD (Dec – 2006)  
**Final Close (mn):** 4,000 USD (Aug – 2007)  
**Strategy:** Value Added  
**Property Type:** Office  
**Geographic Focus:** US, North America, West Europe  
**Placement Agent:** Monument Group  
**Sample Investors:** CalSTERS, Pennsylvania PSERS, TRS of the State of Illinois, Pennsylvania SERS, Portfolio Advisors, San Bernardino County ERS, Purdue University Endowment, Oryx Global Capital

### Hines US Office Value Added Fund II:

**Manager:** Hines  
**Target Size (mn):** 650 USD  
**First Close (mn):** 400 USD (Oct – 2006)  
**Final Close (mn):** 828 USD (Aug – 2007)  
**Strategy:** Value Added  
**Property Type:** Office  
**Geographic Focus:** US, North America  
**Placement Agent:** Not Used  
**Sample Investors:** New York State Teachers' Retirement System, Sacramento County ERS, Seattle City ERS

### AIPP Asia:

**Manager:** Aberdeen Property Investors  
**Target Size (mn):** 600 USD  
**First Close (mn):** 91 USD (Oct- 2006)  
**Second Close (mn):** 555 USD (May-2007)  
**Final Close (mn):** 600 USD (Jul-2007)  
**Strategy:** Real Estate Fund of Funds (Value Added)  
**Property Type:** Retail, Office, Industrial, Logistics  
**Geographic Focus:** China, India, Japan, Asia  
**Sample Investors:** Folksam, Handelsbanken Liv, Ilmarinen Mutual Pension Insurance Company

### Genesis Workforce Housing Fund II:

**Manager:** Phoenix Realty  
**Target Size (mn):** 175 USD  
**Final Close (mn):** 175 USD (Jul – 2007)  
**Strategy:** Opportunistic  
**Property Type:** Residential  
**Geographic Focus:** US, North America  
**Placement Agent:** Not Used  
**Sample Investors:** Los Angeles County Employees' Retirement Association, Los Angeles Fire and Police Pension System, Los Angeles City Employees' Retirement System

# Preqin Real Estate: LP News

**Oregon Public Employees' Retirement Fund (OPERF)** has increased its target allocation to private real estate funds. The USD 64 billion public pension fund has increased its target allocation to real estate from 8% to 11% of its total assets. 30% of its overall real estate portfolio will consist of investments in private real estate funds, equating to USD 2.1 billion. It currently has approximately USD 1.8 billion committed to the asset class. OPERF has also made commitments to two real estate funds. It committed USD 200 million to Blackstone Real Estate Partners VI and USD 150 million to Rockpoint Real Estate Fund III.

**San Joaquin County Employees' Retirement Association** considers increasing real estate allocation. In September 2007 it was announced the USD 2.1 billion public pension fund was considering increasing its allocation to real estate to 10% of total assets. The pension fund is happy with the performance of its real estate portfolio and is keen to keep the momentum going. The increase in allocation will be committed to a mixture of value added and opportunistic real estate funds.

**Neste Oil Pension Fund** is considering investing in private real estate funds. The EUR 759 million corporate pension fund, which currently has approximately 10% of its total assets allocated to direct investments in Finnish property, is considering making indirect investments internationally. It is planning to increase its real estate allocation to 15% of its total assets and may invest in private real estate funds as part of this strategy.

**Indiana State Teachers' Retirement System** looks to add diversification to real estate portfolio. The USD 8.1 billion public pension fund announced that it would be looking

to invest around USD 200 million into a new real estate strategy that will include international and opportunistic investments. The fund already has an established core and value added presence in its real estate portfolio and would like to add a wider range of diversification to its overall portfolio.

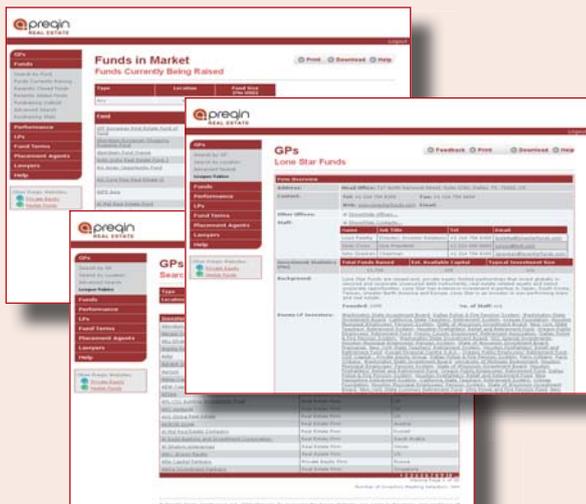
**San Bernardino County Employees' Retirement Association** makes first commitment to Asia-focused real estate funds. The USD 5.7 billion public pension fund made commitments of USD 20 million each to the AIG Asia Real Estate Partners II Fund and the LaSalle Asia Opportunity Fund III. The pension fund is hoping to achieve higher returns for its portfolio while investing in a new emerging market.

**Los Angeles County Employees' Retirement Association** makes a commitment to European real estate. The USD 40.1 billion public pension fund made a commitment of USD 17.8 million to the Carlyle Europe Real Estate Partners III fund. The fund will invest in a diversified portfolio of real estate assets in Denmark, Finland, France, Germany, Italy, Norway, Portugal, Spain, Sweden and the United Kingdom.

**North Dakota State Investment Board** moves away from core real estate to value added. In September 2007 the USD 5.6 billion pension fund decided to move a third of its USD 150 million commitment to the INVESCO core real estate fund to the value added INVESCO Real Estate Fund II. By doing this the state investment board is hoping to generate higher returns for its property portfolio and gain access to different property types.

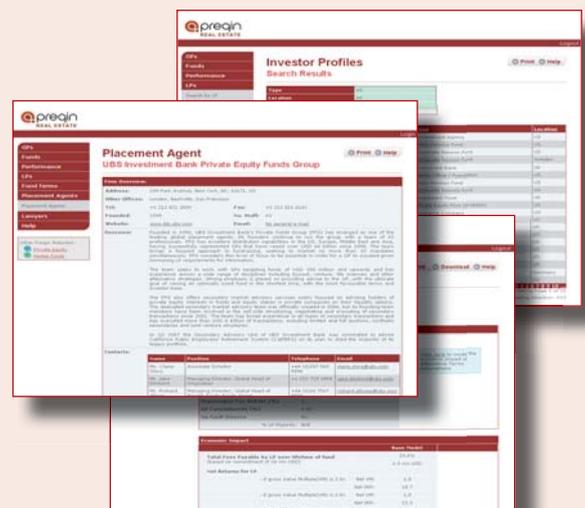
# Preqin Real Estate Online

Real Estate Online is the most comprehensive resource available to private equity real estate professionals today. Whether you're a GP, LP, fund of funds, placement agent, lawyer, consultant or advisor this is a vital information service for you.



- **GPs:** View detailed profiles on nearly 500 Private Equity Real Estate GPs from around the world including background, key contacts and funds raised. Carry out advanced searches to find GPs who focus on particular property types, strategies or locations.
- **Performance:** View performance benchmarks for over 300 private real estate funds including details of the performance of individual funds. See which GPs have the best track records.
- **Fundraising:** See who is currently on the road raising a fund and who will be coming to market soon. Analyse fundraising over time by fund strategy, property type and location.
- **LPs:** See detailed profiles for over 600 investors who are actively investing in private real estate. LP investors include Real Estate Fund of Funds, Pension funds, Endowments, Family Offices and other asset managers. Detailed profiles include background, contact details, investment plans, preferred fund strategies and known previous investments in real estate funds.

- **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 Opportunistic and Value-added funds? 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.



To register for your free trial please visit: [realestate.preqin.com](http://realestate.preqin.com)

[realestate.preqin.com](http://realestate.preqin.com)

