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## Private Equity Real Estate Fundraising Remains Slow in Q1 2011

**\$5.8 billion was raised in Q1 2011 by funds holding a final close; fundraising remains at slowest pace since 2003. Number of interim closes suggests fundraising drought may be ending.**

### Putting the Results in Context:

17 private equity real estate funds reached a final close in Q1 2011 having raised an aggregate \$5.8 billion. This represents a small decrease on the \$6.5 billion raised in Q4 2010. Fundraising for the asset class remains far slower than the industry saw in 2006-2008, when quarterly totals were typically in excess of \$30 billion.

- **Fundraising by Region** – Funds primarily focusing on North America raised the most capital, with eight funds receiving aggregate commitments of \$3.5 billion. Five Asia and Rest of World-focused funds received an aggregate \$1.2 billion, with four Europe-focused funds raising \$1.1 billion.
- **Fundraising Momentum – Interim Closes** – In addition to the 17 funds which held a final close in the quarter, 40 funds held an interim close during Q1, raising a total of \$5.7 billion towards their overall targets.
- **Funds in Market** – There are currently 439 private equity real estate funds in market seeking aggregate commitments of \$160 billion. The aggregate target of funds in market has risen by \$28 billion over the past two quarters, having fallen throughout 2009 and the first three quarters of 2010. There are now more real estate funds on the road than at any other time in the history of the industry.
- **Time Taken to Close Funds** – Funds to close in Q1 2011 spent an average of 17.3 months in market, a small increase from the 16.7 months for funds closed in 2010 and a significant increase on the average of 9.3 months that funds closed in 2006 spent in market.

**Please see the factsheet following this release for more information on PERE fundraising.**

### Comment:

“The private equity real estate fundraising market is still slow, but there are signs of improving investor sentiment towards the asset class. Although this has yet to translate into final closes, there has been a significant number of interim closes being held. This is likely to lead to an increase in final closes taking place over the coming year.

The fundraising market remains extremely overcrowded, with more funds in market than at any other time in the history of the industry, with the aggregate target of funds on the road equating to more than three times the amount raised in 2010. There will still be many firms which are forced to delay or abandon their fundraising efforts, and further consolidation within the private equity real estate industry is likely to take place.

The type of funds which closed in Q1 reflects the changing nature of the private equity real estate fund market. Only one fund to close in the quarter did so with commitments of more than \$1 billion, and most funds to close are focused on a particular property type and/or region. This suggests that it is managers which can prove to investors that they are experts in their particular strategy which are having the most success fundraising in the current environment.”

**Andrew Moylan – Manager, Real Estate Data**

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### Note to Editors:

- Please note that Preqin has completely replaced Private Equity Intelligence as the official company name.
- Preqin is spelled without the letter 'U' after the 'Q'.

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# Preqin Research Report

## Q1 2011 Private Equity Real Estate Summary

Fig. 1: Quarterly Private Equity Real Estate Fundraising, Q1 2007 - Q1 2011

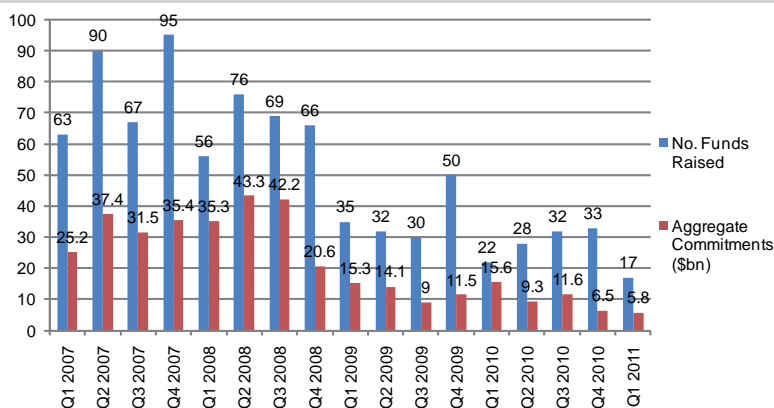


Fig. 2: Q1 2011 Private Equity Real Estate Fundraising by Fund Primary Regional Focus

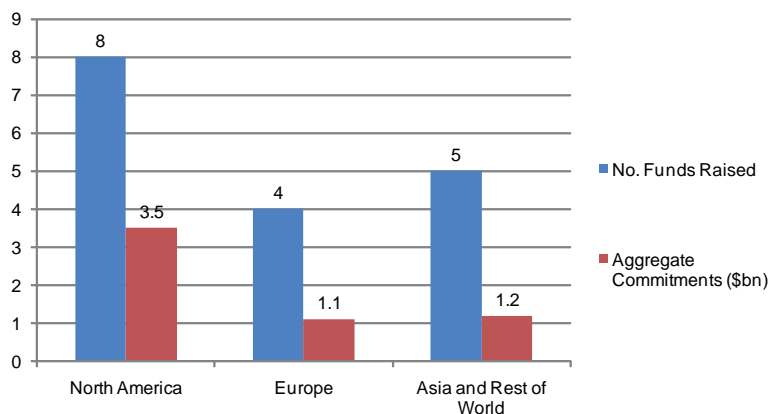


Fig. 3: 10 Largest Private Equity Real Estate Funds to Close in Q1 2011

Fund	Firm	Strategy	Size (mn)	Geographic Focus	Property Focus
Blackstone Real Estate Special Situations Fund II	Blackstone Group	Debt	1,500 USD	US	
Vornado Capital Partners	Vornado Realty Trust	Value Added, Distressed	800 USD	NY, DC	Office, Retail
Pátria Brazil Real Estate Fund II	Pátria Investimentos	Core-Plus, Opportunistic, Value Added	550 USD	Brazil	Commercial, Industrial, Office, Retail
Madison International Real Estate Liquidity Fund IV	Madison International Realty		510 USD	US, UK, West Europe	Hospitality, Industrial, Multi-family, Office, Retail
Waterton Residential Property Fund XI	Waterton Associates	Opportunistic, Value Added, Debt, Distressed	500 USD	US	Multi-family
Sveafastigheter Fund III	Sveafastigheter	Opportunistic, Value Added, Distressed	317 EUR	Nordics, Baltics	Hotels, Industrial, Logistics, Office, Retail
SoTan China Real Estate I	Tan-Eu Capital	Opportunistic, Distressed	400 USD	China	Residential, Mixed Use
Warburg - Henderson KOOP	Warburg - Henderson	Core	200 EUR	West Europe	Office, Retail
Melford Special Situations	Melford Capital Partners	Value Added	125 GBP	UK	Any
DIC Office Balance I	DIC Asset	Core, Core-Plus	120 EUR	Germany	Office

Fig. 4: Average Time Taken for PERE Funds to Close

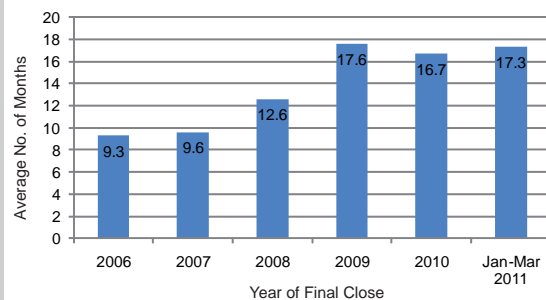
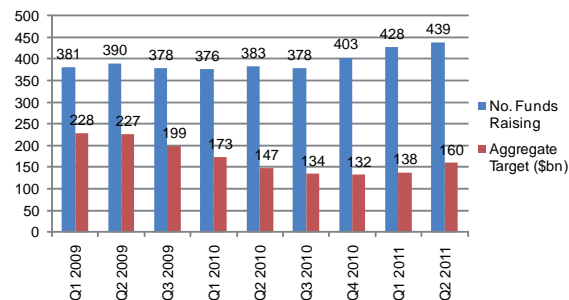


Fig. 5: PERE Funds in Market by Quarter, Q4 2008 - Q2 2011



17 PERE funds reached a final close in Q1 2010 raising an aggregate \$5.8bn. This is a small decrease from the \$6.5bn raised in Q4 2010. North America-focused funds raised the most capital; eight funds closed raising a total \$3.5bn (see Fig. 2). In addition to those reaching a final close, 40 funds held an interim close during Q1 2010. The average time taken for a PERE fund to reach a final close currently stands at 17.3 months, a slight increase from that of funds closed in 2010 (Fig. 4). Fig. 5 shows there are currently 439 PERE funds on the road seeking a total \$160bn - the largest number of funds in the history of the industry.



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