

More Real Estate Firms than Ever Offering Co-Investments

Three-quarters of funds currently in market offer co-investment opportunities, but they remain rarely used by investors

Private equity real estate fund managers are increasingly offering co-investment opportunities, responding to investor calls for greater access to alternative structures to pooled funds. A Preqin survey of fund manager and investor attitudes to co-investments* found that more than two-thirds of all real estate firms offered co-investments in 2016, a marked increase from the year before, while nearly half of managers will look to offer more co-investment opportunities in 2017. Most fund managers still only offer co-investment rights to a relatively small proportion of their investors, but a third offer them to more than one-fifth of investors, and more than one in ten fund managers offer them to all their investors.

For more information and analysis, see the full [Alternative Real Estate Structures report here:](#)

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Real-Estate-Co-Investments-and-Separate-Accounts-March-2017.pdf>

Other Key Real Estate Co-Investment Facts:

- The proportion of managers that offer co-investments rose from 56% in 2014 to 67% in 2016. Additionally, **over three-quarters (76%) of real estate funds currently in market offer co-investment opportunities.**
- **Over a third (34%) of managers offer co-investment opportunities to more than twenty percent of investors** in a fund, and 13% offer co-investment opportunities to all of their investors.
- **Accessing additional capital for deals and building stronger relationships with investors** were the biggest perceived benefits of co-investments for managers, with each aspect cited by 65% of surveyed firms.
- Forty percent of firms identified coordinating differences in the timing, terms or rights of different co-investors as a **key downside to offering co-investments**, while an equal proportion cited the reduction in control over an investment.
- **Half of investors think greater control over the direction of their capital is a key benefit** of co-investments, while better returns (45%) and reduced fees (41%) also featured prominently in survey responses.
- When offered co-investment opportunities, **39% of real estate firms stated that no investors had utilized them**, while a further 21% reported that 10% or fewer of investors exercised their co-investment rights.
- The frequency with which an institution co-invests is linked to its size; **57% of investors larger than \$10bn make or consider co-investments**, compared to less than a quarter (24%) of those smaller than \$1bn.

Andy Moylan, Head of Real Estate Products:

“Recent years have seen institutional investors increasingly looking for alternatives to the blind pool fund model. For some, this has been through increased use of direct investments but this remains impractical for all but the largest investors. Co-investments can offer institutions the opportunity to gain more exposure to attractive assets, with more control and potentially lower fees while still accessing a third-party manager’s skill and pipeline of potential deals.

Private equity real estate fund managers are clearly seeing the benefits of offering co-investments, such as improved investor relationships and increased chances of a successful fundraising. Consequently, the proportion of funds that give investors these opportunities continues to rise. At a time of intense fundraising competition, with investors increasingly choosing to allocate large sums of capital to fewer fund managers, co-investment opportunities provide a perfect tool to attract investors and foster strong, sustainable and mutually beneficial relationships.”

**This report is based surveys of 180 fund managers and 66 investors conducted by Preqin in December 2016.*

Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.

For more information, contact our dedicated press team at press@preqin.com or call (+44) 20 3207 0265.

New York	London	Singapore	San Francisco	Hong Kong	Manila
+1 212 350 0100	+44 20 3207 0200	+65 6305 2200	+1 415 316 0580	+852 3958 2819	

www.preqin.com / info@preqin.com