

Investor Appetite for Real Estate Funds Increases 48% of investors plan to commit to funds in the next 12 months

Preqin's latest survey of over 100 private real estate investors reveals an increase in the proportion of investors planning to commit to the asset class in the next 12 months, compared to the 36% that planned to invest in the 12 months following January 2012.

In addition to demonstrating interest in new investments, 37% of investors interviewed stated that they would deploy more capital to private real estate funds in the next 12 months than they have in the last 12 months. This is an increase compared to January 2012, when only 26% of investors stated that they would commit more capital throughout 2012 than they had in 2011.

However, many investors are taking an opportunistic approach to their investments in real estate in the next 12 months as they remain concerned about the current economic climate and its potential impact on their investments. A sizeable 36% of investors surveyed do not anticipate making commitments in the next 12 months, with a further 17% undecided as to whether they will invest.

Other Key Findings:

- 54% of investors committed capital to private real estate funds in the last 12 months.
- 70% of investors with \$10bn or more are likely to invest in the next 12 months, compared to only 26% of investors with less than \$1bn in assets under management.
- 64% of investors said that the performance of their real estate fund investments had met their expectations, while 27% felt it had fallen short of expectations; only 9% felt the performance of their investments had exceeded their expectations.
- 72% of Asia and Rest of World-based investors are likely to commit to funds in the next 12 months; only 47% and 32% of investors in North America and Europe respectively are likely to consider fund commitments in the same period.
- In the next 12 months, 52% of investors are taking an opportunistic approach, 27% expect to commit to 1-2 funds, 10% are considering commitments to 3-4 funds, and another 10% will commit to five or more funds.
- 46% of investors plan to invest in core funds, and 35% said they would invest in opportunistic funds; 24%, 22%, and 19% of investors will target value added, debt, and core-plus strategy funds respectively.

To view the full report, please see:

http://www.preqin.com/docs/reports/Real_Estate_Investor_Outlook_H2_2012.pdf

Comment:

"The results of Preqin's latest study of institutional investors do suggest an increase in appetite for private real estate funds, with 48% of respondents planning to make new commitments in the next 12 months, an increase on the 36% that planned to make new commitments in the 12 months from January 2012. With 52% of investors not planning investments or adopting a wait-and-see policy, it is clear that fundraising for private real estate funds is likely to remain very challenging in the coming months. Despite this, more investors appear to have been satisfied with the level of performance of their real estate fund investments than those that have been disappointed by them. The fact that more than a quarter of investors (27%) are disappointed with returns, however, indicates there is more work for fund managers to do in regaining investor confidence enough to improve fundraising conditions."

Andrew Moylan – Manager, Real Estate Data

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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