

This report is an excerpt from: **Preqin Quarterly: Real Estate, Q3 2012**. To download the full report please visit: https://www.preqin.com/docs/quarterly/RE/Real_Estate_Quarterly_Q3_2012.pdf

Performance Update

The change in net asset value (NAV) of private equity real estate funds in successive quarters from Q1 2011 to Q4 2011 is displayed in Fig. 30. All four quarters show a positive change in NAV, with a non-weighted increase of 2.5% in Q4 2011. This was a smaller increase than Q1 2011, when there was a non-weighted increase of 4.5%. The weighted increase in NAV in Q4 2011, which factors in fund size, was 1.6%. Although Q3 2011 non-weighted and weighted NAVs registered considerably smaller increases than in Q2 2011, there was a larger increase in both non-weighted and weighted NAV data in Q4 2011.

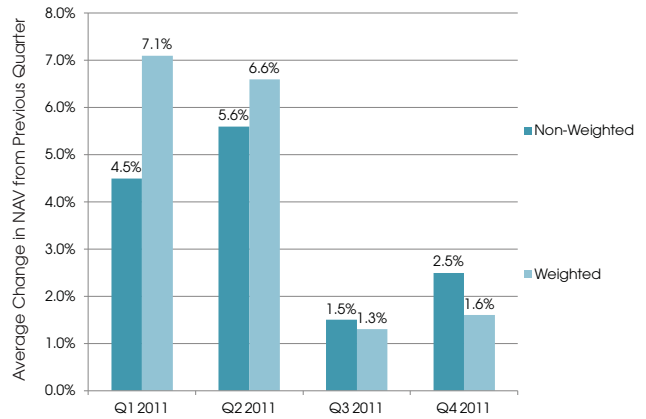
Fig. 31 displays the annual median net IRR at each quarter-end for funds of 2002 to 2009 vintage years. 2009 vintage funds have seen an increase in IRR in several successive quarters and the median IRR was 16% as of March 2012. The median IRRs for 2007 and 2008 vintage funds have also improved over the past year and, as of March 2012, stood at 2.4% and 8.5% respectively. Median IRRs for 2005 and 2006 vintage funds had declined significantly due to the financial crisis, but have stabilized over more recent quarters.

Although top quartile funds with vintages between 2000 and 2004 have IRRs of above 20%, funds of 2005 and 2006 vintages have negative median net IRRs, highlighting the widespread impact of the financial crisis on the private real estate market. Funds of 2007 vintage have fared somewhat better, with the median fund IRR equating to 2.4% and top quartile funds generating a minimum return of 9.7%. The median IRR for 2008 vintage funds is 8.5%, with top quartile funds categorized as those generating IRRs above 15.2%.

Top quartile funds have never produced negative IRRs for any vintage, while bottom quartile funds with vintages between 2005 and 2008 have produced negative IRRs. However, the performance of 2009 vintage funds suggests that the divergence between top and bottom quartile performance may be narrowing. Top quartile funds generated at least 19.8%, with three quarters of vehicles generating at least 10.9%. These funds are very early in their lives and their performance is likely to change a great deal in the coming years.

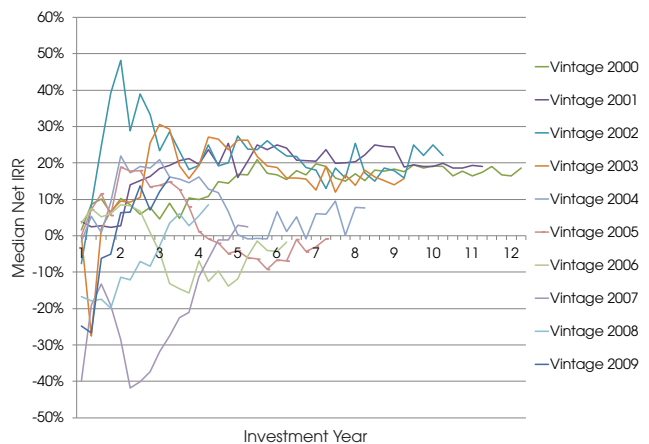
Preqin's Real Estate Online features net-to-LP performance data for over 900 real estate funds, custom benchmarks and the PrEQIn Private Equity Quarterly Index. For further information, or to arrange a demo, please visit:
www.preqin.com/reo

Fig. 30: Closed-End Private Real Estate Change in NAV by Quarter



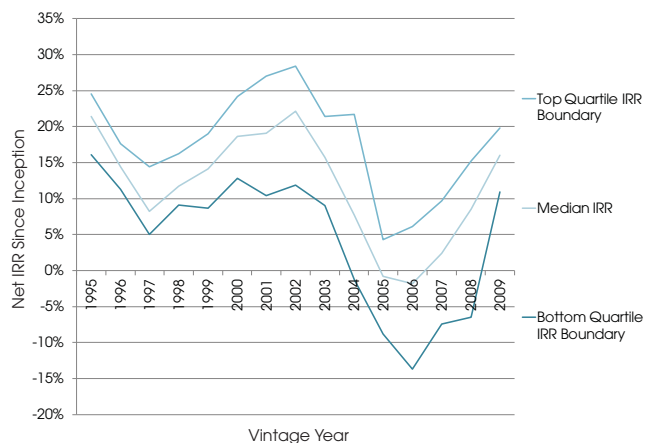
Source: Preqin Real Estate Online

Fig. 31: J-Curves: Annual Median Net IRRs by Vintage Year (as of 31 March 2012)



Source: Preqin Real Estate Online

Fig. 32: Closed-End Private Equity Real Estate - Median Net IRRs and Quartile Boundaries by Vintage Year (as of 31 March 2012)



Source: Preqin Real Estate Online