

Content Includes:

US-Focused Assets under Management and Dry Powder

We examine the assets under management of US-focused private real estate funds, capital invested and distributed by these funds, and the dry powder available to them over time, with a focus on variations by strategy and manager location.

US-Focused Fund Manager Universe

We explore the growth of the US-focused fund manager universe. How much experience do these firms have raising private real estate funds? How much capital have they raised in the last 10 years? Which assets and strategies are they targeting?

US-Focused Fundraising

We look at fundraising for US-focused private real estate funds over recent years, including how long these vehicles are taking to reach a final close, their size and preferences, and funds currently in market.

Preqin Special Report: US Private Equity Real Estate Fund Management Industry

September 2013





Foreword

The private real estate industry in the US has seen considerable growth in recent years, with assets under management reaching an all-time high of \$335bn as of December 2012. Fund managers increased their activity in the space in 2012, putting their significant reserves of dry powder to work; during this time, both acquisitions and dispositions witnessed a marked increase, with capital invested reaching its highest point since the financial crisis.

This increase in investment activity reveals encouraging signs of recovery in the private real estate market in the US, with fund manager confidence in the country picking up. Additionally, with more distributions being made to investors, capital invested in real estate funds focusing on the US is likely to see an increase, as investors are able to reinvest previously tied-up capital.

The expansion of the industry has also led to a rise in the number of fund managers actively investing in the US, resulting in an increasingly crowded and competitive fundraising market. The level of experience among these managers varies considerably, and the top-heavy nature of the industry is evident in the fact that only a small number of fund managers are able to raise very large amounts of investor capital.

Encouragingly, North America is viewed by a large proportion of investors as presenting the best private real estate investment opportunity in the current market, and over half of surveyed US-based investors believe that their investments in the asset class have met expectations. However, investor sentiment among North America-based institutions reveals that only just over a third are seeking to make new commitments in the coming year.

Preqin Special Report: US Real Estate Fund Management Industry provides an extensive breakdown of the private real estate market in the US, examining changes in the assets under management of the industry, as well as a breakdown of the fund manager universe, key fundraising trends and fund manager investment criteria. This report utilizes the wide range of information available on Preqin's Real Estate Online service, which features details of over 1,800 private real estate fund managers, 4,100 funds and performance data for over 1,100 funds.

Key Findings

335

is the aggregate assets under management (in \$bn) of the US-focused private real estate industry, an all-time high (page 3).

29%

of active US-focused real estate fund managers are raising their first private real estate fund focusing on the country (page 6).

89

is the dry powder available (in \$bn) to US-focused private real estate funds, an increase from \$79bn in December 2012 (page 3).

72%

of US-based real estate fund managers prefer an average property size of up to 500,000 square feet (page 7).

561

is the number of active US-focused private real estate fund managers as of the end of 2012 (page 5).

33

is the aggregate capital raised (in \$bn) by the 64 US-focused private real estate funds closed in 2013 so far, representing 83% of the capital raised in the whole of 2012 (page 8).

96%

is the proportion of active US-focused private real estate fund managers headquartered in the US. (page 5).

225

is the number of US-focused private real estate funds in market, targeting an aggregate \$79bn (page 10).

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Assets under Management and Dry Powder

With the assets under management of the private real estate industry reaching its highest point ever and the amount of capital invested annually returning to the levels seen in 2007, we look at the growth of the industry and recent levels of investments and exits.

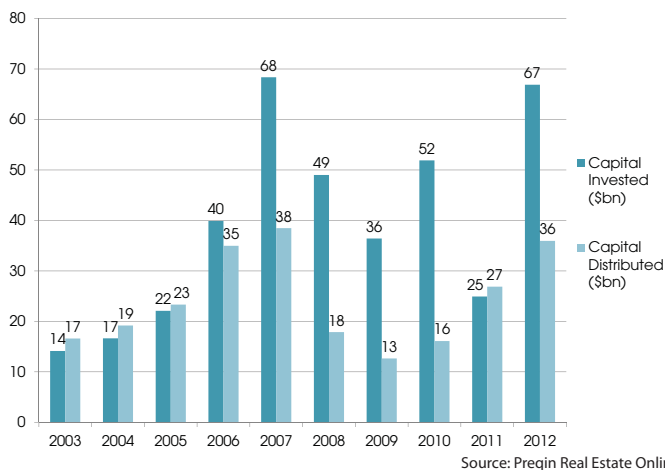
The aggregate assets under management* of the private real estate industry in the US have reached an all-time high as of December 2012, with \$335bn either invested in real estate or held as dry powder (Fig. 1). This represents a 57% increase on the \$214bn held in assets under management by US-focused private real estate funds as of December 2009. The growth in industry assets under management can mainly be attributed to the large amount of unrealized value of assets in firms' portfolios, as a result of increasing property values and investment activity from fund managers.

The challenging fundraising environment experienced as a result of the financial crisis saw dry powder in 2010 decrease for the first time since 2002, to \$80bn. As of December 2012, dry powder stood at \$79bn, its lowest point since 2006. This decrease can largely be attributed to fund managers beginning to scale up their investment activity and putting their significant capital reserves to work (see Fig. 2). From January 2010 to December 2012, private real estate firms invested a total of \$144bn (Fig. 2). 2013 so far has seen an increase in the rate of fundraising (see page 8), resulting in industry dry powder rising to \$98bn as of August 2013.

Capital Invested and Distributed

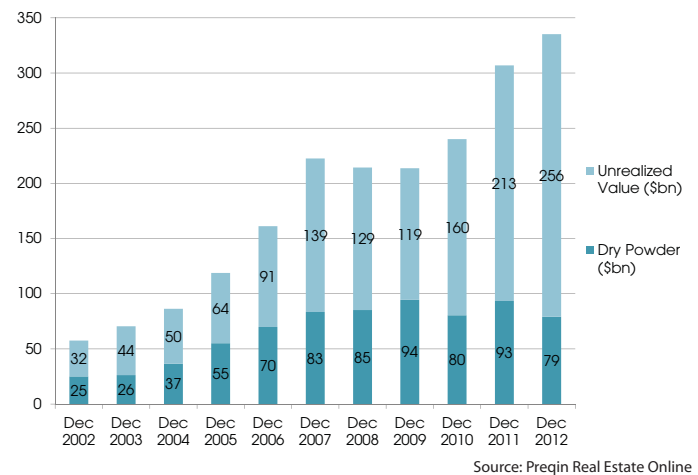
2012 in particular has seen private real estate fund managers scale up activity, both in terms of acquisitions and dispositions. Firms are putting their available dry powder to work, with the amount of capital invested in 2012 reaching \$67bn, its highest point since the financial crisis. Additionally, managers are also selling more assets and the amount of capital distributed to

Fig. 2: Annual US-Focused Closed-End Private Real Estate Capital Invested and Distributed, 2003 - 2012



* Preqin defines a firm's assets under management as the sum of its dry powder and unrealized value of portfolio assets.

Fig. 1: US-Focused Closed-End Private Real Estate Assets under Management, December 2002 - December 2012

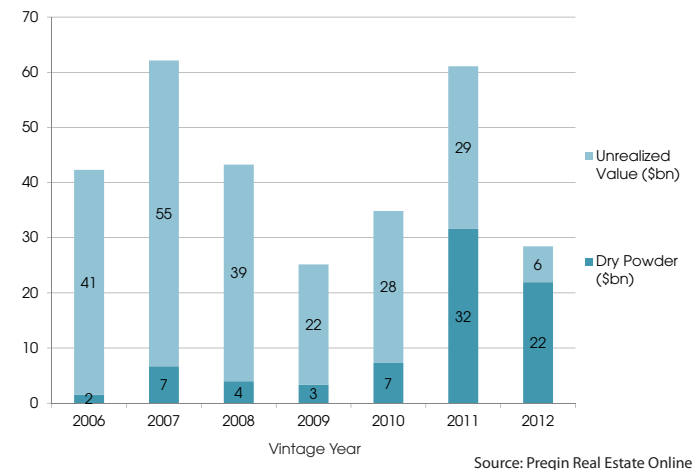


investors has increased year-on-year since 2010; \$63bn was distributed in 2011 and 2012, compared with just \$29bn in 2009 and 2010. This may have a positive impact on the fundraising market, with institutional investors able to reinvest these distributions and put more capital back to work in real estate.

Assets under Management by Vintage Year

Fig. 3 shows the aggregate assets under management of US-focused private real estate funds by vintage year from 2007 to 2012. The chart reveals that vintage 2007 funds still have a large amount of aggregate unrealized value, with \$55bn currently still invested in real estate. The strong fundraising environment in

Fig. 3: US-Focused Closed-End Private Real Estate Assets under Management by Vintage Year (As at December 2012)





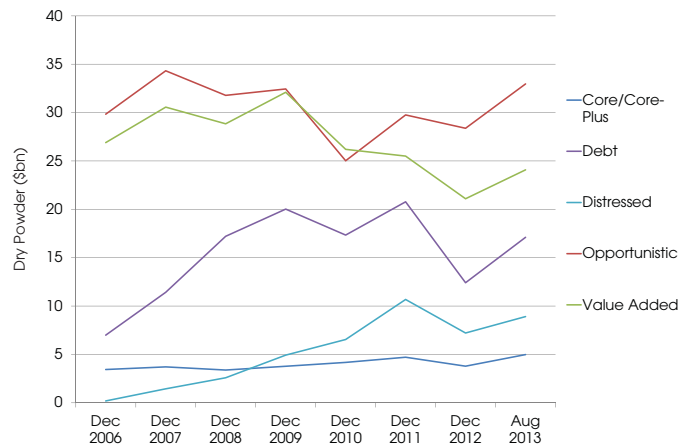
2006 and 2007 meant that a large amount of capital was raised and invested, but as yet the majority of investments have not been realized. The assets under management for vintage 2011 US-focused funds is significantly higher than for vintage 2010 funds, at \$61bn compared to \$35bn respectively, with dry powder at a much higher \$32bn for vintage 2011 funds. For vintage 2012 funds, assets under management are at a much lower \$28bn, with a large proportion of capital committed still to be put to work.

Dry Powder by Strategy, Fund Manager Location and Sector Focus

US-focused real estate debt funds have shown a large increase in dry powder since 2003, increasing from \$7bn in December 2006 to \$17bn as of August 2013, despite falling from \$21bn to \$12bn during 2012 (Fig. 4). Private real estate funds focusing on debt as a strategy have seen significant growth in recent years, with the availability of finance declining, and fund managers stepping in to fill the gap left by the retreat of traditional lenders. Opportunistic funds primarily focusing on the US have seen an increase in dry powder since December 2010, increasing from \$25bn to \$33bn, while dry powder for value added investments has fallen from \$32bn in December 2009 to \$24bn in August 2013. Closed-end funds focusing on core or core-plus as a strategy have shown a relatively small increase in dry powder, from \$3bn to \$5bn.

As of August 2013, the largest proportion of dry powder for US-focused private real estate funds is held by fund managers headquartered in New York, with 31% of all uncalled capital commitments (Fig. 5). California- and Texas-based fund managers also hold a large amount of dry powder, with \$14bn

Fig. 4: US-Focused Closed-End Private Real Estate Dry Powder by Strategy, December 2006 - August 2013

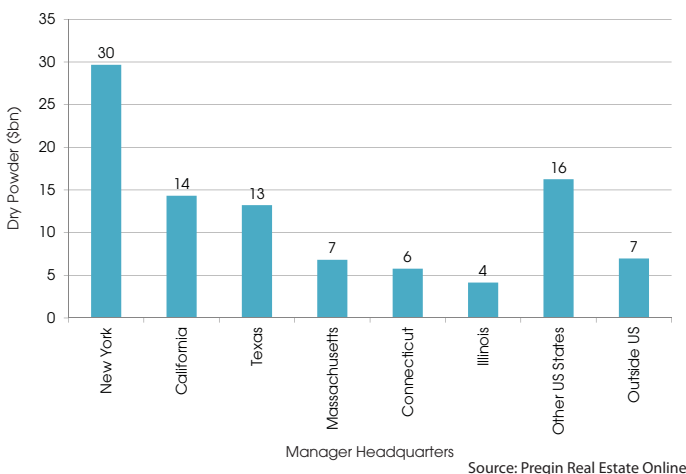


Source: Preqin Real Estate Online

and \$13bn respectively. The vast majority (93%) of all dry powder for US-focused real estate funds is held by fund managers based in the US, with only \$7bn held by those based outside the US.

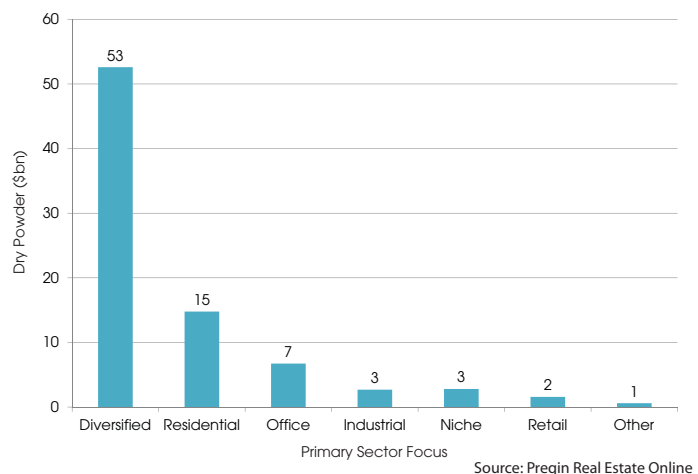
When looking at the amount of dry powder available for US-focused funds by property focus, it is clear that diversified funds make up the majority (63%), with these funds holding \$53bn in uncalled capital. Funds solely targeting residential property make up 18% of available dry powder, with office, industrial and other types of property making up the remainder.

Fig. 5: US-Focused Closed-End Private Real Estate Dry Powder by Fund Manager Headquarters



Source: Preqin Real Estate Online

Fig. 6: US-Focused Closed-End Private Real Estate Dry Powder by Sector Focus



Source: Preqin Real Estate Online

Access Industry-Leading Data on the US Real Estate Fund Management Industry

Preqin tracks in-depth data on the US private real estate market. Access detailed profiles of over 840 fund managers with a preference for investing in the US, including the estimated amount of capital they have available for investment. For more information, or to arrange a demonstration, please visit: www.preqin.com/reo



US-Focused Fund Manager Universe

The private real estate fund manager universe has seen significant growth in recent years, with the market becoming much more crowded and these managers becoming ever more important to the real estate industry as a whole. We look at the growth of the US-focused fund manager universe, including their experience and total capital raised.

Fig. 7 shows the number of active managers of US-focused closed-end private real estate funds over time from 1998 to 2012, broken down into existing managers and new entrants into the market. New firms in each year are regarded by Preqin as those that have achieved a first close on their first US-focused fund in that year, with firms that have not raised a new US-focused closed-end fund in six years considered to be no longer active.

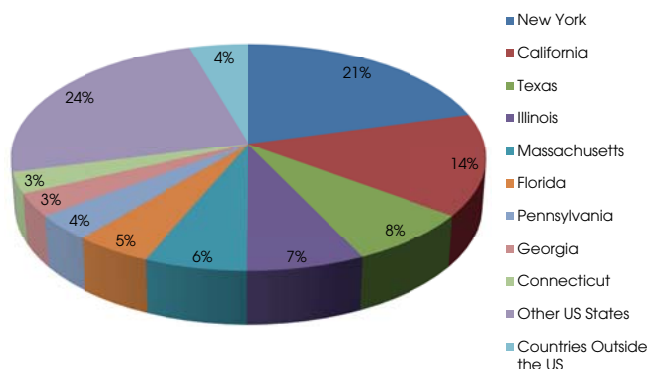
The chart reveals that the US-focused fund manager universe has grown from 107 active managers in 1998 to 561 in 2012. The number of new fund managers raising US-focused funds saw a steady increase from 2002 to 2007, with the rate of growth slowing down slightly after the financial crisis, before seeing another increase in 2010 and 2011.

A breakdown of currently active US-focused fund managers by location reveals that 96% of these managers are headquartered in the US, with only 4% in other countries, such as Canada and the UK. New York and California are the most common states for US-focused fund managers to be located, with 21% and 14% of active fund managers respectively. Texas, Illinois and Massachusetts make up 21% collectively of all active US-focused fund managers, with the remainder located in other states such as Pennsylvania, Georgia and Connecticut.

Fund Managers' Strategy Preferences

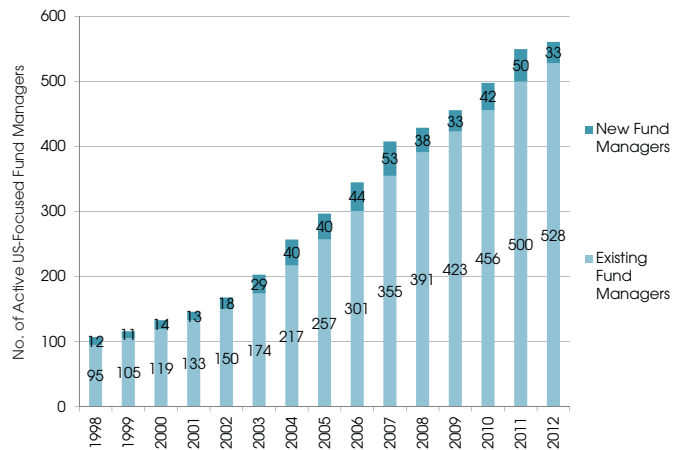
The strategy preferences of active US-focused fund managers reveal a preference for higher-risk/return profiles (Fig. 9), with value added and opportunistic investments targeted by 68% and 63% of these managers respectively. With the retreat of banks from the lending market since 2008, debt has emerged as a

Fig. 8: Breakdown of Active US-Focused Fund Managers* by Location



Source: Preqin Real Estate Online

Fig. 7: Active US-Focused Fund Managers over Time, 2000 - 2012: Existing vs. New Managers



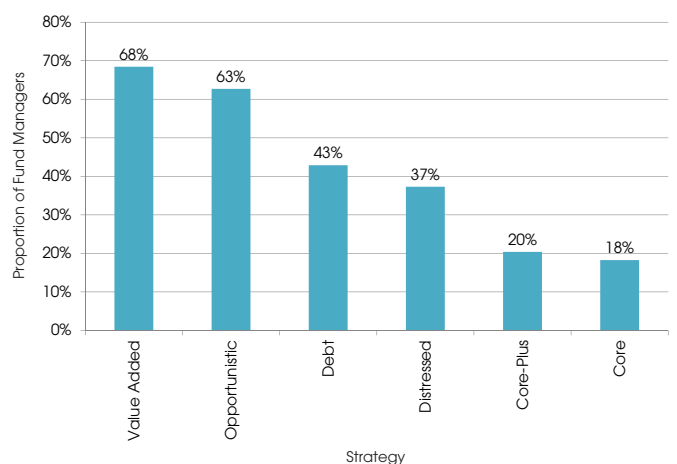
Source: Preqin Real Estate Online

more prominent strategy for private real estate fund managers, particularly in the US; 43% of active US-focused fund managers include debt as a strategy preference. Lower risk strategies, such as core and core-plus, are currently targeted by only 18% and 20% of active managers of US-focused closed-end real estate firms respectively.

Fund Manager Experience

While the US private real estate fund market is well established, a considerable proportion of managers do not have long track records managing private real estate funds. Fig. 10 reveals that 29% of active US-focused fund managers are raising their first private real estate fund focusing on the country. With just 19%

Fig. 9: Strategy Preferences of Active US-Focused Fund Managers*

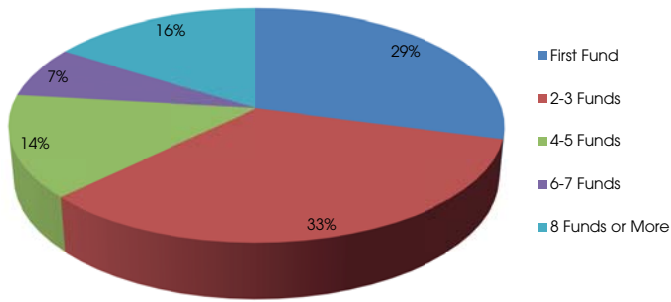


Source: Preqin Real Estate Online

* Active fund managers are considered by Preqin to be those that have achieved a final close for a US-focused fund from 2008 onwards.



Fig. 10: Breakdown of Active US-Focused Fund Managers* by Number of US-Focused Funds Managed



Source: Preqin Real Estate Online

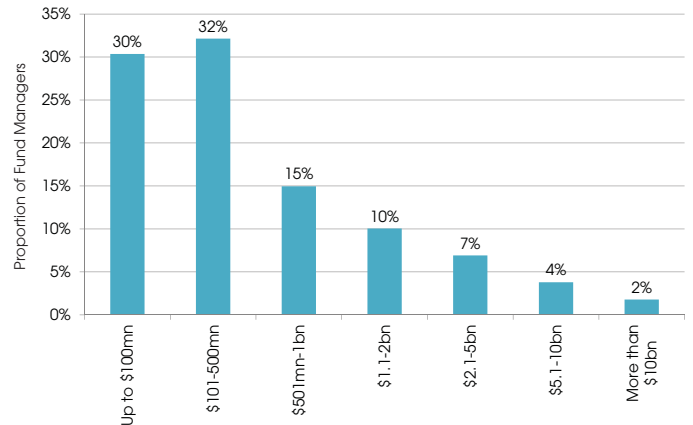
of institutional investors targeting the US prepared to invest with newly established managers, the fundraising environment for first-time managers remains particularly challenging. The largest proportion (33%) of active fund managers have raised two or three US-focused funds previously, while a significant 16% of active managers are extremely experienced fund management groups that have raised eight or more US-focused funds.

Capital Raised in the Last 10 Years

The distribution of active US-focused fund managers by total capital raised for private real estate funds in the last 10 years is shown in Fig. 11. The majority of managers (62%) have raised \$500mn or less in capital for US-focused private real estate funds. There are a small number of active managers that are able to attract very large amounts of investor capital, even in the current competitive fundraising environment. Only 23%

* Active fund managers are considered by Preqin to be those that have achieved a final close for a US-focused fund from 2008 onwards.

Fig. 11: Breakdown of Active US-Focused Fund Managers* by Capital Raised for US-Focused Closed-End Private Real Estate Funds in the Last 10 Years



Source: Preqin Real Estate Online

of managers have raised over \$1bn in total, and just 2% have raised over \$10bn.

The top 10 US-focused fund managers by capital raised for closed-end private real estate funds in the last 10 years (Fig. 12) indicates the extent to which, even among the largest managers, a handful of firms are responsible for a large proportion of the total capital raised. Blackstone Group heads the list, having raised a total of \$38.9bn in the last decade.

Filter league tables of private real estate fund managers on Preqin's [Real Estate Online](#) to identify the top managers in different regions around the world that have the most capital available to make new investments.

www.preqin.com/reo

Fig. 12: Top 10 Fund Managers by Total Capital Raised for US-Focused Closed-End Private Real Estate Funds in the Last 10 Years (\$bn)

Firm	Total Capital Raised Last 10 Years (\$bn)	Firm Headquarters	Largest US-Focused Fund Raised in the Last 10 Years	Final Close Size for Largest US-Focused Fund (\$bn)
Blackstone Group	38.9	New York	Blackstone Real Estate Partners VII	13.3
Lone Star Funds	22.6	Texas	Lone Star Fund VI	7.5
Brookfield Asset Management	14.4	Ontario, Canada	Real Estate Turnaround Consortium	5.6
Goldman Sachs Merchant Banking Division	9.8	New York	Whitehall Global 2007	4.8
Beacon Capital Partners	9.4	Masachusetts	Beacon Capital Strategic Partners V	4.0
Rockpoint Group	8.3	Texas	Rockpoint Real Estate Fund III	2.5
Starwood Capital Group	8.3	Connecticut	Starwood Distressed Opportunity Fund IX	4.2
Angelo, Gordon & Co	6.6	New York	AG Realty Fund VIII	1.3
Carlyle Group	6.3	Washington, D.C	Carlyle Realty Partners V	3.0
TA Associates Realty	5.7	Masachusetts	TA Realty Associates VIII	1.7

Source: Preqin Real Estate Online



Fund Manager Investment Criteria

Drawing on Prequin's extensive profiles for private real estate firms, we look at the wide range of assets and strategies targeted by US-based managers.

The variation in the investment criteria of US-based fund managers is shown in Figs. 13-16. The average transaction size preferred by fund managers based in the US is relatively diverse, with 35% favouring transactions of less than \$25mn, 51% preferring transactions of between \$25mn and \$99mn, and only 5% favouring those of over \$250mn.

The average holding period preferred by US-based managers is shown in Fig. 14. Half of fund managers based in the US will hold an asset on average for 3.1 to 5 years, with a quarter of managers holding an asset for an average of 7.1 to 10 years. However, the holding period varies significantly across strategies, with managers of opportunistic and value added funds holding an asset for significantly less time on average than core funds. The average targeted property size of fund managers based in the US, shown in Fig. 15, reveals that the vast majority (72%) of managers prefer an average property size of up to 500,000 square feet.

Fig. 16 shows the applied strategies of private real estate firms based in the US; the most favoured strategies are development, repositioning and redevelopment, which are utilized by 69%, 51% and 44% of managers respectively.

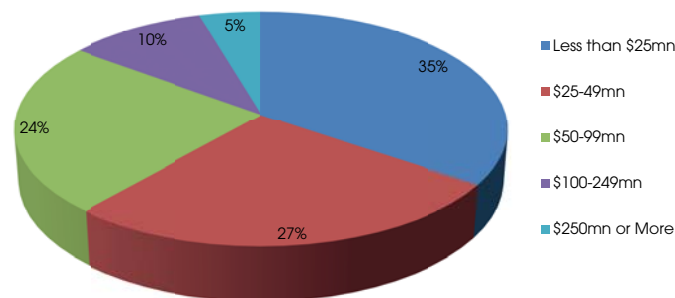
In-Depth Real Estate Fund Manager Data

Access detailed profiles of over 1,800 real estate fund managers from around the world on Prequin's [Real Estate Online](#) service, including over 840 targeting opportunities in the US. Profiles feature key contact information, funds raised, available capital, investment criteria, property and geographic preferences, and much more.

For more information, please visit:

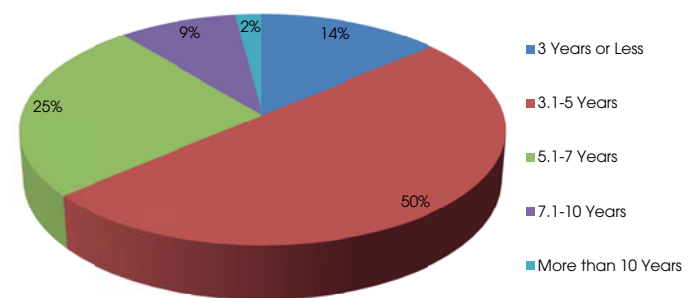
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Fig. 13: Breakdown of US-Based Private Real Estate Firms by Average Transaction Size



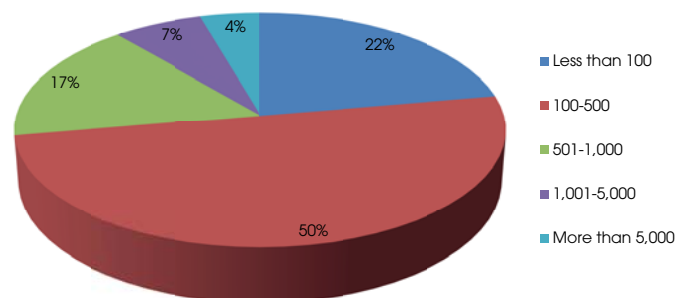
Source: Prequin Real Estate Online

Fig. 14: Breakdown of US-Based Private Real Estate Firms by Average Holding Period



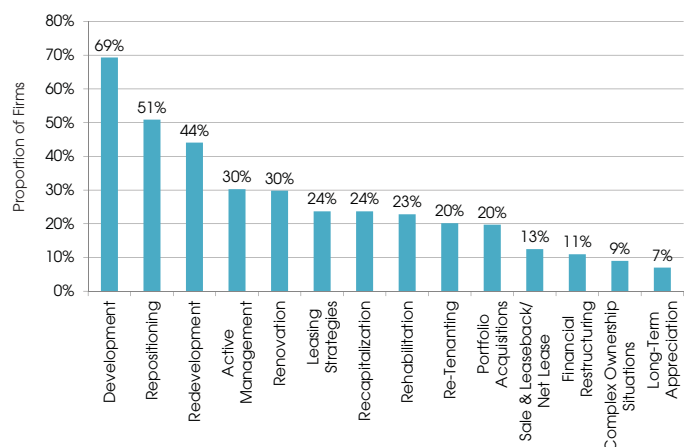
Source: Prequin Real Estate Online

Fig. 15: Breakdown of US-Based Private Real Estate Firms by Average Targeted Property Size (sq. ft. (000s))



Source: Prequin Real Estate Online

Fig. 16: Applied Strategies of US-Based Private Real Estate Firms



Source: Prequin Real Estate Online



US-Focused Fundraising

Closed-end private real estate funds focusing on investments in the US have seen improved fundraising in recent years, increasing from 84 funds raising an aggregate \$25bn in 2010 to 111 funds raising an aggregate \$40bn in 2012 (Fig. 17). Although 2013 so far has seen only 64 US-focused funds reach a final close, the aggregate capital raised by these funds is \$33bn, representing 83% of the capital raised in the whole of 2012. This is encouraging news for the private real estate industry in the US, indicating improving confidence in the country from institutional investors. Nonetheless, current fundraising levels still remain well below those seen in 2008, when 146 US-focused private real estate funds closed, raising an aggregate \$71bn.

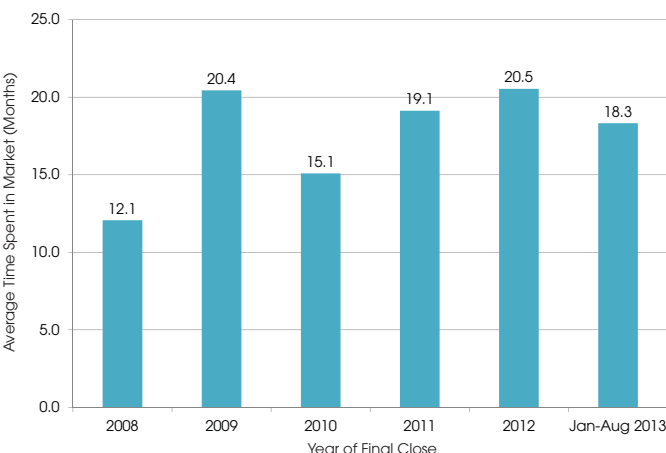
Time on the Road

Although fundraising for US-focused private real estate funds has seen improvement in recent years since the financial crisis, the length of time that funds are taking to close has been on the rise, highlighting the continuing challenges that fund managers have in attracting investor capital in the current fundraising market. Fig. 18 reveals that funds closed in 2012 took the longest amount of time to reach a final close, spending an average of 20.5 months on the road. So far in 2013, US-focused private real estate funds that have reached a final close spent an average of 18.3 months on the road.

Manager Location

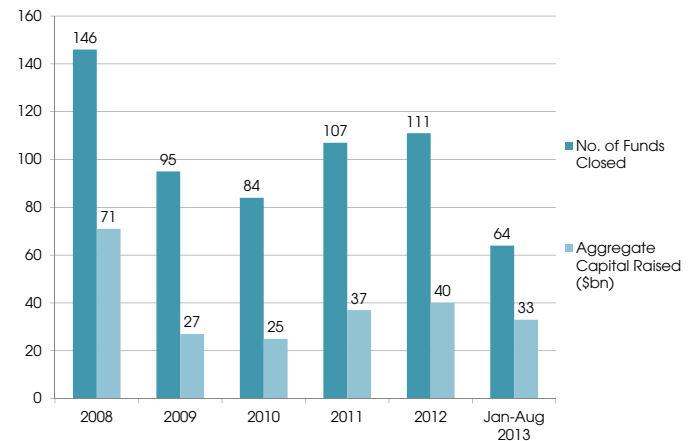
Fig. 19 shows a breakdown of US-focused fundraising by manager headquarters for funds closed between January 2012 and August 2013. Unsurprisingly, the largest number of funds raised in this time period was by fund managers headquartered in New York, with 34 funds collecting a total of \$31.2bn in capital commitments. Fund managers based in California raised a similar number of funds, with 30 US-focused private real estate funds reaching a final close, although these funds raised 79% less

Fig. 18: Average Time Taken for US-Focused Closed-End Private Real Estate Funds to Achieve a Final Close by Year of Fund Close, Funds Closed 2008 - August 2013



Source: Preqin Real Estate Online

Fig. 17: Annual US-Focused Closed-End Private Real Estate Fundraising, 2008 - August 2013



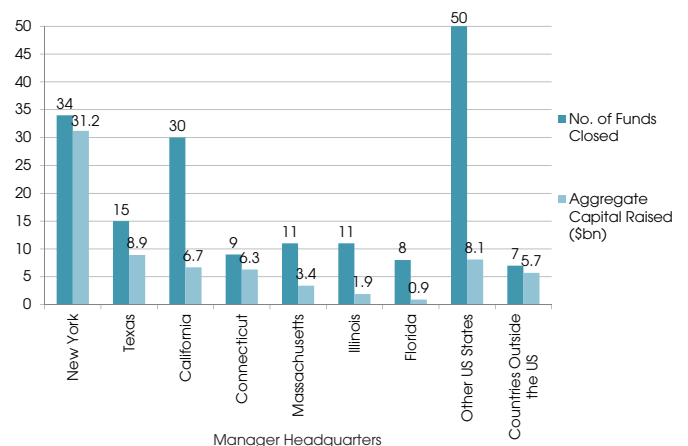
Source: Preqin Real Estate Online

capital than the amount garnered by New York-headquartered managers, at \$6.7bn. Interestingly, although only 15 US-focused funds were closed by Texas-based managers, these funds raised an aggregate \$8.9bn. One such fund that closed in this time period is Lone Star Fund VIII, managed by Texas-based Lone Star Funds; the fund reached a final close in 2013, having raised a significant \$5bn in capital commitments. The vast majority of US-focused capital is raised by domestic firms, with only seven funds managed by firms headquartered outside the US reaching a final close in this period, raising an aggregate \$5.7bn.

Fund Size Breakdown

The majority of funds closed since January 2011 raised less than \$300mn, with 126 of these funds reaching a final close, raising an aggregate \$12.8bn. The top-heavy nature of the industry is evident in Fig. 20, with only 12 funds achieving a final close on \$1bn or more; these few funds raised an aggregate \$40.1bn

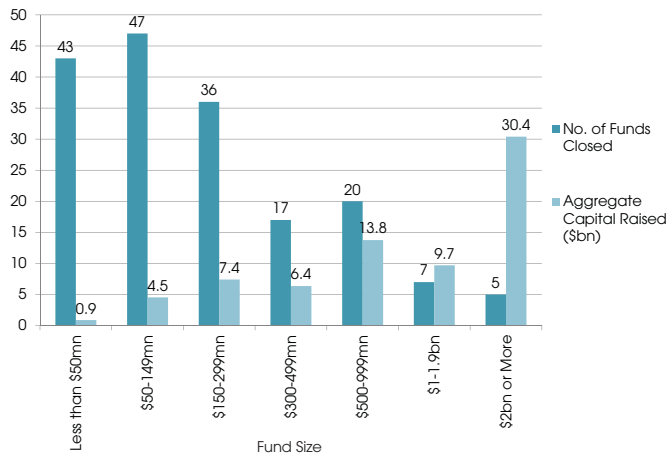
Fig. 19: US-Focused Closed-End Private Real Estate Fundraising by Manager Headquarters, Funds Closed 2012 - August 2013



Source: Preqin Real Estate Online

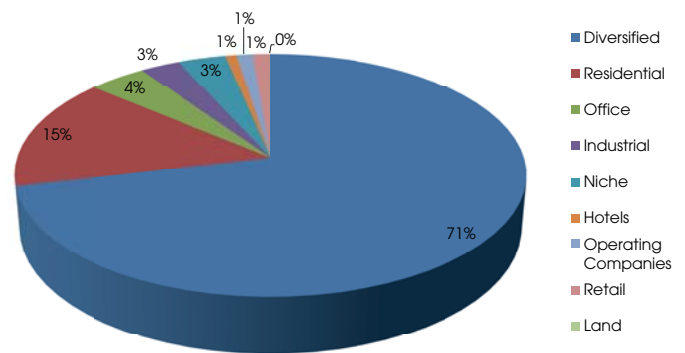


Fig. 20: US-Focused Closed-End Private Real Estate Fundraising by Fund Size, Funds Closed 2012 - August 2013



Source: Preqin Real Estate Online

Fig. 21: Breakdown of Aggregate Capital Raised by US-Focused Closed-End Private Real Estate Funds by Main Sector Focus, Funds Closed 2012 - August 2013



Source: Preqin Real Estate Online

in capital commitments. Only five funds raised \$2bn or more, although the capital raised by these funds amounts to \$30.4bn, representing 42% of all capital raised by US-focused funds between January 2012 and August 2013.

Sector Focus

The majority of capital raised by US-focused closed end private real estate funds (71%) closed between January 2012 and August 2013 is accounted for by funds with a diversified focus, as shown in Fig. 21. However, concerning sector-specific funds, those focusing on residential investments have accounted for a significant 15% of aggregate capital raised in this time period, amounting to an aggregate \$10.7bn raised from 46 funds. This suggests that the residential sector in the US is a key area that institutional investors are interested in gaining exposure to. Comparatively, office, industrial and retail property types only account for 4%, 3% and 1% of aggregate capital raised in 2012 and 2013 so far respectively.

Fig. 22 shows the 10 largest US-focused closed-end private real estate funds closed in 2012 and 2013 to date. Although the top

four on this list are global in their investment scope, the majority of capital is focused on real estate investments in the US. The largest US-focused fund to close between 2012 and August 2013 was Blackstone Real Estate Partners VII, which raised a record \$13.3bn. The 10 largest funds to close in this time period raised a total of \$38bn, representing 52% of capital raised in 2012 to August 2013; this further illustrates the importance of a handful of key players to the private real estate industry. Additionally, the increasing prominence of debt as a strategy within the industry is demonstrated by the fact that three of the 10 largest funds that have closed since 2012 have included debt as a strategy, with Blackstone Real Estate Debt Strategies II solely focusing on debt, and closing on \$3.5bn.

Looking for more information on how specific funds are planning to invest their capital in the US real estate market? Preqin tracks details of over 1,890 real estate funds with exposure to the US, including key contact details, investment preferences, and more. For more information, please visit:

www.preqin.com/reo

Fig. 22: 10 Largest US-Focused Closed-End Private Real Estate Funds Closed, 2012 - August 2013

Fund	Firm	Final Size (\$bn)	Strategy	Year of Final Close
Blackstone Real Estate Partners VII	Blackstone Group	13.3	Opportunistic	2012
Lone Star Fund VIII	Lone Star Funds	5.0	Debt, Distressed and Opportunistic	2013
Brookfield Strategic Real Estate Partners	Brookfield Asset Management	4.4	Opportunistic	2013
Starwood Distressed Opportunity Fund IX	Starwood Capital Group	4.2	Debt, Distressed and Opportunistic	2013
Blackstone Real Estate Debt Strategies II	Blackstone Group	3.5	Debt	2013
Rockpoint Real Estate Fund IV	Rockpoint Group	2.0	Distressed, Opportunistic and Value Added	2013
Westbrook Real Estate Fund IX	Westbrook Partners	1.6	Value Added	2012
TA Realty Associates X	TA Associates Realty	1.6	Core-Plus and Value Added	2013
AG Realty Fund VIII	Angelo, Gordon & Co	1.3	Debt, Distressed and Opportunistic	2012
KTR Industrial Fund III	KTR Capital Partners	1.2	Value Added	2013

Source: Preqin Real Estate Online



US-Focused Funds in Market

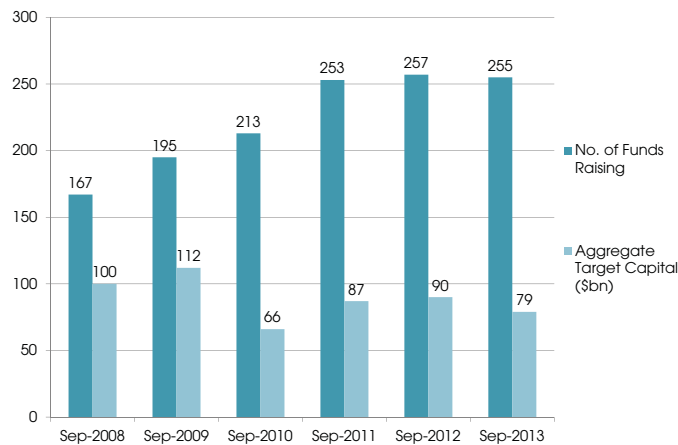
The fundraising market remains extremely competitive, with a large number of managers on the road competing for investor commitments. While the number of US-focused funds in market has remained relatively stable since September 2011, having risen over the three years prior to this, as of September 2013 there are 255 US-focused funds in market targeting an aggregate \$79bn (Fig. 23). Despite the improvement in fundraising in recent months, for many of these managers closing their funds is likely to be very difficult, given the sheer number of funds in market.

A breakdown of US-focused closed-end private real estate funds in market by manager headquarters is shown in Fig. 24. Fifty-six of these vehicles are being managed by firms based in the state of New York. These firms are targeting an aggregate \$23.3bn for their vehicles, accounting for 29% of the aggregate capital targeted by US-focused private real estate funds. The largest of these is Goldman Sachs Real Estate Mezzanine Partners II, which is targeting \$3bn for debt-focused investments. Another fund in market being raised by a New York-headquartered manager focusing on debt investments is Torchlight Debt Opportunity Fund IV, managed by Torchlight Investors and targeting \$1bn.

Forty US-focused funds currently on the road are being raised by managers based in California, targeting an aggregate \$11.1bn in investor commitments; 18% of this targeted capital is from CIM Group's offering CIM Fund VIII. Interestingly, 14% of the aggregate capital targeted by US-focused funds on the road is accounted for by firms headquartered in Illinois. One such fund is Walton Street Real Estate Fund VII, managed by Illinois-based Walton Street Capital; the fund is targeting capital commitments of \$2bn.

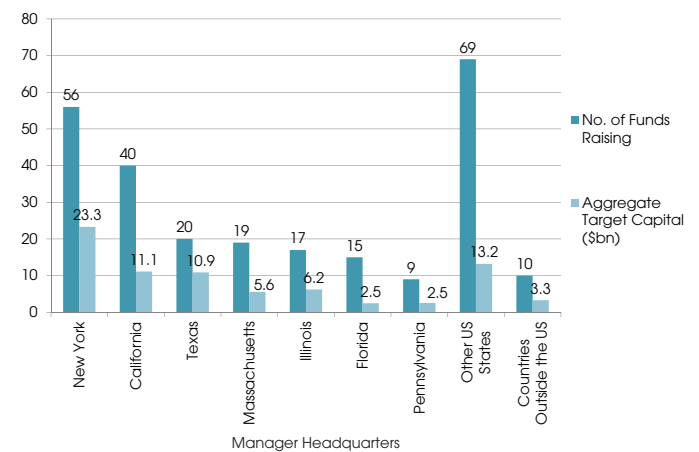
Fig. 25 shows the 10 largest US-focused closed-end private real estate funds in market (as of September 2013), with Lone Star Real Estate Fund III heading the list, targeting \$6bn in capital commitments. Three of the top 10 funds are being raised by fund managers headquartered in New York, with only one managed by a firm based outside of the US. Again, the increasing use of debt as a key strategy for fund managers is evident in this top 10 list, with all but three funds targeting debt investments to some extent.

Fig. 23: US-Focused Closed-End Private Real Estate Funds in Market Over Time, September 2008 - September 2013



Source: Preqin Real Estate Online

Fig. 24: US-Focused Closed-End Private Real Estate Funds in Market by Manager Headquarters



Source: Preqin Real Estate Online

Fig. 22: 10 Largest US-Focused Closed-End Private Real Estate Funds Closed, 2012 - August 2013

Fund	Firm	Strategy Focus	Target Size (\$bn)	Firm Location
Lone Star Real Estate Fund III	Lone Star Funds	Debt, Distressed and Opportunistic	6.0	Texas
Goldman Sachs Real Estate Mezzanine Partners II	Goldman Sachs Merchant Banking Division	Debt	3.0	New York
CIM Fund VIII	CIM Group	Opportunistic	2.0	California
Walton Street Real Estate Fund VII	Walton Street Capital	Opportunistic and Value Added	2.0	Illinois
Oaktree Real Estate Opportunities Fund VI	Oaktree Capital Management	Debt, Distressed and Opportunistic	1.5	California
Cerberus Institutional Real Estate Partners (Series Three)	Cerberus Real Estate Capital Management	Debt, Distressed and Opportunistic	1.2	New York
Fortress Real Estate Opportunities Fund	Fortress Investment Group	Debt, Distressed and Opportunistic	1.0	New York
Colony Distressed Credit & Special Situations Fund III	Colony Capital	Debt and Distressed	1.0	California
Brookfield Core-Plus Office Fund	Brookfield Asset Management	Core-Plus	1.0	Ontario, Canada
Greenfield Acquisition Partners VI	Greenfield Partners	Debt, Distressed and Opportunistic	1.0	Connecticut

Source: Preqin Real Estate Online



US-Based Investors

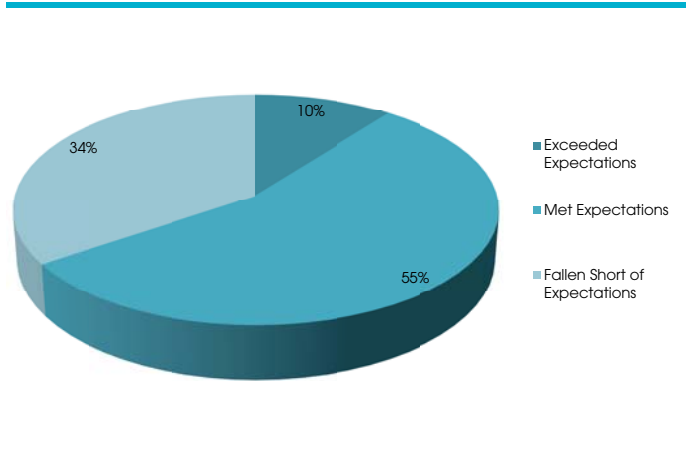
With competition for investor capital extremely high among fund managers, it is increasingly important to assess investor sentiment towards the private real estate market. In August 2013, Preqin conducted interviews with 140 private real estate investors to discover their appetite for investing in the asset class in the next 12 months, as well as which strategies they will be targeting, how much capital they will be putting to work and their criteria for fund manager selection. The full results of this study are available in [Preqin Investor Outlook: Alternative Assets, H2 2013](#), along with the results of similar surveys conducted for private equity, hedge funds and infrastructure.

Thirty-five percent of North America-based investors interviewed stated they are likely to make new commitments to private real estate in the next 12 months, a larger proportion than the 24% of investors based in Europe that stated the same. In comparison, Asia-based institutions are overwhelmingly more likely to be the most active in the next 12 months; 71% of investors based in this region are likely to make new commitments in the coming year (Fig. 25).

When investors were asked which geographies they believe are presenting the best opportunities in the current market, 71% stated North America, compared to 30% citing Europe and 16% believing that Asia presents the best real estate investment opportunities. This is particularly encouraging for the US private real estate market, indicating that fundraising in the region is likely to pick up as investors seek to capitalize on opportunities in North America.

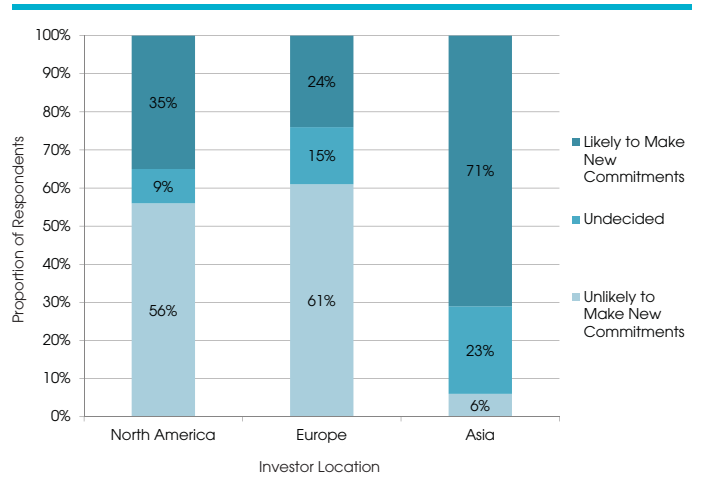
Additionally, the majority (55%) of US-based investors stated that their private real estate fund investments had met their expectations over the past year, as shown in Fig. 26. This may be attributed to the improving performance of real estate funds, with the NAV of closed-end real estate funds seeing a positive average change in each of the 11 quarters to December 2012. However, this may also result from investors accepting more modest returns in the current market. Thirty-four percent of US-based investors felt that their investments had fallen

Fig. 26: Proportion of US-Based Investors that Feel Their Private Real Estate Fund Investments Have Lived up to Expectations over the Past 12 Months



Source: Preqin Investor Interviews, August 2013

Fig. 25: Investor Intentions for Private Real Estate Investments in the Next 12 Months by Investor Location



Source: Preqin Investor Interviews, August 2013

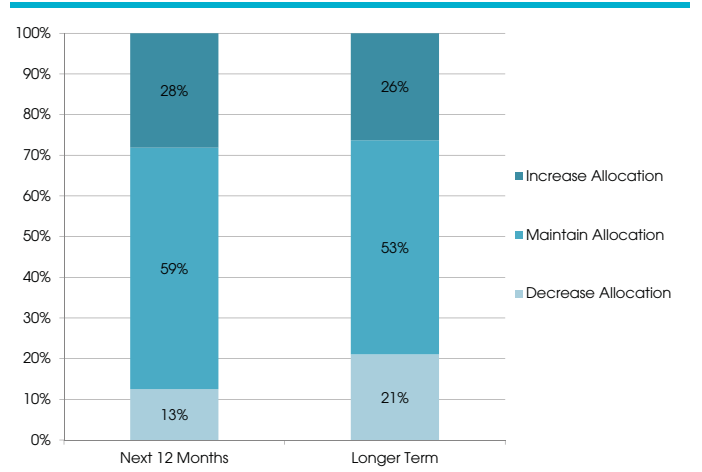
short of expectations, with 10% stating that they had exceeded expectations.

When looking at US-based investors' intentions for their real estate allocations (Fig. 27), it is encouraging to note that 28% and 26% of investors expect to increase their allocation in the next 12 months and longer term respectively. The majority of investors look to maintain their allocation across both timeframes, although the proportion of investors that will look to decrease their allocation is at 21% for the longer term, compared to 13% in the next 12 months.

Which strategies and geographies are US-based real estate investors targeting? Which will make new commitments in the next 12 months? Access in-depth data on over 2,000 US-based real estate investors on Real Estate Online.

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Fig. 27: US-Based Investors' Intentions for Their Real Estate Allocations in the Next 12 Months and Longer Term



Source: Preqin Investor Interviews, August 2013

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