

Private Real Estate Fund Managers See Surge in Competition for Assets

75% of firms say competition for assets is even greater than last year

New research from Preqin shows that closed-end private real estate funds have an all-time high of \$206bn of equity available to invest in real estate opportunities, and 63% of private real estate firms plan to deploy more capital in real estate assets in the next 12 months compared to the past 12 months, but they face increased competition when looking to put this capital to work.

Preqin's survey of over 100 private real estate fund managers worldwide reveals increased competition for real estate assets, making it more challenging for fund managers to find the best opportunities to add value. Fund managers may need to cast the net wider to find value as asset prices are driven up, and many are doing so already, with 47% of private real estate fund managers surveyed stating they review more opportunities for every investment made compared to 12 months ago; only 11% are reviewing fewer opportunities.

Key Facts:

- 75% and 74% of fund managers surveyed believe that competition for core and value added/opportunistic assets respectively has increased compared to 12 months ago.
- It is clear that managers are seeing a good pipeline of potential private equity real estate investments, with 50% saying they are reviewing more opportunities than 12 months ago.
- 69% of respondents are reviewing 10 or more investments each month, with 28% reviewing a considerable 30 or more investment opportunities each month.
- Lenders have largely now returned to the market and managers are confident they can secure the high levels of leverage often utilized for value added and opportunistic investments; 70% of fund managers surveyed believe that the availability of debt financing is better than it was 12 months ago.
- 2012 saw \$130bn of equity invested in real estate assets, the most capital ever invested by private real estate firms in a single year.
- Between January and September 2013, an all-time high of \$73bn was returned to investors in private real estate funds, outstripping the \$55bn of capital called up from investors in this time period. With capital distributions increasing as more assets are sold, previously tied-up capital is released back to institutional investors, enabling them to make new fund commitments.

For more information and analysis, please see the full report:

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Real-Estate-Fund-Manager-Outlook-June-2014.pdf>

Comment:

"Encouragingly for the global private real estate industry, the majority of managers plan to put more capital to work in the year ahead than they invested in the last year. With lenders' confidence also returning, most managers are seeing an improvement in the availability of finance. However, a consequence of increasing optimism and activity is an increase in competition, with managers seeing a more competitive environment when targeting both core and non-core assets. Increasing levels of competition in the market means that fund managers are likely to need to cast the net wider to find value for their investors as asset prices are driven up."

Andrew Moylan, Head of Real Assets Products

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.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

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