# *Emerging Managers in Real Estate*

**Austin, Texas**
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# Performance of Emerging Managers in Real Estate

- Three primary ways to define “Emerging Manager”
  - New entrants (first or second time funds)
  - Small funds (less than $500 million peak equity)
  - Minority/women owned (substantial ownership)

# Performance of Emerging Managers in Real Estate

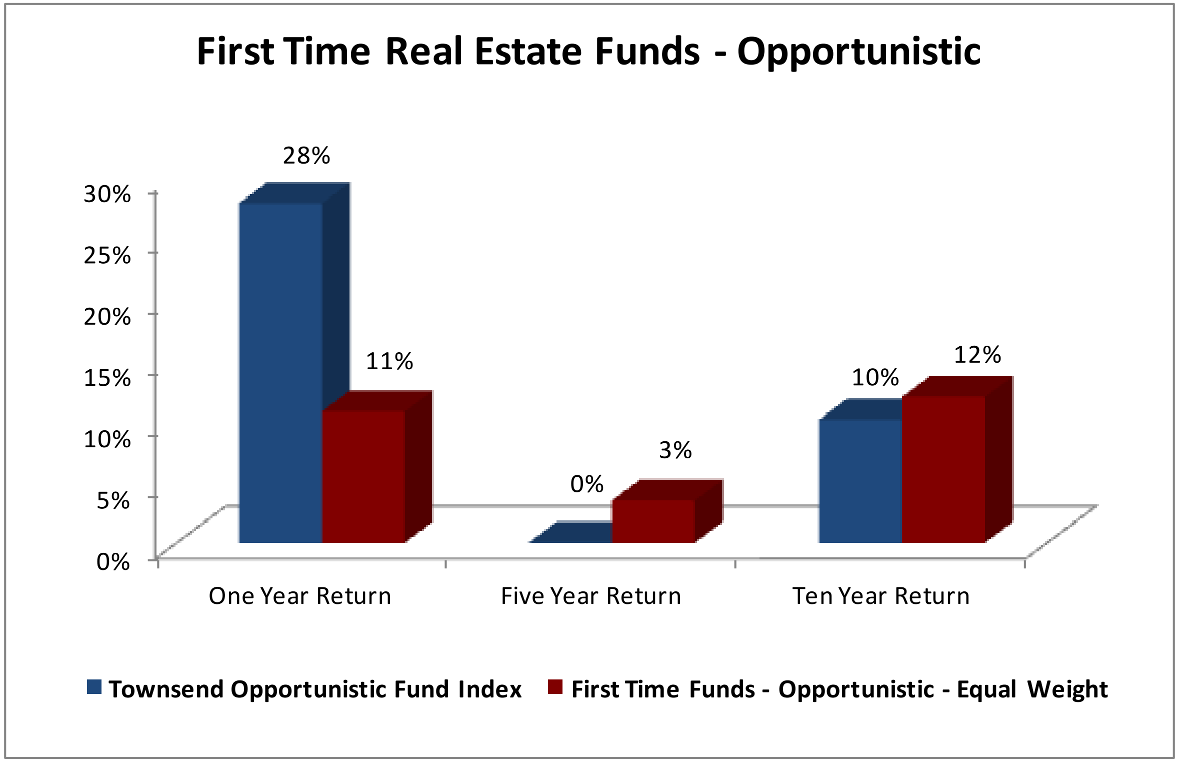
- Research database: NCREIF – Townsend Real Estate Fund Indices
  - First published in 2008 (history back to 1989)
  - Target: Value Added and Opportunistic Strategies (517 Funds; $91.7 billion)
  - Primarily closed-end private equity fund structures

**Fund Universe and Indices**

| | Total Funds | Market Value | Performance 1 Year | 3 Year | 5 Year |
|---|---|---|---|---|---|
| Value Added Fund Index | 146 | $ 30,365,605,681 | 21.6% | -15.7% | -4.9% |
| Opportunistic Fund Index | 371 | $ 61,367,777,678 | 27.7% | -13.8% | 0.0% |
| Opportunistic International Fund Index | 68 | $ 16,592,112,353 | 22.7% | -16.6% | 0.1% |

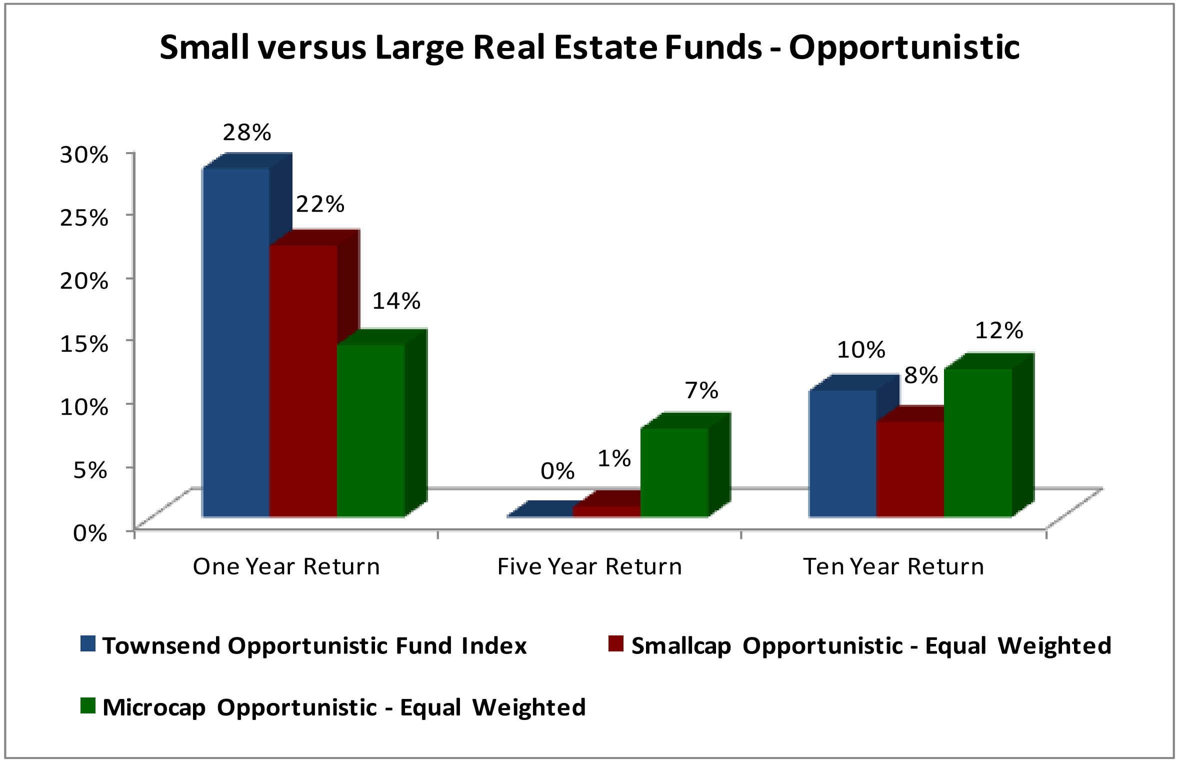
*Source: NCREIF Townsend Fund Indices (Gross Returns as of June 30, 2011)

# Performance of Emerging Managers in Real Estate
## First Time Funds



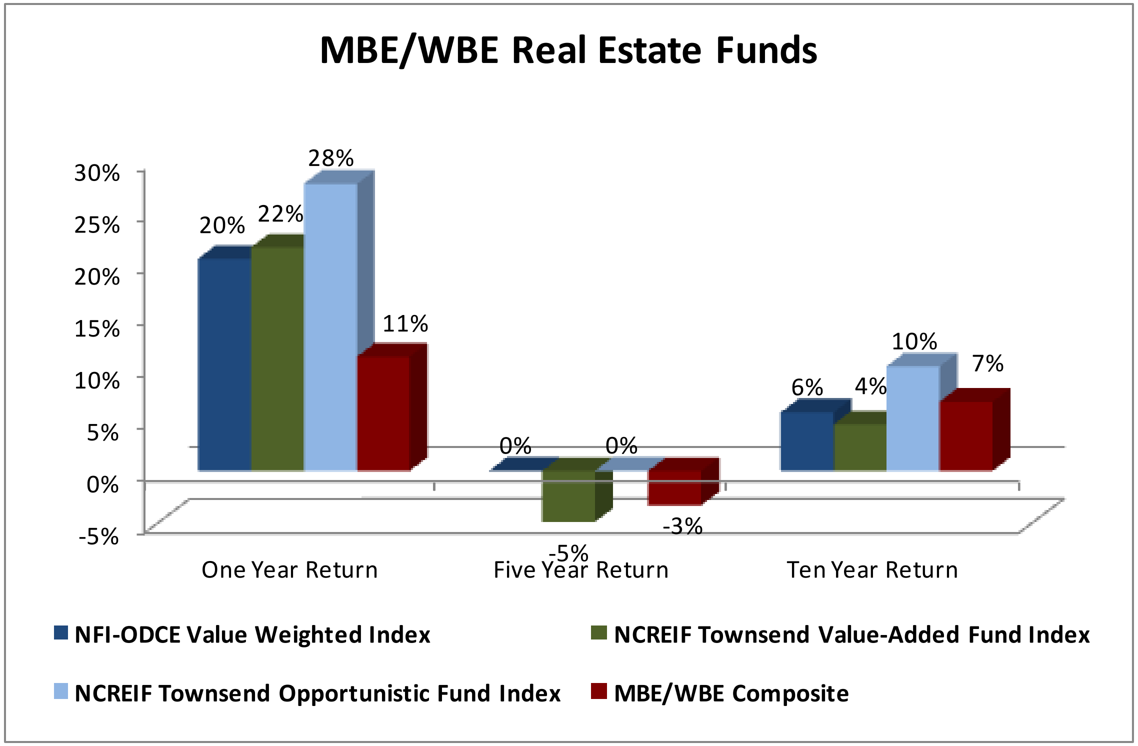

| | First Time Opportunistic | Total Opportunistic |
|---|---|---|
| # Funds | 92 | 371 |
| Market Value | $6.2 billion | $61.4 Billion |

# Performance of Emerging Managers in Real Estate
## Small Funds – Opportunistic




| | Smallcap Opportunistic | Microcap Opportunistic | Total Opportunistic |
|---|---|---|---|
| # Funds | 93 | 210 | 371 |
| Market Value | $10.8 billion | $8.3 billion | $61.4 Billion |

# Performance of Emerging Managers in Real Estate
# Minority/Women Owned Firms




| | MBE/WBE | Total Opportunistic |
|---|---|---|
| # Funds | 24 | 371 |
| Market Value | $2.7 billion | $61.4 Billion |

# Summary of conclusions

- Real estate is a dynamic asset class for emerging firms
  - Boom and bust cycle creates new firms
  - There was a proliferation of new firms at the peak of the market who may not survive the current downturn
- Difficult to attribute track records
  - Individuals spin-out from one firm to another
  - Past platform characteristics may have a positive or negative impact
- Research suggests diversification and performance benefits associated with most "emerging firms" however:
  - Survivorship bias in the data set
  - Valuation discipline in current market correction critical