

The risk-return characteristics of UK private real estate fund secondaries transactions indices

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Using a novel and extensive dataset of historic UK private real estate funds secondary deals executed, provided by a leading specialist intermediary, transaction-based indices are constructed that more accurately reflect the discount rate risk premia that prevail. These indices provide a more accurate assessment of risk profiles relative to valuation-based benchmarks and an interesting parallel to the rich literature on direct market transaction-based indices. The dataset includes both open-ended and closed end vehicles that are separately considered. The market and fund specific drivers of secondary market pricing for these funds are also explored through econometric analysis. Finally, the impact of using these indices in portfolio risk management and factor model frameworks are also assessed.