INREV RESEARCH & MARKET INFORMATION

CAPITAL SOURCES

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INREV
STRAWINSKYLAAN 631
1077 XX AMSTERDAM
THE NETHERLANDS

T +31 (0)20 799 39 60
INFO@INREV.ORG
WWW.INREV.ORG

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. Our aim is to improve the accessibility of non-listed real estate funds for institutional investors by promoting greater transparency, accessibility, professionalism and standards of best practice.

As a pan European body, INREV represents an excellent platform for the sharing and dissemination of knowledge on the non-listed real estate funds market. The association's primary focus is on institutional investors, although other market participants such as fund managers, investment banks, lawyers and other advisors provide additional support.

CONTENTS

ACKNOWLEDGEMENTS

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Of course those contributing information are not responsible for the views expressed in this report.

EXECUTIVE SUMMARY

This is the third report in a series of studies considering the impact of the financial crisis on the structure of the non-listed real estate funds industry. This paper focuses on identifying expected changes to the volume and source of real estate debt and equity capital over the short term. Using survey analysis, the research explores the implications of such changes in the supply of capital for the non-listed real estate funds industry over the near term.

The availability of debt presents the greatest challenge for the non-listed real estate funds industry. Banking reforms under Basel III suggest that de-leveraging will take place in the industry. Taking pre-boom debt levels in the non-listed real estate funds industry in 2004 as a crude proxy, this suggests that a reduction of some €398 billion of debt capital will be required.

Bridging this funding gap will be a challenge. Banks themselves are likely to be rationalising their bank books while the expected growth in alternative sources such as debt funds will continue but, over the short term to the end of 2014, this is unlikely to exceed €110 billion. In addition, bankers' risk appetite is low for non-core properties so new lending and refinancing will be focused on Europe's core markets, resulting in a mismatch between lenders' and borrowers' requirements.

Available capital will continue to focus on prime, income secure assets in the largest, most mature real estate markets. While this matches investor appetite for new assets, existing non-core and/or non-prime assets requiring refinancing will continue to struggle with debt scarcity. According to a survey as part of this study, approximately 10% of fund managers have failed to secure refinancing on at least one asset due to the withdrawal of bank lender from the market.

In the short term, this is of greatest concern for existing fund portfolios, notably those representing higher risk strategies (62% of outstanding debt is secured on secondary assets). By the end of 2015, 70% of debt is due for repayment. To date, banks have focused on extending and renewing finance terms as part of the managed workout. However, the pressure to adjust and de-risk balance sheets to meet Basel III requirements is increasing. Banks are seeking to decrease the size of loan books, especially for assets with higher credit risks and, at the same time, increase new lending. Again, this will result in a bias towards lending for prime, income secure assets in the largest markets in core countries.

The scarcity of debt is itself an opportunity and has resulted in the expansion of alternative sources of finance. Non-listed real estate debt funds dominate mezzanine lending. Insurance companies have increased lending in the senior debt market, with some blurring of the activity and/or interests of fixed income and real estate teams. The refocus on real estate debt is in part, at the expense of equity investing with insurers' attracted by the debt markets relatively higher risk adjusted returns to that of real estate equity.

The impact on non-listed real estate funds is more complex. Insurance companies have lowered allocations to non-listed since the mid 2000s and thus, as a new source of debt their activity has a positive impact on the capital base. Although, for certain markets, namely France and Germany, previous INREV studies suggest that insurance companies will increase allocations to non-listed real estate. Any re-deployment of this capital to real estate debt will lower projected levels of equity in the industry.

On the equity side, the research estimates at least €65 billion of available equity (unleveraged) per annum to the end of 2014. Three sources will support the ongoing availability of equity capital: dry powder within existing funds; allocated but as yet, unplaced institutional capital, and changes to the rate of allocation to real estate over the period. The scale of dry powder within existing funds remains significant and there is a backlog in capital allocated but unplaced by institutional investors. In addition, many institutional investors are raising their target allocation rates to real estate.

The research analysis also suggests that allocations to non-listed real estate funds will grow at a faster rate than allocations to the real estate sector as a whole. Increased interest in alternative non-listed products such as the spectrum of real estate debt funds, infrastructure and derivatives has to date, failed to materialise in strong growth in actual allocations. Nevertheless, over 75% of fund managers expect commitments to non-listed real estate funds to increase. The origin of such capital is principally European and dominated by UK, German, French and Dutch investors, predominantly seeking to deploy it domestically and/or in the largest, core real estate markets.

This partly reflects the growth in the number of smaller and medium sized pension funds attracted to the sector for whom non-listed is the preferred mode of investing given their scale and resource. In contrast, large investors will continue to prefer alternative modes of investing in real estate such as direct and joint ventures, particularly for domestic investing.

This research was undertaken using a combination of desktop research, industry interviews as well as two surveys for participants in the market.

1 INTRODUCTION

This paper examines changes in the sources and volume of equity and debt capital in real estate and its implications for the non-listed real estate funds sector. The research is the third in a series of reports that consider the effect of the financial downturn on the structure of non-listed property funds and for the future of this industry.

In particular, this paper builds upon the previous report, Legacy of the Downturn, which considered the medium to long term impact of regulatory, structural and more cyclical drivers on the availability of debt and equity capital. This aim of this research is to quantify the availability of equity and debt capital over a shorter term horizon with the following objectives:

(I) *To achieve a better understanding of the availability of real estate investment capital, broken-down into debt and equity sources*;
(II) *To identify any significant changes in the sources of real estate capital and consider their implications for the non-listed real estate sector*;
(III) *To examine changes in market participation and evaluate their likely impact on the structure of the industry*.

The research explores changes in the sources and volume of real estate debt and equity capital separately. Then it considers how such changes may be manifesting in the non-listed real estate industry and their likely implications over the short and medium term.

The report comprises four principle sections. First, it considers sources of equity capital and estimates the volume of available capital. In addition to considering dry powder – that which is allocated to funds but un-invested – within existing funds, the analysis considers equity allocated to real estate by investors that remains uncommitted, and expectations of future allocations.

Second, the availability of debt capital is considered. The report examines changes in the source, volume and cost of debt and, given the requirements of the Basel III banking reforms, an estimate of the over-arching debt funding gap is made. Third, it evaluates sources of both debt and equity capital within non-listed real estate funds. In particular, it considers changes in the availability and cost of debt are alongside trends in investor behaviour.

Finally, the report summarises the major trends in the sources of capital for non-listed real estate funds. The analysis explores these trends' likely interaction and evaluates their likely implications for the structure of the non-listed industry in terms of the nature and role of market participants. It further considers the expected impact on the structure of funds by investor base, strategy and alliances.

Methodology

This study has been conducted by Brenna O'Roarty of RHL Strategic Solutions, enabling the research to benefit from the knowledge base developed in undertaking the previous reports which assessed the impact of the downturn on the non-listed sector. There are three key stages to the research.

The first stage of the research was primarily desk top. A review of INREV research studies assessing past, current and future equity flows to the sector was undertaken to gain an overview of existing information as to the sources, volume and focus of capital. Information about equity was augmented by a thorough review of external literature, which further provided the base to evaluate the availability of real estate debt. In addition, a series of informal discussions and more formal structured interviews with selected experts were undertaken to support the research findings.

The second stage of the research involved two online surveys, which were completed by a sample of fund managers and a sample of investors and fund of funds managers respectively. The aim of the fund manager survey was to establish how trends in equity and debt capital are affecting the non-listed sector. It built upon data from INREV's Investment Intentions Survey and is focused upon first-time investors to funds to establish any identifiable emerging trends in such new sources of capital. Similarly, the questionnaire was designed to leverage the findings of INREV's Capital Raising Survey, supplementing existing findings with questions about changes in leverage and sources of finance. Again, the investor survey was designed to complement INREV's Investment Intentions Survey, which in this case meant it focused on alternative real estate investment opportunities in non-listed real estate equity funds.

The third stage involved bringing together all the research strands to assess their implications for the non-listed real estate sector. To support this, informal and formal structured interviews were undertaken with ten real estate market experts with a pan-European perspective across fund managers, real estate service providers, investors and research houses. A range of participants were selected for their specialist knowledge and/or for the breadth of their experience in the industry.

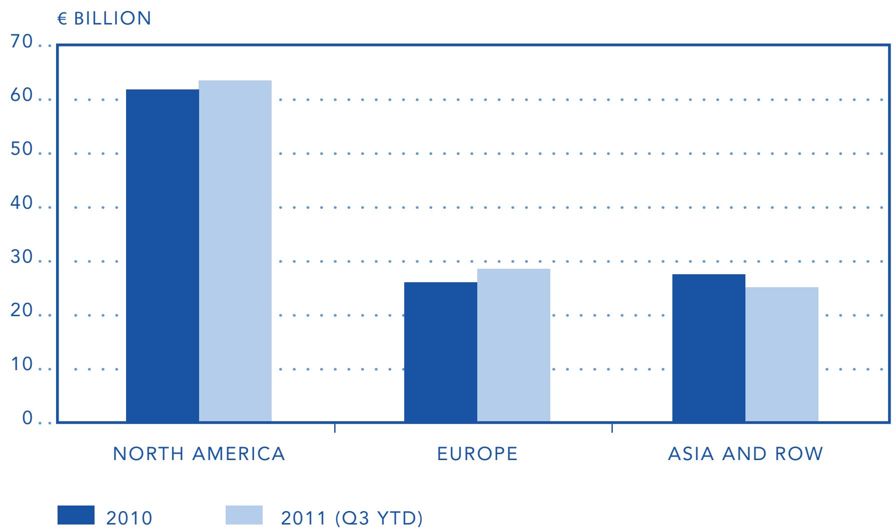
2 EQUITY CAPITAL

To assess the amount of equity targeting real estate and, in particular non-listed real estate funds, it is necessary to examine four components. First, an assessment of 'dry powder' within funds is made. This is equity that has been allocated to the non-listed real estate sector, but remains un-invested. Second, the availability of allocated but unplaced institutional capital targeting European real estate is considered, with an outlook on expected changes to these allocations over a short-term three year horizon. Third, existing and future allocations to non-listed real estate are examined and discussed in relation to changing investor behaviour. Finally, the supply of appropriate product is considered against the assessed demand. Using this four step approach it is possible to estimate the amount of existing and expected equity targeting non-listed European real estate funds in the near term.

Dry powder in existing funds

Globally, the total amount of existing equity allocated to non-listed real estate funds, including debt funds, that has yet to be drawn at the end of quarter three 2011 is estimated at €118 billion. Interestingly, Europe's share of this dry powder has remained broadly stable since the downturn. Having decreased marginally in 2010 year-on-year, 2011 has seen available equity rise by some €2.2 billion to €28.5 billion (Figure 01). This is the result of a sharp increase in commitments to the sector in quarter three 2011. However, when the sources of dry powder are considered by mode and style of non-listed real estate investing, a more volatile picture emerges.

FIGURE 01 / ALLOCATIONS TO REAL ESTATE BY REGION 2010 TO Q3 2011



SOURCE: PREQIN, OCT 2011

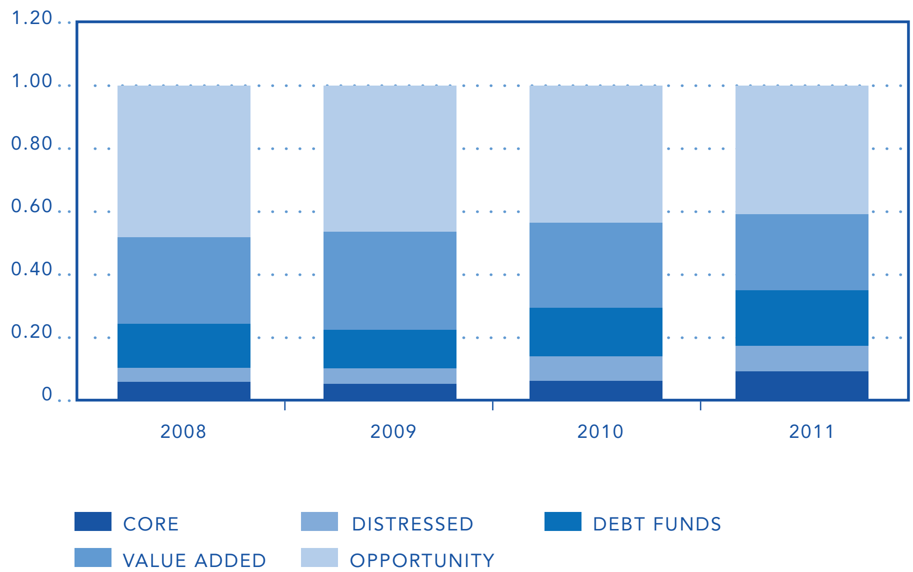
Opportunity and value added funds account for the largest share of dry powder at 41% and 24% respectively for 2011 (Figure 02). Core funds account for the smallest share of dry powder at 9%. In recent years dry powder in opportunity and value added funds has decreased sharply, while that in core has increased. There are a number of factors underlying this decline. In 2006 and 2007, strong investor appetite for higher risk real estate strategies resulted in such funds dominating fund raising at the peak of the market.

Subsequently, the financial crisis resulted in a market seizure within debt markets which had been has previously been an important component of higher risk strategies. This coupled with inactivity in real estate markets exacerbated by slow re-pricing saw opportunity and value added funds struggle to identify appropriate investment opportunities.

In addition, as these funds were characterised by higher leverage on higher risk assets, managers were required to refocus efforts on managing issues relating from the financial crisis within existing portfolios. This meant the scale of dry powder remained high. This is still the case although since 2010 the need to inject further equity into existing assets and more realistic pricing of distressed assets has provided greater opportunities for investing as has the increased activity of banks in disposing of non-performing loans and the on-going scarcity of debt has provided greater opportunities for investing.

Since the downturn, investor appetite has also favoured lower risk strategies, resulting in opportunity and value added funds accounting for a lower proportion of new capital and dry powder. In contrast, core, distressed and debt funds have increased their share of new capital. While levels of dry powder have increased, they remain low as a result of such capital being more successfully invested.

FIGURE 02 / DISTRIBUTION OF DRY POWDER BY STYLE OF FUND, 2008 TO Q3 2011

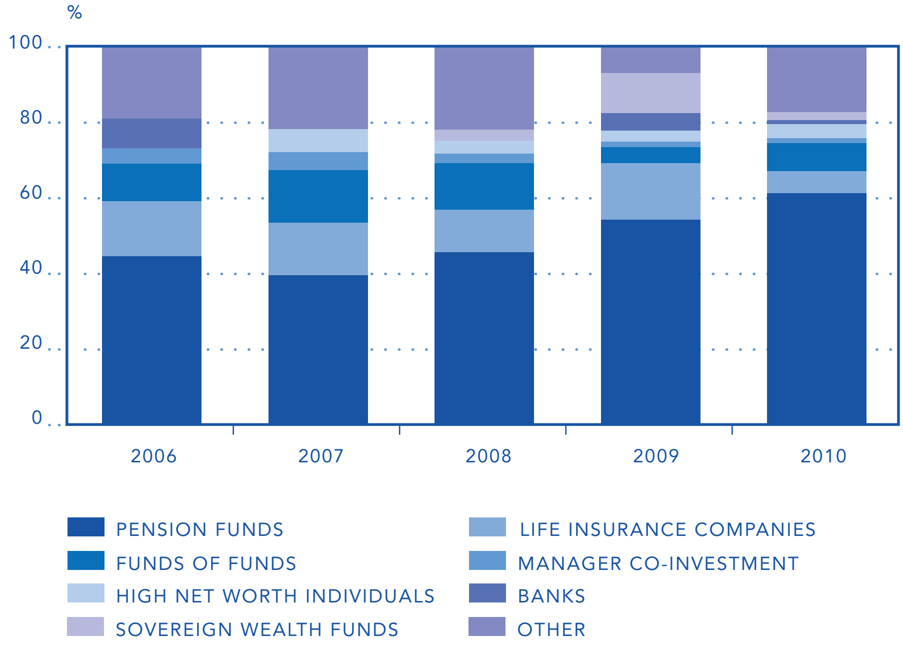


SOURCE: PREQIN, OCTOBER 2011

Current and future target allocations versus actual capital allocations

At the beginning of 2011, the INREV Investment Intentions Survey indicated that while global allocations to real estate are below target, actual allocations for Europe were marginally above target rates across all investors. Institutional investors represent the largest source of capital for non-listed real estate funds and thus a more detailed exploration of their investment behaviour is fundamental to understanding the equity base for European non-listed real estate funds (Figure 03).

FIGURE 03 / EUROPEAN NON-LISTED FUNDS BY INSTITUTIONAL INVESTOR, WEIGHTED BY AUM, 2006 TO 2010

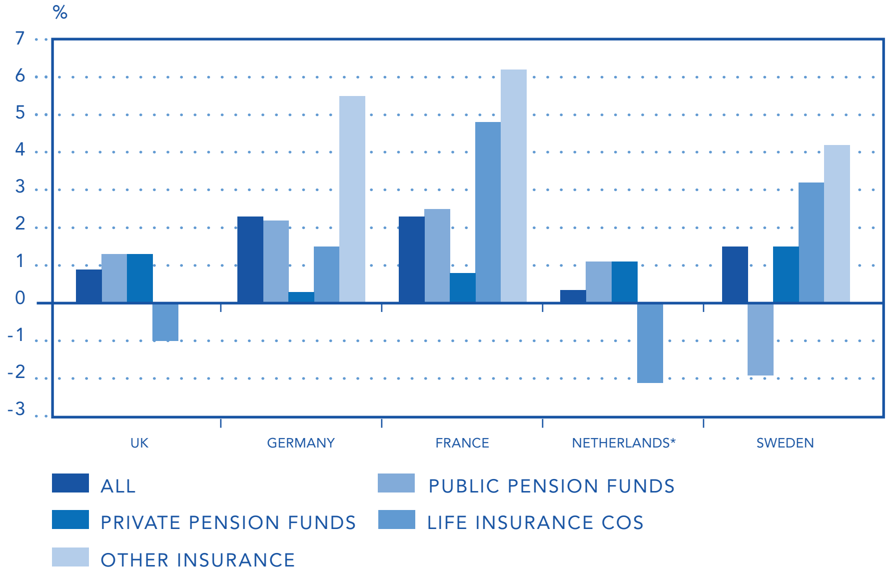


SOURCE: INREV CAPITAL RAISING SURVEY 2011

With its Investor Universe Surveys, INREV has already undertaken a series of in-depth studies across individual markets that examine the structure and scale of the wider universe of institutional investors. Comparative analysis of these studies provides important insights. However, it is important to note that differences in methodology and the scope of the investor base mean that direct comparisons must be made with caution. The results should be considered in the context of the timing of the reports given that they have been undertaken in a period of strong market volatility and heightened uncertainty. Given the denominator effect of pricing movements on actual and target allocations, differences in both the timing of the survey work between markets and between each market and the present time should be taken into account.

Despite such differences in the timing of the research, the studies consistently indicate that at an aggregate level for all institutional investors permitted to invest in real estate, capital invested in the sector remains below target allocations (Figure 04, page 10). This is highest in France and Germany and while positive, is at the margins in the UK and the Netherlands. This partly reflects the timing with studies in France undertaken after the stock market recovered, while those in the UK, Germany and the Netherlands were undertaken as the real estate markets recovered and the stock market slumped. In France and Germany all sectors are under exposed to real estate relative to their target allocation. More detailed analysis of these markets indicates that this is especially pronounced for non-life insurance companies. In the UK and the Netherlands, insurance companies are over exposed to the asset class, together with public pension funds in Sweden.

FIGURE 04 / DIFFERENCE BETWEEN TARGET AND ACTUAL REAL ESTATE ALLOCATIONS BY INVESTOR TYPE AT SURVEY DATE



*NETHERLANDS SURVEY DOES NOT DISTINGUISH BETWEEN TYPE OF INSURANCE CO OR PENSION FUND

SOURCE: INREV INVESTOR UNIVERSE SURVEYS UK, MARCH (2010) NETHERLANDS, SEPT (2010) GERMANY, JUNE (2010) FRANCE, MAY (2011) SWEDEN, FEB (2011)

There are a number of factors underlying this overall under-exposure of institutional investors relative to target allocations. First, such investors are focused on long term, risk adjusted returns resulting in a more counter-cyclical tactical allocation to real estate. As real estate markets began to overheat from the mid 2000s, many institutional investors tactically reduced investments into the market, despite actual investments falling behind strategic allocations. This has resulted in the generation of pent up capital.

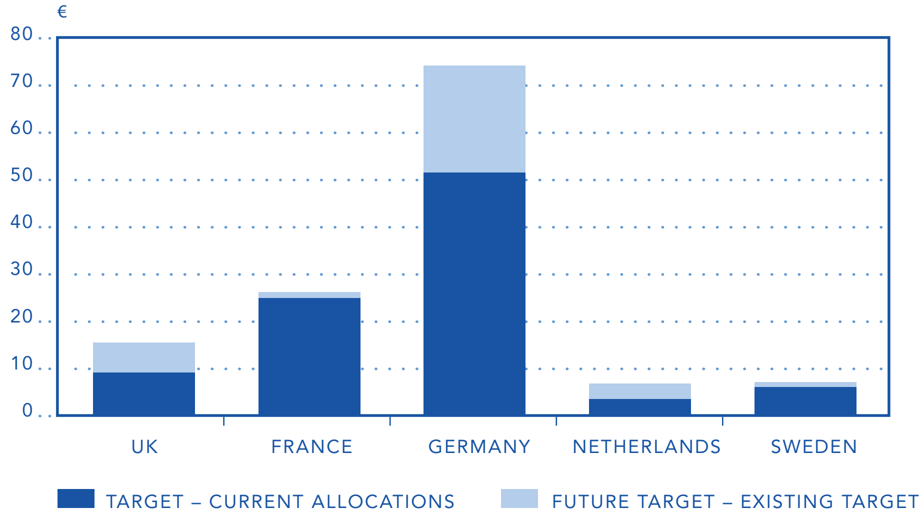
Second, the denominator effect has an important impact on weightings. During the down-turn, the slump in equity markets resulted in real estate becoming overweight, relatively in investors' overall portfolio. As equity markets recovered this was reversed. The more recent decline in equity markets following the escalation in sovereign default risk and the instability of the euro has again triggered another about-turn in this denominator effect.

Third, as a long term investment, investors increased their real estate tactical allocations given the counter-cyclical investment conditions expected to be produced by the down-turn from 2008 onward. However, heightened uncertainty and slow re-pricing have resulted in such capital allocations remaining un-invested.

Finally, since 2010, market activity has increased, driven in part by institutional investors. However, with the weight of capital narrowly focused on prime, income secure assets, pricing of this finite segment increased given the low market liquidity. This has resulted in institutional investors slowing their rate of investment more recently and capital remaining pent up.

Estimations of the scale of pent up capital allocations to real estate that remain un-invested suggest a total of €95 billion for the five markets considered (Figure 05). These markets represent 79% of capital raised by all European funds in 2010. Importantly, the value of future target rate allocations is calculated on a stable asset base and stable universe. It also presumes that sufficient market liquidity exists to execute investment strategies. Of course, as discussed earlier, allocations to real estate are strongly affected by the denominator effect of movements in equities as well as the underlying value of real estate. Differences in the date of survey for countries will have an important impact on the relative weighting of real estate in portfolios. Additionally, investors across the studies indicate that allocations to real estate are anticipated to increase over the next three years. In the UK and the Netherlands such increases are marginal with the majority of respondents suggesting no change. Stronger increases are anticipated in France, Sweden and Germany.

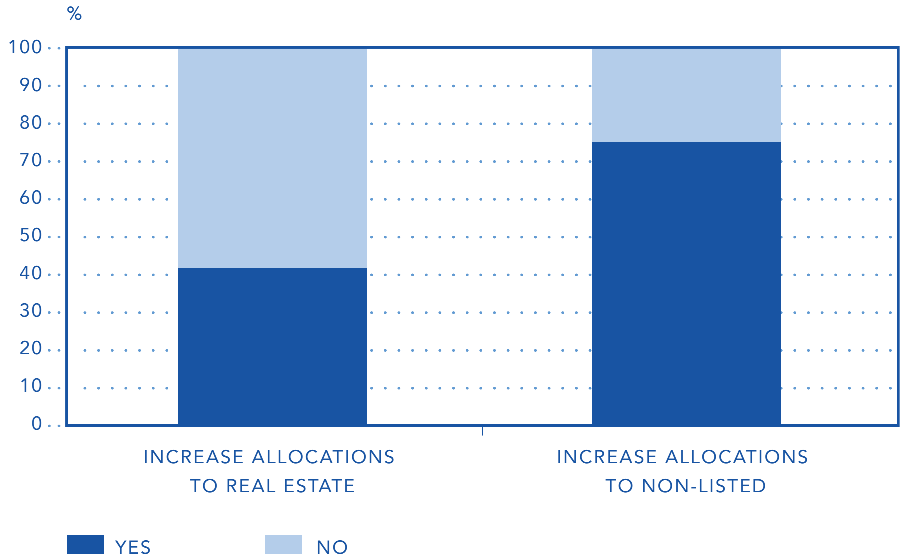
FIGURE 05 / EXPECTED NEW EQUITY ALLOCATION TO REAL ESTATE TO END OF 2013



SOURCE: INREV INVESTOR UNIVERSE SURVEYS UK, MARCH (2010) NETHERLANDS, SEPT (2010) GERMANY, JUNE (2010) FRANCE, MAY (2011) SWEDEN, FEB (2011)

Commitments made to the non-listed real estate sector that remain undrawn are included in this assessment of institutional capital targeting the real estate market. These will already be included in the analysis of dry powder capital discussed previously. However, the difference between current exposure and current targets as well as future target allocations suggests that allocation to non-listed real estate will increase. This is supported by the Investor Universe Surveys which indicate that allocations to the non-listed sector are growing faster than allocations to the wider real estate sector (Figure 06, page 12).

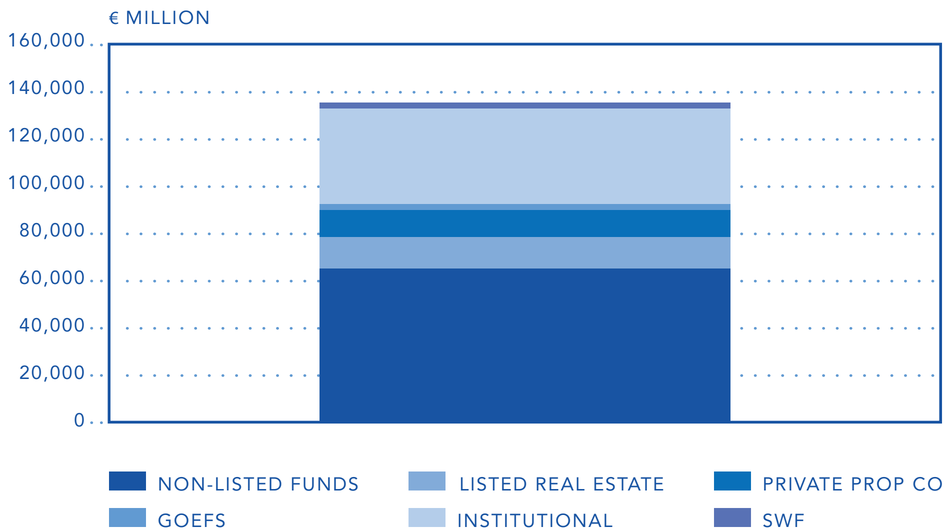
FIGURE 06 / EXPECTED NEW EQUITY ALLOCATION TO REAL ESTATE TO END OF 2013



SOURCE: INREV INVESTOR UNIVERSE SURVEYS UK, MARCH (2010) NETHERLANDS, SEPT (2010) GERMANY, JUNE (2010) FRANCE, MAY (2011) SWEDEN, FEB (2011)

DTZ Research estimates that there is a total of €136 billion of capital targeting European real estate that is available per annum over the short term to the end of 2014. This figure includes expected leverage as well as additional sources of capital. Stripping away the expected leverage to reach the expected equity, it is possible to estimate the capital available to real estate from dry powder and unfulfilled target allocations (Figure 07). On this basis the projections are comparable to the analysis of the INREV Investor Universe reports. Using DTZ's analysis of available equity broken down by sources of capital it is possible to make a comparison of available non-listed real estate equity. Within this breakdown, the dry powder for non-listed real estate funds amounts to €65 billion across all funds. In addition, other sources of capital, especially institutional, are expected to use non-listed funds as a mode of investing so there are likely to be additional allocations to non-listed real estate funds from the total equity available.

FIGURE 07 / AVAILABLE EQUITY BY CATEGORY OF INVESTOR

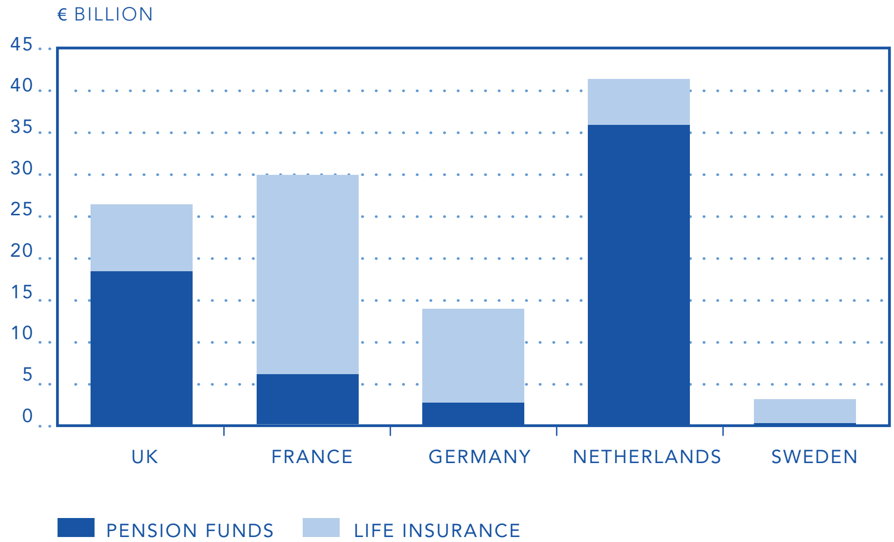


SOURCE: DTZ, THE GREAT WALL OF MONEY, SEPTEMBER 2011

Allocations to non-listed real estate

On a European wide basis it is clear that pension funds are the largest investor in non-listed real estate. Since 2006 such investors have increased their share of total AUM from 44% at the end of 2006 to 61% the end of 2010 (Figure 03). This increase is primarily explained by the sharp decline in life insurer's allocations to non-listed real estate as well as the lower contribution of high net worth individuals (HNWI) and in tandem, fund of funds managers. In depth analysis of allocations to the non-listed real estate sector on a country basis suggest that the breakdown of sources of capital for non-listed real estate varies across markets (Figure 08). In the UK and the Netherlands pension funds dominate non-listed investing, accounting for €18.4 billion and €36 billion of non-listed invested capital respectively. In contrast, it is the life insurance companies who dominate investments in the non-listed real estate sector in France, Germany, and Sweden, accounting for €24 billion, €11.3 billion and €2.8 billion respectively.

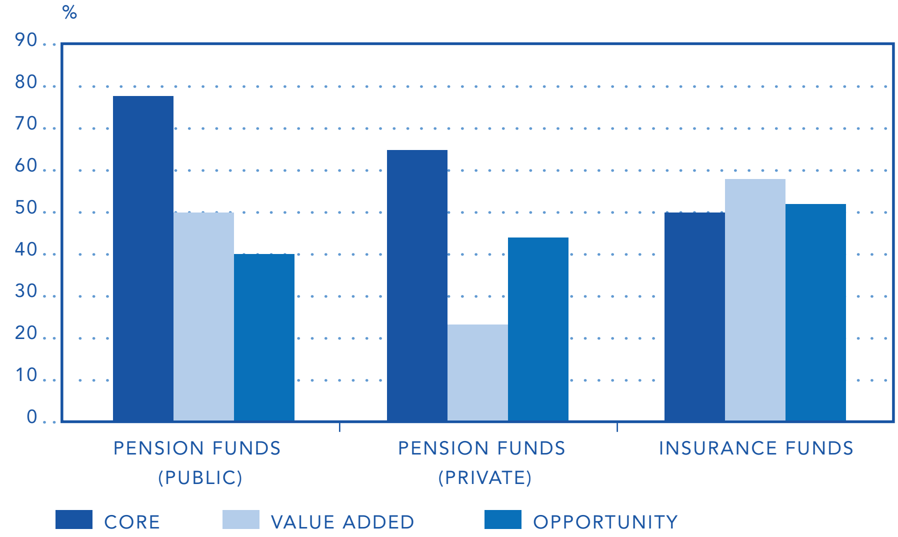
FIGURE 08 / NON-LISTED REAL ESTATE INVESTMENTS BY TYPE OF INVESTOR AND COUNTRY



SOURCE: INREV INVESTOR UNIVERSE SURVEYS UK, MARCH (2010) NETHERLANDS, SEPT (2010) GERMANY, JUNE (2010) FRANCE, MAY (2011) SWEDEN, FEB (2011)

This is important because the investment preferences of different types of investor vary. Preqin's European surveys of institutional investors indicate that pension funds primarily invest in core, while insurance companies have a greater tendency to use non-listed vehicles to focus on higher risk strategies to balance lower risk direct holdings, although the regional trend does not hold for all markets (Figure 09, page 14). To some extent, this is a reflection of scale. The analysis of the Dutch and UK Investor Universe Surveys provides a breakdown of pension funds by size. These indicate that the larger pension funds held proportionately larger direct real estate holdings. For such investors non-listed was primarily used either as a means of investing non-domestically, in specialist sectors or in higher risk strategies. For smaller pension funds lacking the economies of scale and expertise required for direct real estate holdings, non-listed provides the preferred conduit to access the sector. Primarily this is through core, diversified, domestic funds or funds of funds.

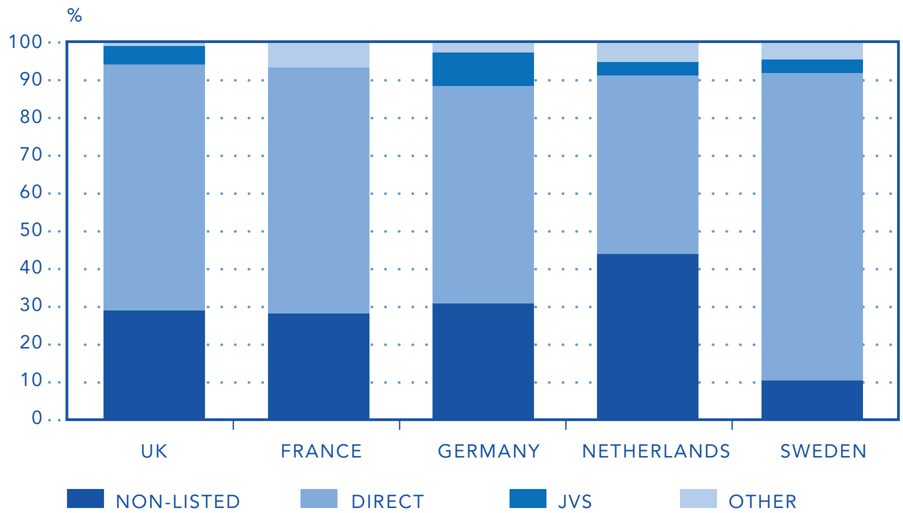
FIGURE 09 / PREFERRED STYLE OF INVESTMENT BY TYPE OF INVESTOR



SOURCE: PREQIN (2011)

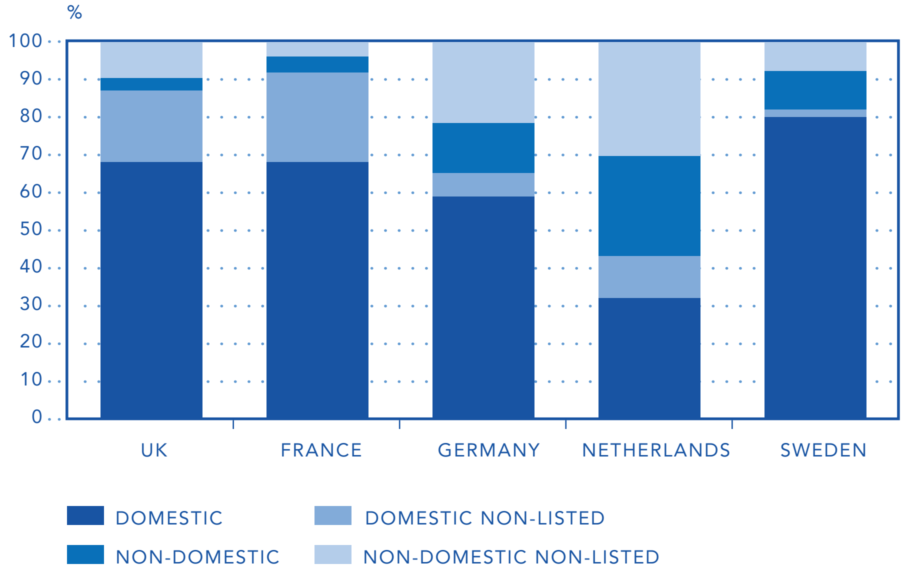
The impact of changes in real estate allocations to non-listed real estate investing will vary across markets. Its use as a mode of investment differs by type and scale of investor (Figure 10). At the aggregate, non-listed real estate accounts for a similar proportion of the real estate investment markets in the UK, France and Germany, representing approximately one third of the real estate universe, excluding listed real estate securities. In Sweden, at 10%, institutional investment in non-listed is low. In part this reflects the emphasis on domestic investing but also the consolidation of pension funds and their investments in public and private property companies. At 44%, non-listed real estate accounts for the largest share of the real estate universe in the Netherlands, reflecting the importance of non-domestic investing to this market (Figure 11). It is clear across all markets that the importance of non-listed as a mode of investing is significantly greater for non-domestic strategies than for domestic. Indeed, almost all non-listed investing in Sweden is non-domestic. Equally, excepting the Netherlands, domestic investing accounts for the majority of real estate investments. It is particularly high in the UK, France and Sweden where it accounts for at least 80% of the universe.

FIGURE 10 / MODE OF REAL ESTATE INVESTMENT BY COUNTRY



SOURCE: INREV INVESTOR UNIVERSE SURVEYS UK, MARCH (2010) NETHERLANDS, SEPT (2010) GERMANY, JUNE (2010) FRANCE, MAY (2011) SWEDEN, FEB (2011)

FIGURE 11 / NON-LISTED AS A PROPORTION OF DOMESTIC AND NON-DOMESTIC INVESTING

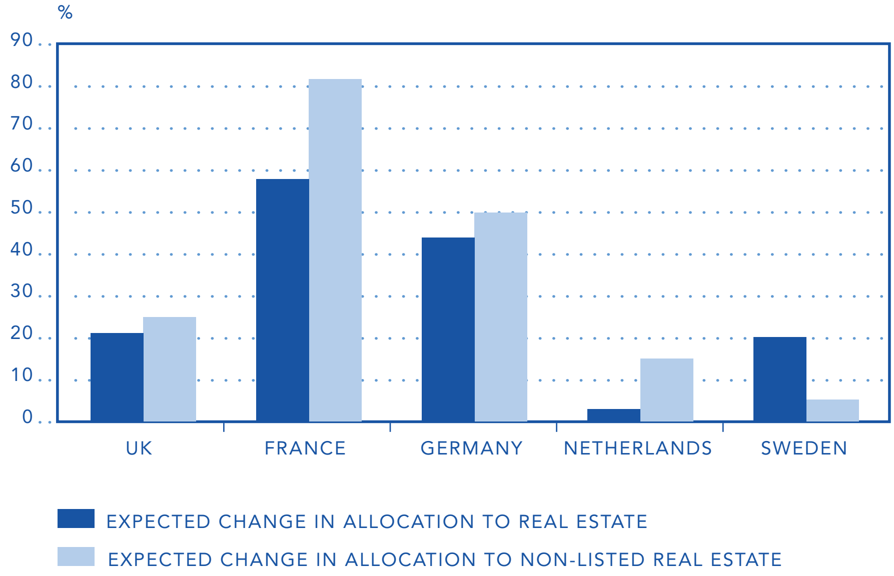


SOURCE: INREV INVESTOR UNIVERSE SURVEYS UK, MARCH (2010) NETHERLANDS, SEPT (2010) GERMANY, JUNE (2010) FRANCE, MAY (2011) SWEDEN, FEB (2011)

In the UK, this reflects the scale and maturity of the market and the predominance of pension fund investors in the sector seeking lower risk strategies. More detailed analysis of pension funds by scale revealed a bifurcation of the investor base in non-listed, according to target location. Larger pension funds and insurance companies used non-listed as a means of executing non-domestic or specialist sector investment strategies, with domestic holdings generally held directly. Smaller pension funds lack the scale and expertise required for the development of direct portfolios. Such investors dominate domestic non-listed funds in the UK, primarily investing through core, diversified funds. In the Netherlands, a similar bifurcation by scale of organisation exists. In contrast, the largest investors in Germany have the largest allocation to non-listed real estate, in excess of 40%. To some extent, this reflects the higher non-domestic allocations of such investors. Interestingly, pension funds are more cautious as regards investing cross-border and perhaps this accounts for the dominance of insurance companies within the non-domestic non-listed real estate universe.

Such differences in structural issues in the different markets will influence the proportionate change in capital allocated to non-listed real estate when considering expected changes in allocations to the wider real estate universe (Figure 12, page 16). It should be noted that estimates of the growth in absolute real estate capital allocations and expected changes in the volume of capital allocated to non-listed across markets are not directly comparable. Differences in methodology between the studies present some difficulties, with a number of studies based on a fixed assets under management base, while others attempt to forecast its potential growth. In this comparison figures are adjusted to reflect a fixed asset base and are further adjusted in an attempt to normalise methodologies and provide indicative trends.

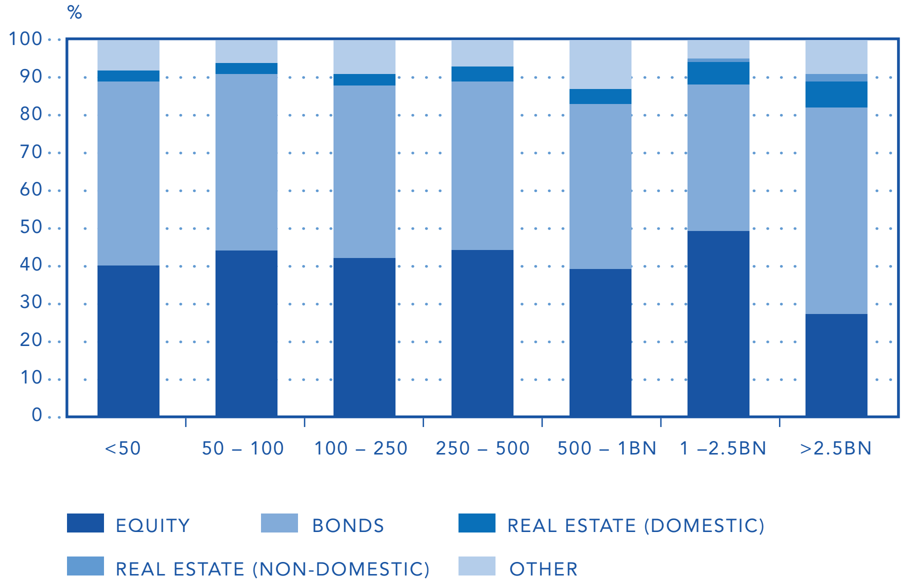
FIGURE 12 / EXPECTED CHANGES IN REAL ESTATE ALLOCATIONS



SOURCE: INREV INVESTOR UNIVERSE SURVEYS UK, MARCH (2010) NETHERLANDS, SEPT (2010) GERMANY, JUNE (2010) FRANCE, MAY (2011) SWEDEN, FEB (2011)

Changes in allocations to real estate and to non-listed in the Netherlands and the UK are modest, although allocations to non-listed are growing faster than for the real estate sector as a whole. This reflects the increase in the number of smaller pension funds since 2008 that are allocating to real estate for the first time but have yet to invest (Figure 13). Non-listed is the preferred investment mode for such investors given the small scale of allocations that tend to prohibit direct investment. This is likely to benefit those markets where pension funds dominate non-listed investing, such as the UK and Netherlands despite existing investors indicating marginal change in allocations to the sector. However, while the growth in the number of smaller pension funds allocating capital is significant, it should not be over-estimated. Mercer's 2011 European asset allocations survey which surveyed 1100 pension plans, across 13 countries, managing assets totalling over €550 billion clearly indicates that the largest pension plans allocate the highest proportion to real estate. They are almost entirely responsible for non-domestic real estate investing. With such large investors reducing commitments to non-listed real estate funds in favour of modes such as direct, joint ventures and separate accounts, it is unclear as to whether this can be off-set by the growth in the number of small pension funds allocating capital. However, it does point towards the sustained growth of domestic, core diversified funds.

FIGURE 13 / ALLOCATIONS TO REAL ESTATE BY SIZE OF PENSION PLAN

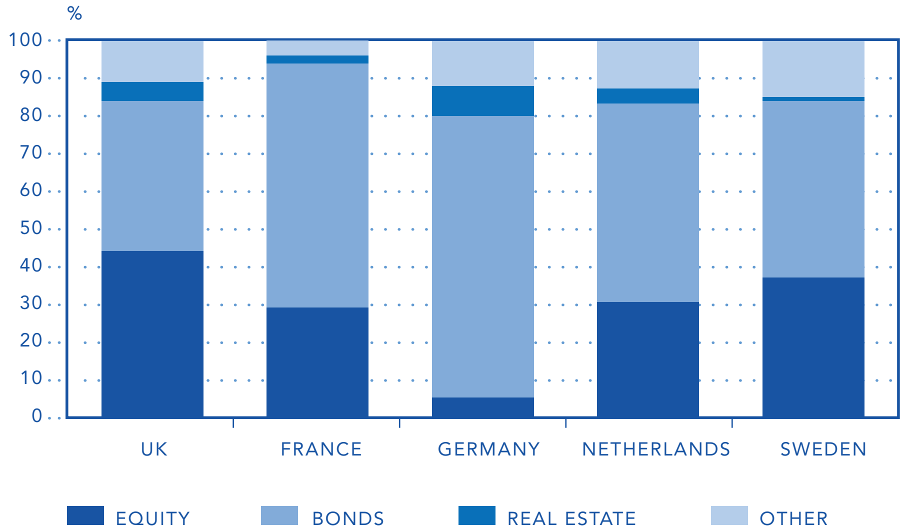


SOURCE: MERCER EUROPEAN ASSET ALLOCATION SURVEY, APRIL 2011

In France and Germany, although target allocations to real estate are expected to increase, the difference between target and actual allocations is large. The rise in target allocations accounts for the greatest share of the expected increase in allocated capital.

In addition, an increase in both the number of investors and their allocations to non-listed real estate is anticipated. This is strongest for pension funds in France, which relative to other markets have a low allocation to the sector currently (Figure 14). It is worth noting that the stronger increase in allocations in France and Germany are also likely to reflect the later date of the surveys and the denominator effect of the earlier recovery in equity markets. This has now reversed and is likely to reduce the degree of expected increases to target allocations.

FIGURE 14 / ALLOCATIONS TO REAL ESTATE BY MARKET, WEIGHTED BY PLAN SIZE



SOURCE: MERCER EUROPEAN ASSET ALLOCATION SURVEY, APRIL 2011

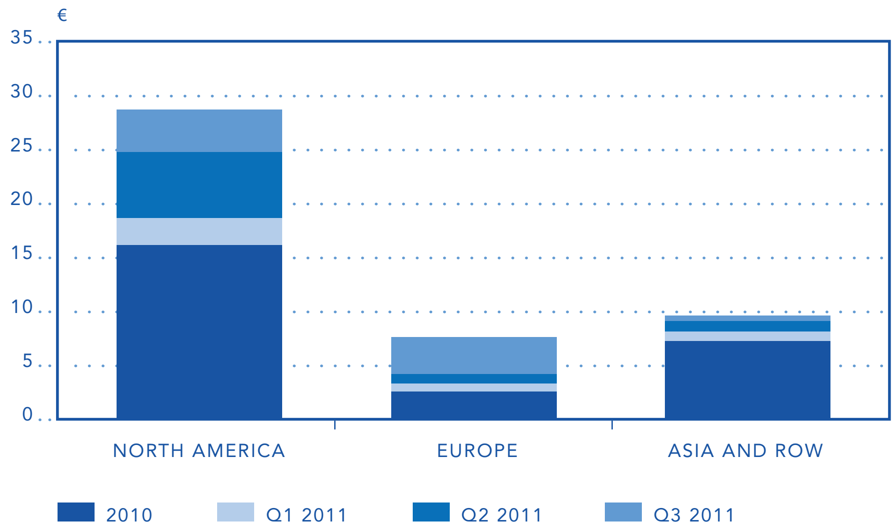
In both France and Germany stronger allocations to non-listed real estate are expected compared with the wider real estate sector, which suggests a disproportionate increase in the volume of capital allocated, which appears high. However, underlying this is a structural change in the industry and in the management of assets, which has to some extent already been experienced in the UK and Netherlands.

French and particularly German institutional investors are converting direct real estate portfolios into non-listed funds, often open to new investors. As such, the expansion of the non-listed real estate universe is at the expense of existing direct holdings. The growth in capital volumes does not necessarily represent additional capital into real estate. Rather, investors with large direct real estate holdings will convert them into non-listed funds impacting more on the supply than demand side.

Non-listed real estate investing

Globally, capital commitments to non-listed real estate funds declined sharply during the downturn. Allocations to Europe have been weak relative to other regions, although in quarter three 2011 capital raising experienced a sharp bounce back in the region while the rate of growth deteriorated elsewhere (Figure 15). A number of trends can be identified in the scale, pace, style and mode of investing that have implications for the volume of equity capital allocated to non-listed real estate equity funds.

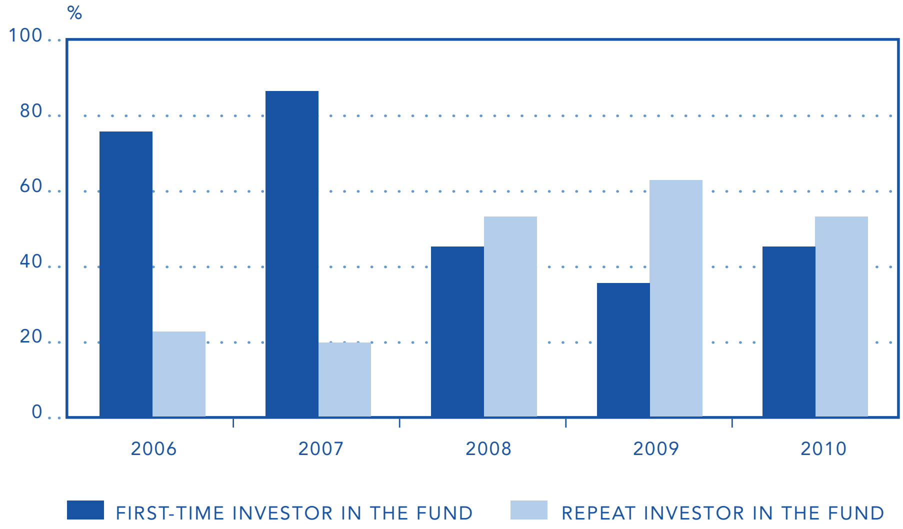
FIGURE 15 / ALLOCATIONS TO REAL ESTATE BY MARKET, WEIGHTED BY PLAN SIZE



SOURCE: PREQIN FUNDRAISNG REVIEW, 2010, Q1 2011, Q2 2011, Q3 2011

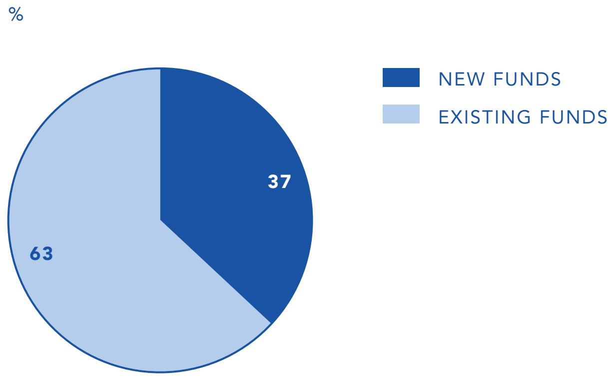
There are ninety-seven new fund launches that have a European focus which are currently capital raising, with an aggregate target of €26 billion. This equates to ten times the capital raised in 2010 and over five times that raised during 2011. While the growth in capital commitments over 2011 indicates that the recovery in fund raising is strengthening, competition for available capital remains high. A strong track record is pivotal to success. In 2010, 63% of commitments were made to existing funds, with repeat investors accounting for 54% of capital (Figures 16 and 17).

FIGURE 16 / CAPITAL RAISED FROM FIRST-TIME INVESTORS VS REPEAT INVESTORS 2006 TO 2010



SOURCE: INREV CAPITAL RAISING SURVEY 2011

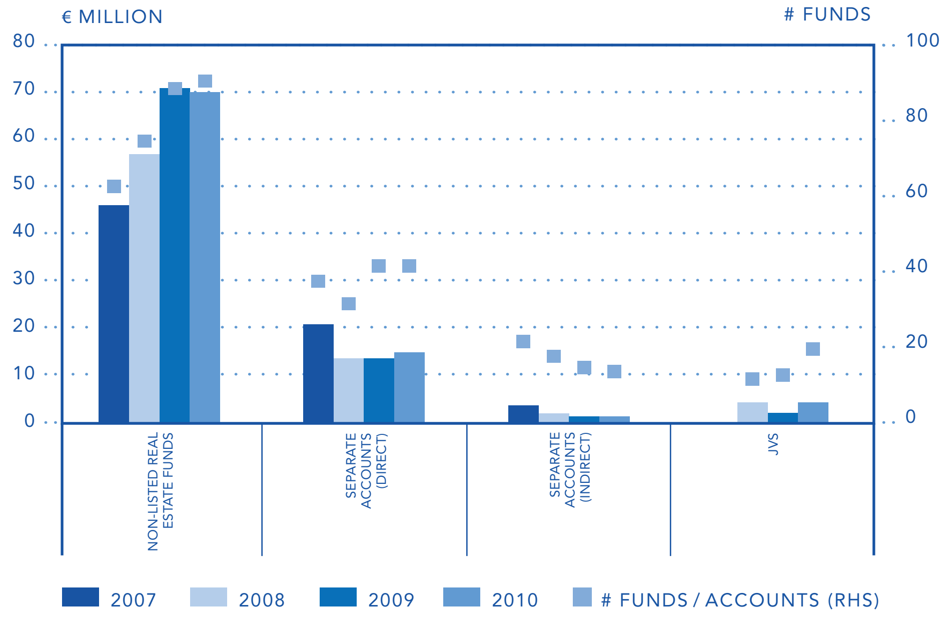
FIGURE 17 / CAPITAL RAISED IN 2010 BY NEW OR EXISTING FUND



SOURCE: INREV CAPITAL RAISING SURVEY 2011

For non-listed real estate funds, such competition is not limited to the growth in the number of funds in the market. Competition from alternative modes of investing has increased, especially through increased allocations to separate account mandates and joint ventures. However, analysis of fund manager surveys since 2007 indicates that non-listed real estate funds have grown at a faster rate than other modes over the period (Figure 18, page 20). This may reflect barriers to entry as regards the scale of capital required to execute effective separate account strategies and justify the required resources from fund managers, together with the conflict of interest issues such mandates can raise. The period from the end of 2008 to the end of 2009 appears to be the exception with the value of non-listed funds declining while those of separate account mandates increased. However, it is worth noting that the number of such mandates grew sharply in 2009 and remained stable in 2010. The recent INREV sources of capital survey suggests a deceleration of this trend in 2011. This is despite latent investor demand, given the limited capacity of resources to accommodate large numbers of separate accounts.

FIGURE 18 / CAPITAL RAISED BY NON-LISTED PRODUCTS

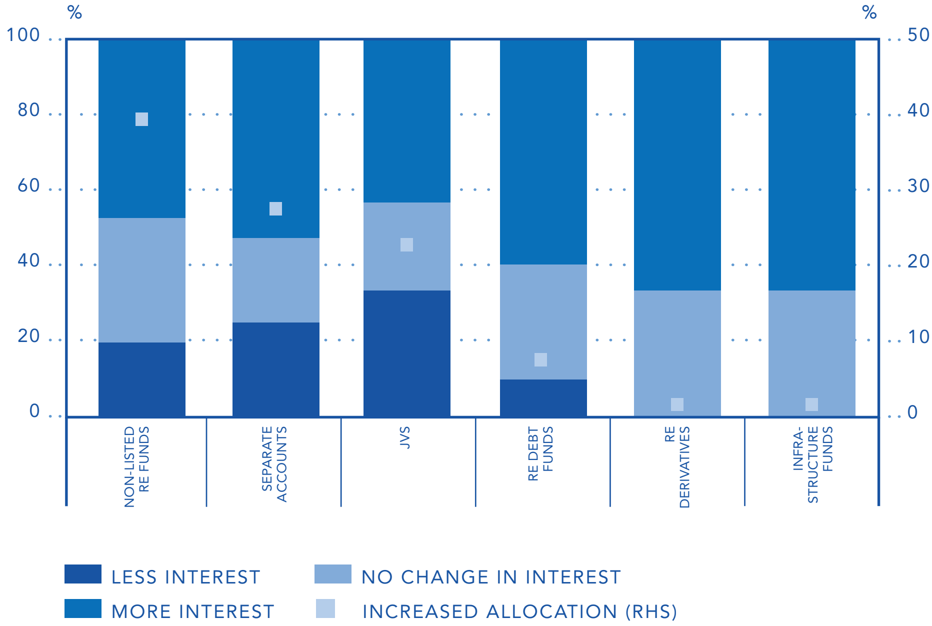


SOURCE: INREV CAPITAL RAISING SURVEY 2007 TO 2011

The range of non-listed products has continued to extend and can include infrastructure, real estate derivatives and an array of real estate debt funds. In a recent INREV survey examining recent trends in non-listed investing, fund managers reported increased interest across all investing options and modes. This was particularly strong for real estate debt, derivatives and infrastructure funds with over 60% of fund managers indicating stronger interest in such products.

However, when that is translated into allocations, nearly 40% of fund managers reported increased commitments for non-listed real estate funds compared with 8% for real estate debt funds and less than 3% for derivatives and infrastructure funds (Figure 19). Allocations to joint ventures and separate accounts remained buoyant, although compared to 2010 capital raised for these alternative investment modes in 2011 is expected to be lower. In contrast, INREV's recent capital rasing survey indicates that total commitments to non-listed real estate funds are expected to rise with 75% of fund managers expecting increased commitments.

FIGURE 19 / CHANGE IN INVESTOR INTEREST AND CHANGE IN INVESTOR ALLOCATIONS BY NON-LISTED PRODUCT



SOURCE: INREV TRENDS IN NON-LISTED PRODUCTS SURVEY 2011

However, capital commitments to fund managers are clearly limited by the range of investment products they offer, such as can be seen with the current trend for debt funds. Globally, debt funds account for approximately €20 billion of available non-listed real estate capital, while funds raised specifically to exploit distressed debt opportunities account for a further €9.5 billion. In addition, debt has become a central strategy of many of the opportunity funds raised since the downturn.

Table 01 (page 22) summarises the largest funds raised in 2011 and illustrates the low proportion of such funds focused on the European region. In part this reflects a lack of clarity within many institutional investors as to whether such investments should form part of the real estate, other alternative, or fixed income allocation. This is of great importance as its impacts on the capital base for real estate is two-fold. First, it potentially reduces the volume of capital allocated to non-listed real estate funds. Second, the growth of debt funds can assist in bridging the debt funding gap, which is the difference between the existing debt balance as it matures over time and the debt available to replace it. If the allocation is made within the real estate basket, the net impact to real estate's capital base is zero. Fixed income allocations to real estate debt funds are likely to broaden real estate's capital base.

TABLE 01 / LARGEST FUND CLOSINGS IN 2011 TO END Q3

FUND	STRATEGY	AMOUNT CLOSED (€ MILLION)	GEOGRAPHIC FOCUS
LONE STAR REAL ESTATE FUND II	DEBT, DISTRESSED, OPPORTUNITY	4015	US, WESTERN EUROPE, JAPAN
LONESTAR FUND VII	DEBT AND DISTRESSED	3380	JAPAN, NORTH AMERICA, WESTERN EUROPE
BLACKSTONE RE SPECIAL SITUATIONS FUND II	DEBT	1100	US
ECE EUROPEAN PRIME SHOPPING CENTRE FUND	CORE+ / VALUE ADDED	775	EUROPE
ALTA FUND VALUE-ADD I	VALUE ADDED	630	FRANCE
OCH-ZIFF REAL ESTATE FUND III	DEBT, DISTRESSED	613	US
LEGAL & GENERAL PROPERTY INCOME FUND	CORE AND CORE+	585	UK
VORNADO CAPITAL PARTNERS	VALUE ADDED / DISTRESSED	584	US
PRAMERICA REAL ESTATE CAPITAL I	DEBT	575	WESTERN EUROPE
PROSPERITAS REAL ESTATE PARTNERS III	OPPORTUNITY, VALUE ADDED	548	BRASIL
M&G RE DEBT FUND	DEBT	494	WESTERN EUROPE
HARRISON STREET REAL ESTATE PARTNERS III	OPPORTUNITY	435	US
GARRISON REAL ESTATE FUND II	DEBT, DISTRESSED	420	US
PATRIA BRASIL RE FUND II	CORE+, VALUE ADDED, OPPORTUNITY	402	BRASIL
GROSVENOR EUROPEAN RETAIL PARTNERSHIP	CORE+	400	FRANCE / SWEDEN
MADISON INT RE LIQUIDITY FUND IV	DISTRESSED, DEBT	372	US, WESTERN EUROPE
WATERTON RESIDENTIAL PROPERTY FUND XI	OPPORTUNITY, DEBT, DISTRESSED	365	US
DUET EUROPEAN RE DEBT FUND	DEBT	351	EUROPE
CR CHINA RETAIL RE DEVELOPMENT FUND I	OPPORTUNITY	340	CHINA

SOURCE: INREV, (2011), PREQIN REAL ESTATE QUARTERLY, Q1 TO Q3 (2011)

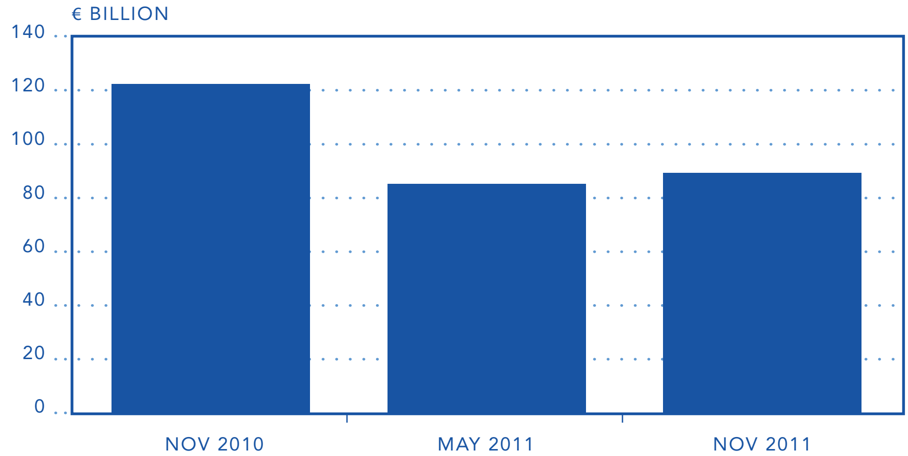
3 REAL ESTATE DEBT CAPITAL

The growth in the use of debt was central to the financial crisis and the process of de-leveraging public, corporate and private finances continues to underlie the on-going economic uncertainty and market volatility. Within the real estate sector, the sharp rise in the use of leverage in the mid 2000s, estimated to total €1 trillion, resulted in a bubble in asset pricing. Following the downturn, the process of de-leveraging arguably remains the greatest challenge for the industry in the short and medium term for a number of different reasons. First, the persistence of the debt funding gap for existing, extended and refinanced loans. Second, the lower availability of balance-sheet debt. Third, the higher marginal cost of debt coupled with more restrictive lending criteria. However, this challenge has created an opportunity for the wider provision of debt by other sources. It remains unclear as to the degree to which any new such lending can bridge the gap between the demand and supply of debt capital.

Debt Funding Gap

The debt funding gap is defined as the gap between the existing debt balance and the debt available to replace it. To date, estimation of the debt funding gap has been based on the impact of tighter lending criteria and changes in asset values on availability of debt. Effectively, this is an estimate of the equity capital that would be required to restore the loan-to-value covenant of finance terms given the decline in asset values. Since the downturn in real estate markets, many assets remain in breach of loan-to-value covenants as debt increased as a proportion of capital value. This was further exacerbated by the lowering of loan-to-value ratios available for new and often extended finance terms. Despite the sharp recovery in prime asset values and improved loan-to-value ratios, latest estimates from DTZ Research suggest that, although much narrower than the €122 billion calculated last year, the European debt funding gap persists at an estimated €89 billion. Indeed, more recently real estate performance prospects have deteriorated as a result of the sovereign debt crisis leading to an increase of some €3.6 billion compared to six months ago (Figure 20).

FIGURE 20 / EUROPEAN DEBT FUNDING GAP



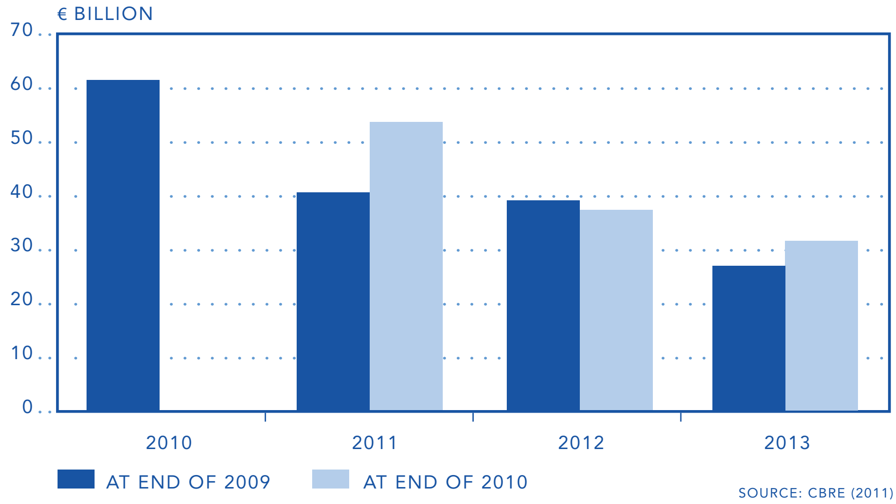
SOURCE: DTZ GLOBAL DEBT FUNDING GAPITAL RAISING SURVEY 2011

Beyond a number of estimations as to the scale of outstanding real estate debt across markets, the European real estate debt market remains opaque as to the volume, terms, margins and trends in lending. In the UK, De Montfort University (DMU) have undertaken a detailed survey of international banks providing real estate lending in the UK since 1999. Although the survey is focused on lending within the UK real estate market it provides rich insights into practices in the wider European real estate debt market for two reasons. First, of the 66 lending teams responding to the survey on 2010, by value of loan originations 52% were UK lenders, 27% German lenders and a further 21% were other international lenders, including Dutch, North American and Spanish lenders. Second, investors are currently focusing on large, core, prime markets including the UK, in part reflecting available funding. Being a large, mature, transparent, liquid market, the UK debt market attracts a wide diversity of international lenders. Thus, while having a UK bias, the overall trends of this detailed analysis provide insights of broader trends in the European real estate debt market.

The UK real estate balance sheet lending market accounts for €262 billion of the estimated €1 trillion commercial real estate debt. DMU's analysis suggests that on balance sheet lenders reduced the value of outstanding debt by 9.4% over 2010. However, levels of outstanding real estate debt remain broadly unchanged in scale, although there has been some change in its ownership. While there has been some activity in the sale of loan books and restructuring of loans, this decline is primarily due to the wholesale transfer of non-performing loans to government agencies. These include National Asset Management Agency (NAMA), which was established by the Irish government to take on non-performing loans from five Irish financial institutions in return for government bonds. NAMA accounts for a further €24.5 billion of debt secured on UK commercial real estate. In addition, the CMBS market accounts for a further €55 billion. In total, these sources of UK debt account for 34% of European commercial real estate debt.

The DMU (2011) survey indicates that over 50% of on balance sheet debt in the UK is due for repayment by the end of 2013 and 70% by the end of 2015 and, according to analysis by CBRE Research, this mirrors the profile of European debt maturities. The concentration of near-term maturities is exacerbated by the volume of loans due to mature since 2008 that have been extended as a result of the borrowers' inability to either refinance loans or repay debt from sale proceeds due to a large debt funding gap (Figure 21). This is despite the recovery in prime real estate markets and reflects the high proportion of outstanding debt secured on secondary assets (62%), many of which have deteriorated in value yet further. The volume of on balance sheet debt due to mature over the next three years has increased by 15% on 2009 and would be substantially higher if loans transferred to NAMA were included in the 2010 data. Loans within CMBS transaction are legally bound to their maturity date and amount to an additional €12.13 billion due over the next three years.

FIGURE 21 / EUROPEAN DEBT DUE TO MATURE IN 2013 AS OF THE AT END OF 2009 AND END OF 2010



SOURCE: CBRE (2011)

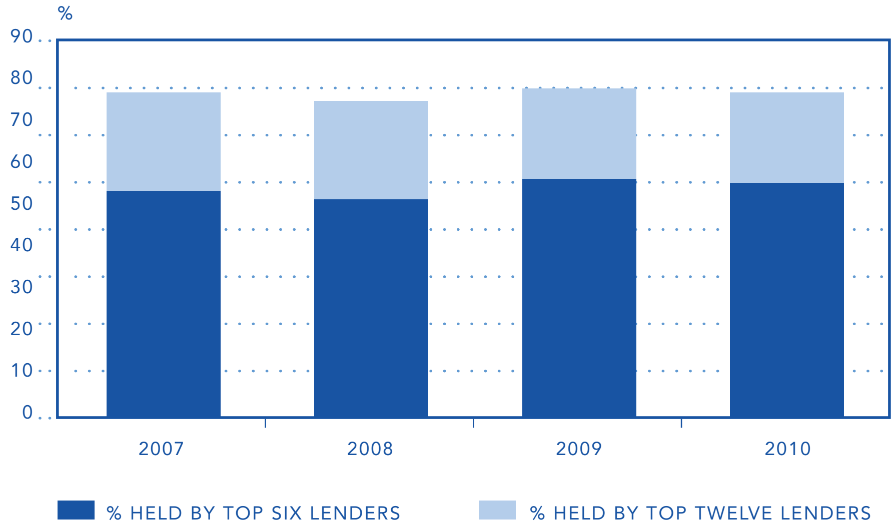
Lower availability of debt

Along with the wider debt market, the availability of real estate finance froze at the height of the financial crisis. While it has reawakened for low risk investments and for selected borrowers, the availability of debt remains low due to a number of factors. First, banks have adopted a pragmatic approach to the presence of a debt funding gap for individual assets, initially being prepared to vary the loan-to-value terms and on maturity, extending the loan term.

Subsequently, as real estate markets improved, banks continued to extend the term of loans but began to amend other loan terms such as seeking equity injections, where possible, to restructure loan-to-value covenants. Even where no funding gap exists on original loan-to-value terms, stricter lending criteria is limiting the potential to secure alternative finance arrangements. This is highlighted in the UK by the reduction in early repayments falling from 29% in 2006 to a mere 4% in 2010 (DMU, 2011). Traditionally, these "in-the-money" loans were extended where required, but increasingly these performing loans may be restructured and refinanced on commercial terms, accounting for 25% of new loan origination by lenders in the UK in 2010. Thus, the managed work out of the loan book contributes to illiquidity in the availability of debt capital.

Second, the contraction and consolidation of the lending market has reduced lending capacity. The commercial real estate debt market has always been concentrated in a relatively small number of lenders. The UK is the largest market by share of European debt, yet since 2004 over 75% of this debt is held by twelve organisations (Figure 22). The financial crisis resulted in further consolidation in the market due to bank failure, mergers and the strategic withdrawal of some banks from real estate lending. This has resulted in the share of the largest six lenders rising from 55% at end 2007 to 57% at end 2010 (DMU 2011).

FIGURE 22 / REAL ESTATE DEBT MARKET CONCENTRATION (UK)



SOURCE: DE MONTFORD UNIVERSITY (2011)

The impact of Basel III legislation, which are reforms to improve regulation, supervision and risk management within the banking sector, has led to further contraction. Most recently in November 2011, Societe Generale withdrew from lending to European real estate indefinitely while Eurohypo has suspended lending as it tries to reduce risk-weighted assets by €30 billion. Risk-weighted assets are a bank's assets weighted according to credit risk, which then determines its capital requirements.

While 50% of lenders intend to increase loan originations, the number stating their intention to decrease new lending has risen by 9% to 35%. It is worth noting that in 2009, while the same proportion of lending teams stated their intention to increase loan originations, only 32% achieved this.

Excluding loan extensions, a mere €23.3 billion of originations occurred including €5.8 billion of refinancing of existing loans and €5.6 billion refinancing of sound loans transferred from organisations withdrawing or reducing exposure to the market. Availability of mezzanine finance is particularly low with a mere €76 million originated in 2010 and its value has fallen sharply both absolutely and proportionately accounting for €644 million or 0.27% of total outstanding debt. Total originations in 2010 leave a funding gap of some €29 billion against balance sheet loans maturing in that same year. New capital in 2010 amounts to a mere 4.6% of the loan book. Given the focus of lending institutions on the large, core recovery markets, the volume of new lending in the UK is expected to be above the European average.

A third reason for a reduction in the availability in debt is that since the downturn approximately forty-two lenders have withdrawn from real estate lending in the UK real estate market. This is either by default due to their collapse or because a parent organisation has strategically withdrawn from the market. Over 2010, 67% of lenders to the UK decreased the value of loan books although within this, 69% of German lenders to the UK real estate market increased the value of loan portfolios.

In addition, many organisations sought to reduce their exposure to the sector and given the forthcoming Basel III regulations, this trend is strengthening. Looking forward, only 46% of lenders intend to increase the value of their loan book over 2011. The 40% of lenders indicating their intention to reduce the future value of their real estate loan books represent 55% of outstanding lending. Moreover, while only 35% stated their intention to decrease the overall size of their loan books over 2010, this was realised for 67% of lenders. This points to a more structural scarcity of debt that greatly exceeds any gap calculated on revised loan-to-value thresholds and current asset values.

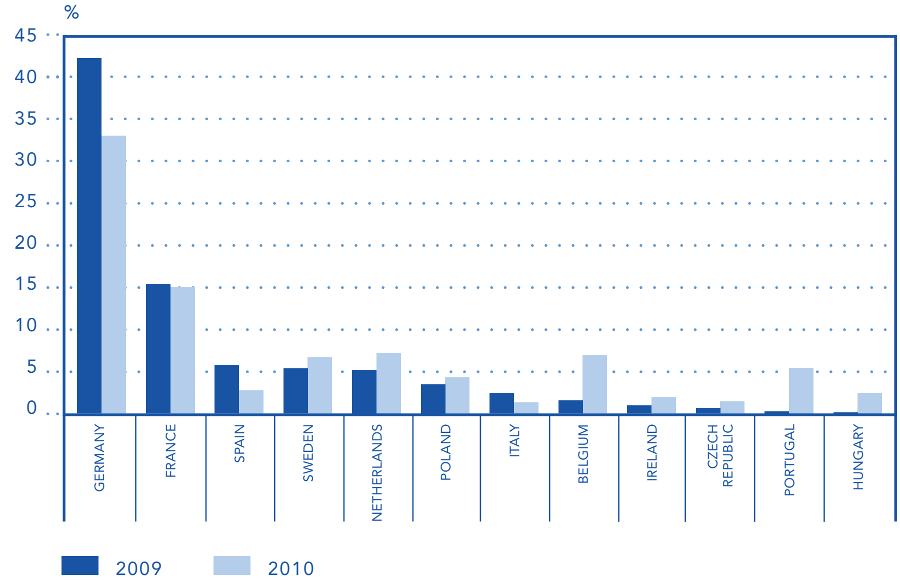
Lending terms and marginal costs

Since the downturn lending criteria have strengthened, terms of loans have become more onerous and the cost of debt has escalated. With the exception of the Nordic growth markets, the recovery in European real estate investment markets has been limited to prime assets in the largest cities in Europe's core markets (Figure 23).

While this reflects investor risk appetite, in part it also reflects narrow lending criteria. For example, lenders into the UK market are keen to restrict their lending to senior debt in London, with a focus on prime, income secure assets with a strong covenant. In addition, the quality of the borrower has increased in importance with lenders focusing on building relationships with selected organisations.

Given these stricter lending criteria, while only 14% of lenders are able to grants loans in excess of €117 million, there has been some upward movement in the scale of lending both for individual assets and on aggregate, to borrowers' lending limits. This is counter-balanced by income ratio requirements which remain elevated despite a marginal decline for prime real estate from the end of 2009 to the end of 2010. In comparison to 2006, income -to-interest-rate ratios in 2010 are some 36 basis points higher for prime office and retail and 51 basis points and 64 basis points higher for secondary office and retail respectively. This reflects the lower number of lenders prepared to finance non prime assets in non-prime locations.

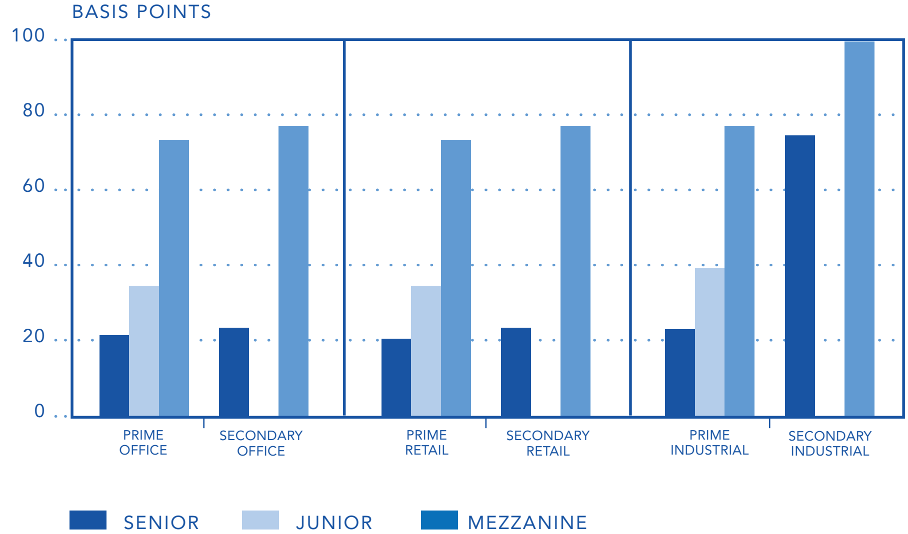
FIGURE 23 / BANK LENDING TO EUROPEAN MARKETS BY BANKS LENDING IN UK (INCLUDES UK, PFANDBRIEFE AND INTERNATIONAL LENDERS)



SOURCE: DE MONTFORD UNIVERSITY (2011)

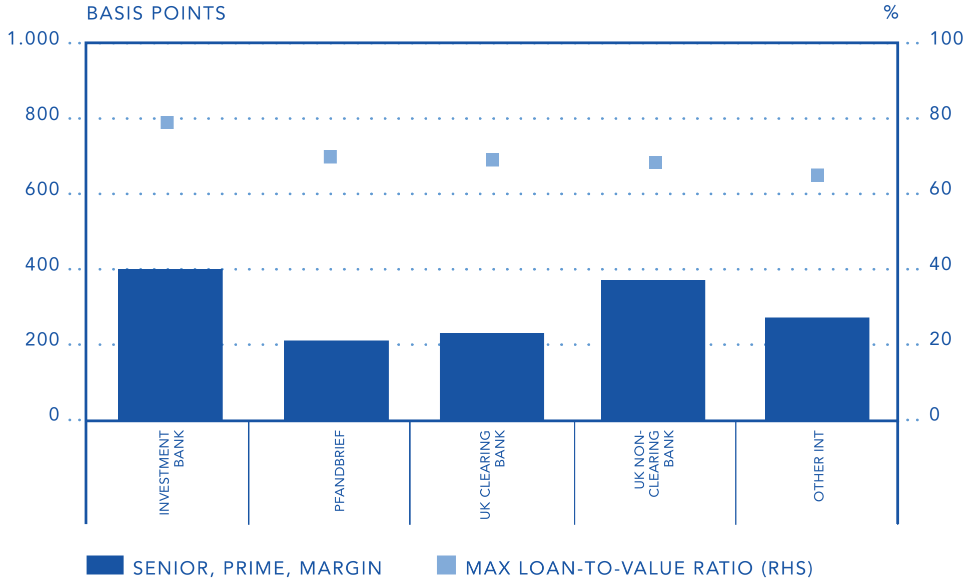
Similarly, the cost of debt has escalated since the downturn, although over 2010 and 2011 margins moderated. Of course margins vary widely by grade of debt (senior, junior and mezzanine), quality, sector and by type of lender (Figures 24 and 25, page 26). Although margins for mezzanine debt remain elevated, they have moderated considerably over the past year reflecting revisions to investors' return expectations. In addition to interest, debt is amortised averaging at 1% for prime office and retail, with loans secured on secondary assets often subject to higher rates of amortisation and or full cash sweeps, where surplus cash is used to prepay debt instead of being paid out to investors.

FIGURE 24 / ON BALANCE SHEET LENDERS SENIOR, JUNIOR AND MEZZANINE DEBT MARGINS, END OF 2010



SOURCE: DE MONTFORD UNIVERSITY (2011)

FIGURE 25 / VARIATION IN MARGIN AND LOAN-TO-VALUE RATIO FOR SENIOR DEBT BY TYPE OF LENDER



SOURCE: CBRE (2011)

Expansion of alternative sources of finance

The low availability of debt together with the higher returns that can be achieved for its provision, present a market opportunity for alternative sources of capital. Immediately following the downturn over one hundred potential lenders, primarily through debt funds, expressed interest in providing junior and mezzanine finance with the expectation of returns in excess of 20%. The premise was based on the expectation of a market flood of distressed assets and debt, which failed to materialise. Subsequently, the market has rationalised both in the number of new lenders and in establishing more realistic return expectations. The latter has led to lenders specialising in particular slices of the market with some re-focusing on the lower risk return profile of senior debt while others have moderated their expectations for mezzanine. Others withdrew from the market.

As discussed earlier, there has been strong growth in the number and value of non-listed funds raised globally with some €20 billion of available capital raised in debt funds, a further €9.5 billion raised specifically to exploit distressed debt and, in addition, such strategies are an important component of the €28 billion of available capital within opportunity funds (Figure 02). However, the majority of such capital is focused on the US and a much smaller proportion of capital is targeting Europe. Nevertheless, within Europe, non-listed funds account for 65% of lenders currently active in the mezzanine finance market. The majority of such lenders are limiting activity to the core European markets of France, Germany and the UK.

The lending market is dominated by the expansion of the activity of insurance real estate teams either directly or through non-listed vehicles. These include, AIG, Allianz, Aviva, AXA, Canada Life, Legal and General, M&G investments, Met Life and TIAA-CREF. While insurers have always been an important component of the lending market, this has traditionally been through their real estate debt teams and predominantly stemming from fixed income allocations. Over the past year there has been a greater blurring of the activity of fixed income and real estate investing. Structured interviews reveal that within some organisations the real estate debt and equity teams have merged, while in others they have increased their proximity to promote greater collaboration and benefit from synergies that enable both teams to better exploit the current market opportunity.

It is easy to over simplify this shift as being solely the result of forthcoming Solvency II legislation. Under these reforms of the capital adequacy requirements for insurance companies, the provision of debt capital to the real estate sector is expected to be subject to a substantially lower risk-adjusted weighting than investing directly or indirectly in real estate assets. However, the legislation is not finalised.

However, the findings of structured interviews indicate that the primary driver is the strength of the market opportunity. With the current high margins and more conservative loan-to-value thresholds even on prime, income secure assets, providing debt results in a stronger risk-adjusted return than equity investing. For most organisations, the preference for investing through debt over equity is supported, rather than driven, by expectations of forthcoming Solvency II legislation.

DTZ (2011) estimates that the continued growth of appetite for real estate debt by insurers could amount to an additional €110 billion by the end of 2014. However, this expansion of debt capital is, in part, at the cost of a reduction in available equity capital. The impact for non-listed real estate funds is uncertain. Earlier analysis suggests that insurance companies' investments in non-listed real estate funds are skewed towards their higher risk investing in comparison to pension funds. While any reduction in investment volumes would impact on all fund styles, it would have a proportionately – greater impact on higher risk strategies if applied evenly.

However, in seeking a balanced portfolio, insurers may retain and even increase allocations to higher risk non-listed real estate funds while withdrawing from core in favour of debt. To date, insurers' activity in the debt market has been mainly limited to senior debt on prime assets. The risk for value added and opportunity funds is in how risk-adjusted returns from higher yielding debt strategies such as mezzanine compare.

The opportunity in the debt market has also attracted a growing number of sovereign wealth funds to enter the market including the Government of Singapore Investment Corporate (GIC) and the China Investment Corporation (CIC). Together with a number of large pension funds, these investors are also realising the value of the lot size of their potential capital commitments. In return for development finance and/or recapitalisation of investments they are taking at least a preferred equity stake in prime office and retail developments and/or investments.

4 DEBT TO EQUITY FUNDING GAP: WHAT IS THE SPAN?

To date, the funding gap has been generally considered as the difference between previously existing finance terms, current loan-to-value thresholds and current property values. In the aftermath of the downturn both loan-to-value thresholds and real estate values fell, leading to a large refinancing gap. Subsequently, this has narrowed for a number of reasons. First, loan-to-value rates and prime markets have recovered, although not to levels achieved at the market peak. Second, banks have recovered debt as in-the-money assets have sold, while other non-performing loans have been written down or sold below par value. Within Europe, this funding gap is estimated at €89 billion, according to DTZ Research. However, the impact of Basel III suggests that the need for banks to meet risk and capital adequacy requirements may create a much greater funding gap that goes beyond the assessment of real estate risk and realigning equity to meet stricter lending criteria. Rather, such a funding gap is driven by wider bank restructuring and represents the level of de-leveraging required to restore banks to acceptable risk thresholds.

It is difficult to quantify the scale of de-leveraging required by banks precisely. However, the greatest escalation of debt occurred in the mid 2000s. Therefore, subjectively assuming 2004 debt levels in the UK as sustainable and subtracting them from 2010 levels provides a crude measure of the accumulated excess debt exposure. This stands at €136 billion for the UK. Currently, the UK's estimated share of European bank lending is 34%. This suggests that European balance sheet lenders would need to deleverage by at least €398 billion to restore lending to 2004 levels.

This is almost five times the funding gap derived from changes to loan terms and real estate values and is likely to be conservative for four reasons. First, the period also represents the rapid growth in the internationalisation of property investing and property lending. To this end, lending and investing in non-core Europe is encompassed within the €398 billion figure and over the period grew faster than investment or lending in core markets. Currently, lenders are primarily focused on the largest core markets and economically stable growth markets (for example, Sweden).

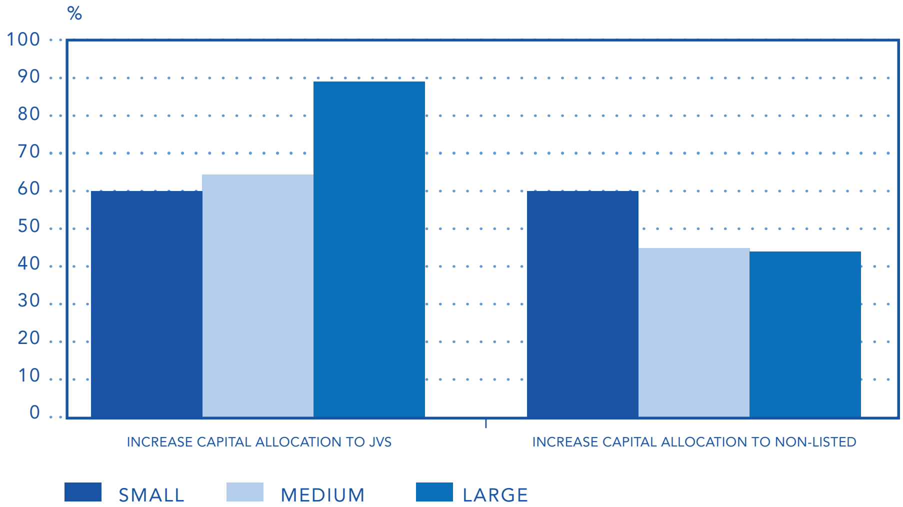
Second, this is also the period of increasing loan-to-value margins and flexibility as regards quality of the location, quality and covenant of the asset being underwritten. Available finance remains focused on core markets, on good quality assets and increasingly, on selected borrowers. Third, the latest figures for the UK do not include debt before loan books sold down or non-performing loans transferred to third party government agencies, including NAMA. While such loans are removed from the balance sheet, a funding gap remains for assets not ascribed a zero value.

Fourth, embedded in this estimate is an expectation that sovereign wealth funds and large investors other than insurers will sharply increase activity in the debt market by both number of organisations and volume of funds. It is also based on the simple premise that the new supply of debt is an addition to the equity in terms of its impact on the size of the capital base. This is unlikely to be the case entirely as certain investors are exploiting the real estate debt market in preference to real estate equity due to the stronger risk adjusted returns offered currently.

On this crude basis, there is a large gap between the €114 billion of available equity capital DTZ estimate to be available per annum to end 2014 and the potential de-leveraging funding gap of €398 billion, even assuming assets underlying such debt match the investment criteria of new equity Alternative sources of finance to banks lenders are crucial and the increase in its supply has been sharp. However, even assuming this growth continues apace such capital is unlikely to refinance those assets currently represented in balance sheets. To date, such investors remain focused on prime, income secure assets in the largest core markets.

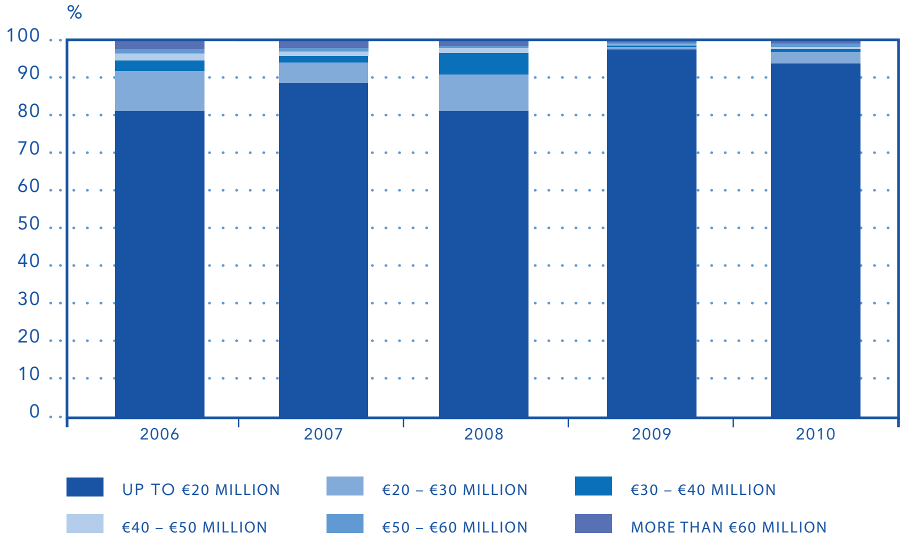
A proportion of new debt capital is likely to represent a transfer across from equity capital and will be neutral in its effect on the total capital base. However, the impact may not be evenly distributed across listed and non-listed real estate modes of investing. While capital raising for real estate funds remains competitive, recent INREV surveys indicate that investors intend to increase allocations to non-listed real estate funds. However, large investors' preferences indicate a change to their mode of investing away from non-listed real estate funds towards direct, separate accounts and joint ventures (Figure 26). A number of these large investors are also active in the real estate debt market. In contrast, the increasing volume of commitments under €20 million suggests stronger growth in the number of smaller investors attracted to the sector (Figure 27, page 32).

FIGURE 26 / CHANGE IN ALLOCATION TO JOINT VENTURES VS. NON-LISTED BY INVESTOR SIZE



SOURCE: INREV INVESTMENT INTENTIONS SURVEY 2011

FIGURE 27 / SOURCE OF CAPITAL BY COMMITMENT SIZE 2006 TO 2010



SOURCE: INREV CAPITAL RAISING SURVEY 2011

In order to gain a better understanding of how such changes in the availability of debt and sources of equity capital are impacting on the non-listed real estate sector a survey was conducted with fund managers and investors.

5 CURRENT IMPACT OF CHANGES IN AVAILABILITY AND SOURCES OF CAPITAL ON NON-LISTED REAL ESTATE

Two separate surveys were undertaken with fund managers and investors. The aim of the fund manager survey is to augment research from existing INREV research into sources of capital and trends in non-listed real estate as discussed earlier. The survey focused on two key issues. First, it explores the characteristics of new sources of equity and attempts to distinguish between first time investors in a fund and virgin investors in real estate. Second, it evaluates the current impact of the low availability and higher cost of debt capital on the management of existing and new funds.

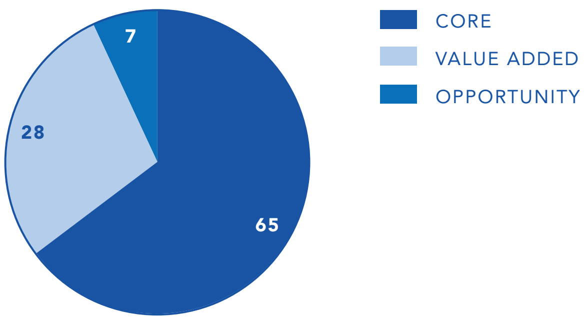
The investor survey is focused on how the increased breadth of real estate investing options is affecting allocations to non-listed. In particular, the survey explores the investing opportunities that have arisen from the scarcity of debt capital.

Impact of changes in capital sourcing for fund managers

The fund manager survey was sent to the 280 organisations in the INREV Vehicles Database and attracted 86 responses, representing a response rate of 31%. The composition of the survey sample as considered by the value of assets under management (AUM) for each style of investing breaks down to 65% core, 28% value added and 7% opportunity (Figure 28 and 29, page 32). Style classification is self-defined by respondents and underlies any analysis by style within the report. In comparison to the INREV universe, the sample represents a higher proportion of value added funds.

FIGURE 28 / BREAKDOWN OF SAMPLE BY STYLE OF AUM

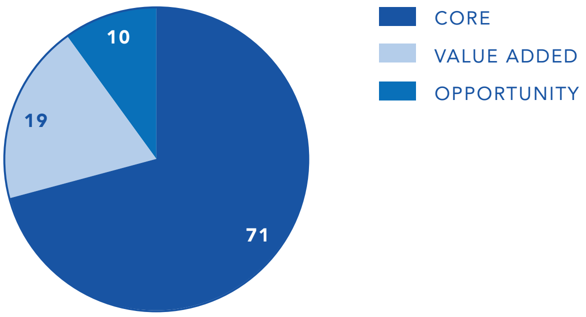
%



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

FIGURE 29 / BREAKDOWN OF INREV UNIVERSE BY STYLE OF AUM

%



SOURCE: INREV VEHICLES DATABASE NOVEMBER 2011

The survey explores changes in the sources of equity and debt capital to assess whether wider changes in real estate investing are affecting the non-listed real estate sector.

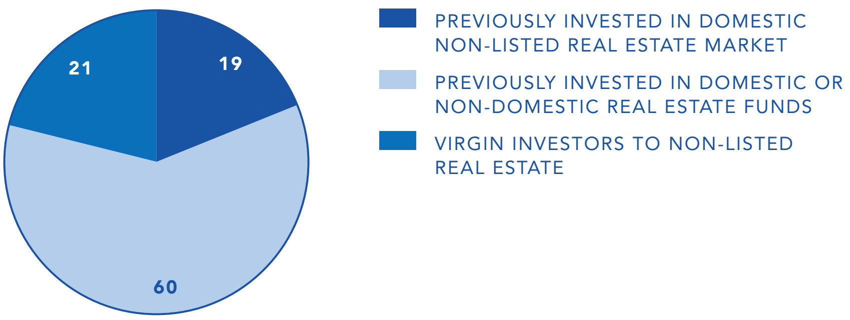
CHANGES TO EQUITY CAPITAL

Since January 2010, 58% of fund managers had raised capital in at least one fund since and 49% of respondents had raised funds from first time investors to their companies. By volume of capital, of the €24 billion of capital raised, 39% is accounted for by first time investors to the fund management company.

Earlier analysis of equity capital suggests that growth in non-listed real estate allocations will be driven by two factors, First, an increase in the number of smaller institutional investors attracted to the sector for the first time and second, by an increase in the number of medium and large investors seeking non-domestic exposure. However, the survey analysis indicates that most first time investors are experienced real estate investors, with 60% by value of capital raised previously investing non-domestically as well as domestically (Figure 30). Despite such exposure, investors prefer to invest through domestically domiciled vehicles, regardless of the target destination of capital (Figure 31). Approximately 91% of first time investors in organisations are European and 74% invest in funds domiciled in their domestic market. By number, less than 2% represent Asian investors.

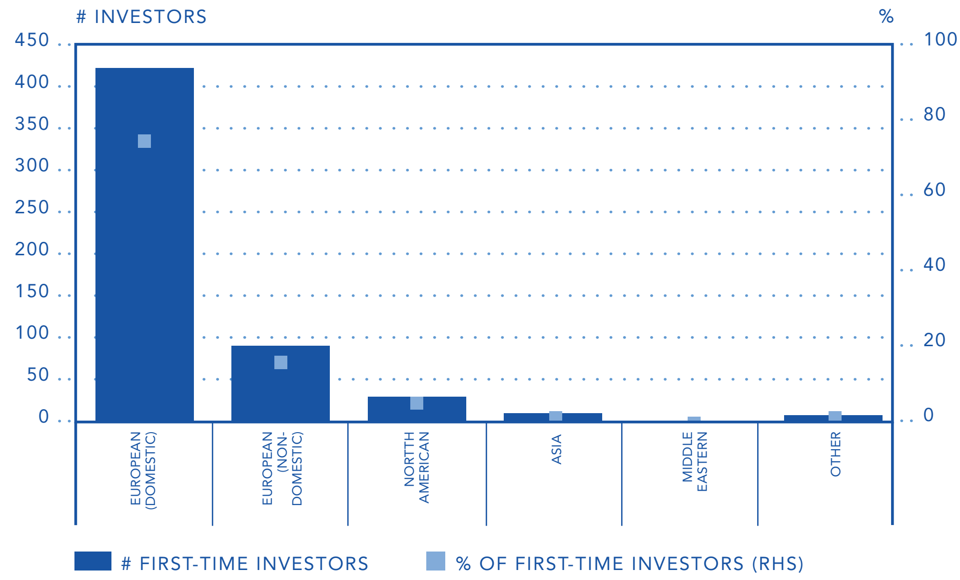
FIGURE 30 / FIRST TIME INVESTOR REAL ESTATE HISTORY

%



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

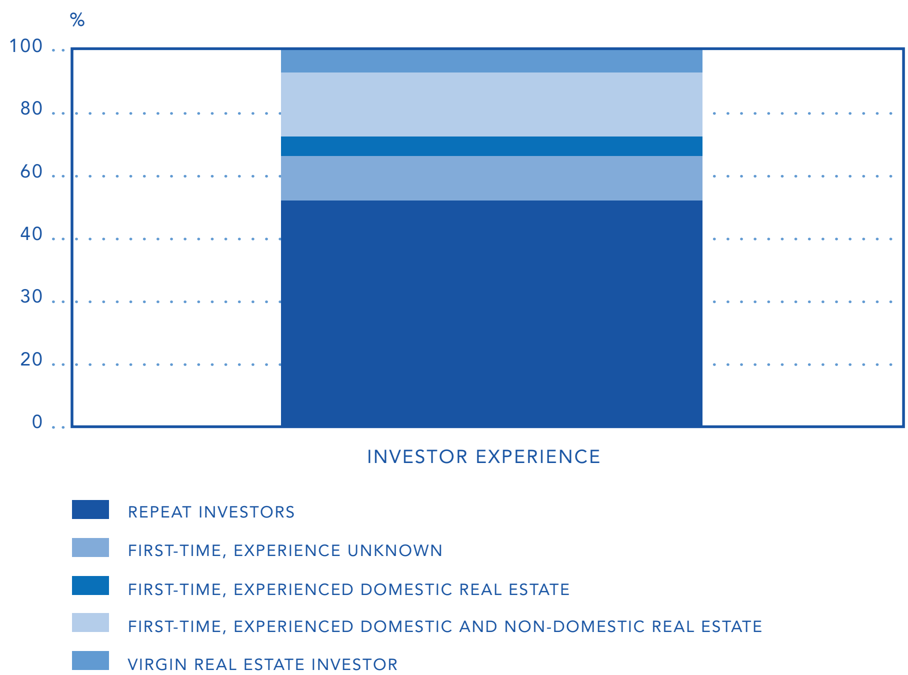
FIGURE 31 / FIRST-TIME INVESTORS BY ORIGIN



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

Although lower by number and value than might be expected, virgin investors account for 21% of capital raised by first-time investors to fund managers. However, in the context of the total value of capital raised by the sample since January 2010, virgin investors represent less than 6% of capital over the same period (Figure 32). This is in contrast to the numerous surveys reviewed previously that point to a wave of new investors to the sector. The degree of market volatility and level of market uncertainty in the current market may be causing such investors to defer actual commitments.

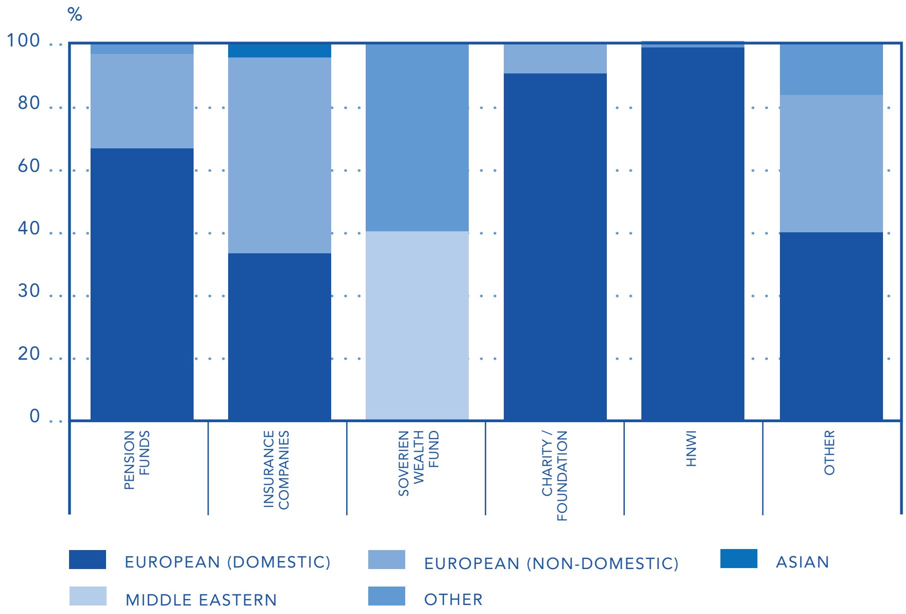
FIGURE 32 / BREAKDOWN OF CAPITAL BY INVESTOR EXPERIENCE



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

At 97% the overwhelming majority of virgin investors in European funds are from Europe, with 78% investing in funds domiciled in their domestic market (Figure 33). The number of virgin investors domiciled in Asia was less than 1%. Such investors primarily represent pension funds and HNWI accounting for 44% and 34% of virgin allocations to the sector. Of the remaining virgin investors, 8% are insurance companies and a further 8% are charities/foundations. This is broadly consistent with the breakdown of all investors reported in INREV's recent Capital Raising Survey.

FIGURE 33 / ORIGIN OF VIRGIN INVESTORS BY DOMICILE AND TYPE



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

CHANGES TO DEBT CAPITAL

During the 2000s the use of leverage accelerated both in the number of funds and in the level of gearing employed. Following the downturn, fund managers have focused on debt management and on lowering leverage levels in an effort to satisfy lending terms and to reduce risk. The survey results reveal a wide range of leverage employed across all styles of funds (Table 02). A minority of funds employ no leverage and account for 8% of fund managers. As expected core funds have the lowest level of gearing, employing an average of 28% by number of funds which when weighted by value is very marginally higher at 29%. However, the level of leverage ranges from 0% to 70%. Leverage in value added funds ranges from 0% to 86%, with an average of 35%. Again, there is little difference between the un-weighted and value-weighted average. In contrast, opportunity funds have a narrower range of leverage compared with value added funds, but a difference of almost 10% between the un-weighted average (48%) and value-weighted average (57%). This indicates that larger opportunity funds are characterised by higher rates of leverage. In part, this may reflect the vintage of such funds.

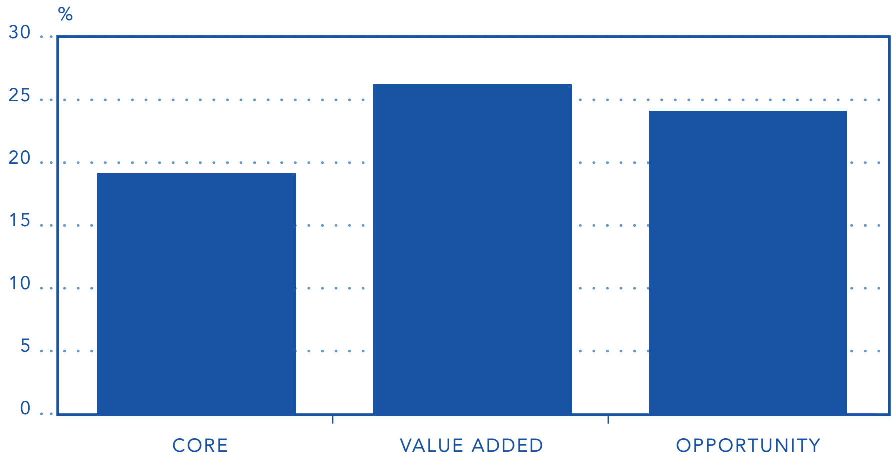
TABLE 02 / CURRENT LEVERAGE RATIOS ACROSS EUROPEAN NON-LISTED REAL ESTATE FUNDS

	CORE*	VALUE ADDED*	OPPORTUNITY*
	%	%	%
RANGE OF LEVERAGE	0 – 70	0 – 86	17 – 100
AVERAGE BY NUMBER OF FUNDS	28.96	37.79	57.17
AVERAGE WEIGHTED BY VALUE	28.00	35.36	47.99

*SELF DECLARED STYLES BY FUND MANAGERS

Respondents were asked to indicate the proportion of debt requiring refinancing by the end of 2013 for each style of fund managed (Figure 34). Again there was a wide range in the percentage of debt requiring refinancing ranging from 0% to 100% across all styles of funds. Where reported, the average proportion of debt requiring refinancing over the next two years is greatest for the higher leverage value added and opportunity funds. Approximately one quarter of debt in such funds will mature by end 2013. With an average of 19%, the proportion of debt maturing within core funds is lower.

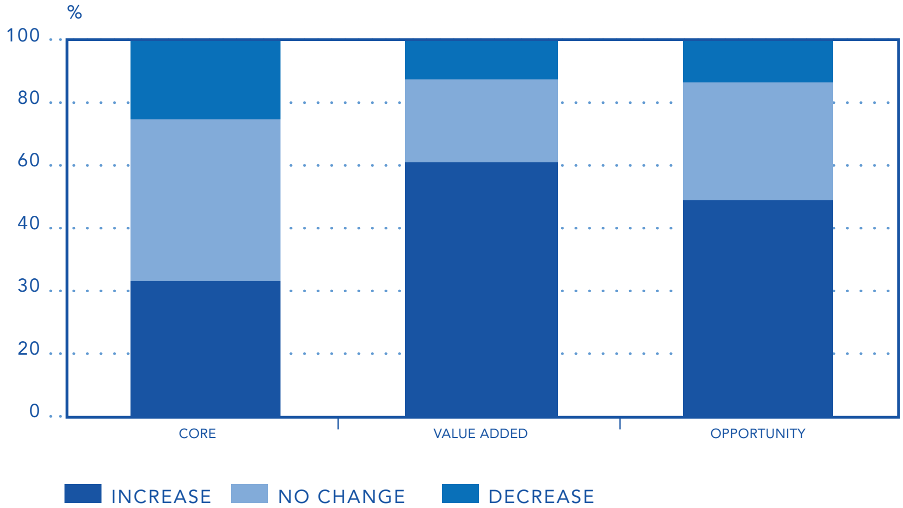
FIGURE 34 / PROPORTION OF DEBT MATURING BY END OF 2013



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

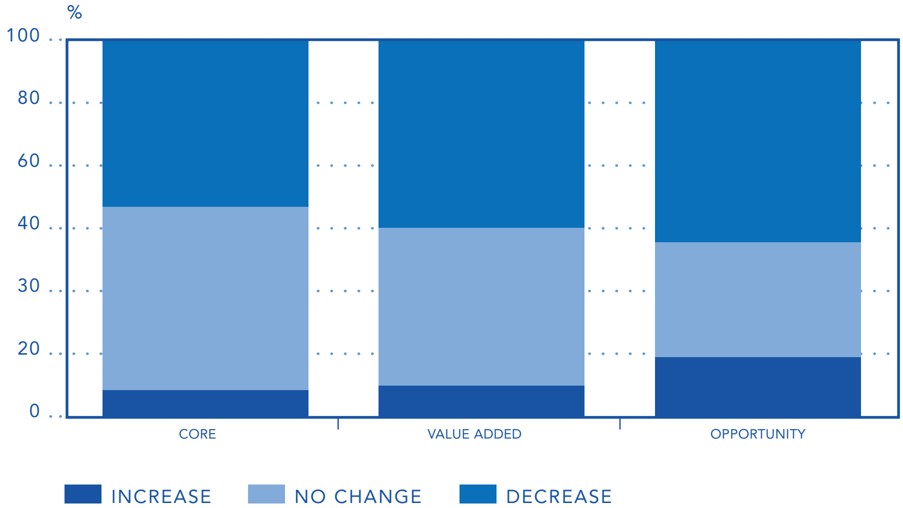
In addition the survey explored trends in the cost and availability of debt by fund style. While a majority of respondents indicated that the cost of debt increases when existing assets are refinanced across all styles of investment, this was particularly the case within value added and opportunity funds (Figure 35, page 38). This reflects the lower leverage associated with core, which is predominantly characterised by lower risk and higher income yielding assets. Such attributes result in greater availability of finance for core than for value added or opportunity assets, coupled with a lower risk weighting. A characteristic of the boom was that higher risk assets were characterised by higher loan to value ratios. As the financial and real estate markets progress with de-leveraging and de-risking programmes, loan-to-value ratios are declining most sharply for highly leverage and/or high risk assets. This is evidenced in the higher proportion of investors indicating that loan-to-values thresholds decrease upon refinancing of existing assets (Figure 36, page 38). Structured interviews suggest that the increase in loan-to-values for a small percentage of fund managers largely reflects the decline in value of assets with lower leverage ratios and subject to a managed workout rather than an increase in the absolute value of debt.

FIGURE 35 / CHANGE IN COST OF DEBT UPON REFINANCING EXISTING ASSETS



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

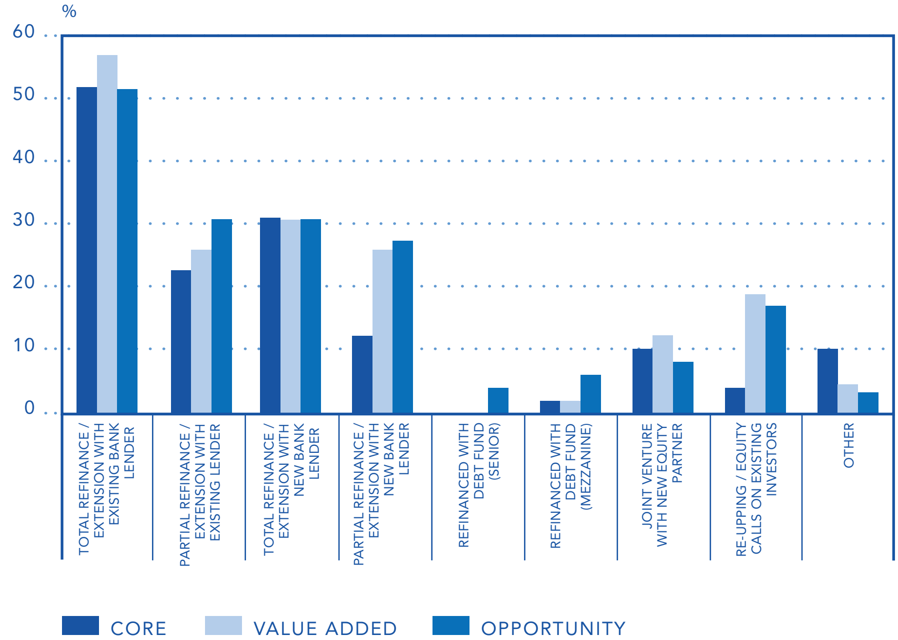
FIGURE 36 / CHANGE IN LOAN-TO-VALUE RATIO UPON REFINANCING EXISTING ASSETS



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

The withdrawal of lending institutions is also affecting fund managers, with 9.7% of respondents failing to secure refinancing on at least one asset as a direct result. Of those respondents indicating that they had refinanced existing assets, the most common source of capital is extending or refinancing the total loan with their existing lender (Figure 37). Over 50% of fund managers across all styles of funds indicated that extension or refinancing was achieved for 100% of the loan value for some assets. For other assets, only partial refinancing was achieved and is experienced by a higher percentage of opportunity (31%) than core (23%) funds. This reflects the larger debt funding gap characterising many assets in opportunity funds as a result of sharper declines in prevailing loan-to-value thresholds and the greater value deterioration of non-prime, income secure assets.

FIGURE 37 / SOURCES OF CAPITAL EMPLOYED TO REFINANCE / RECAPITALISE ASSETS



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

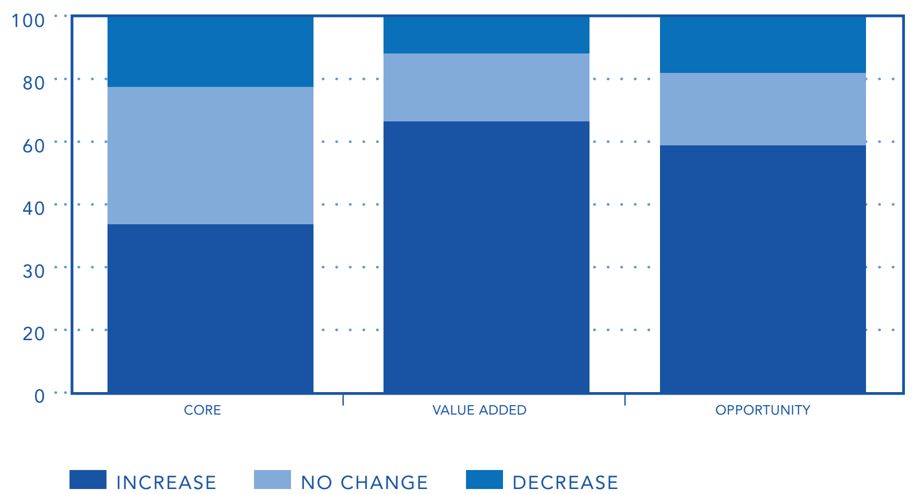
At over 30% across all styles, a lower proportion of fund managers achieved their required finance terms for assets with a new lender. For some assets, only partial refinancing was achievable. Again, this was experienced by a higher proportion of opportunity funds. Indeed, fund managers indicating that only partial lending was achieved for value added and opportunity fund assets are generally characterised by above average leverage ratios across fund styles.

A small minority of fund managers had employed either senior or mezzanine debt funds as a source of capital, perhaps reflecting the higher cost of such debt (Figure 35). Where used, they are more frequently employed by opportunity funds perhaps reflecting the greater scarcity of debt capital for higher risk assets.

Recapitalising with a new equity partner is employed by all styles of funds. The replacement of debt with equity through a joint venture partnership has been employed by over 10% of core funds, 12.5% of value added funds and 8% of opportunity funds. In addition, re-upping funds through equity calls on existing and/or new investors has been employed, in particular to bridge funding gaps to achieve extended or new lending terms. In some instances funds have purchased the debt tranche at a discount from the lender.

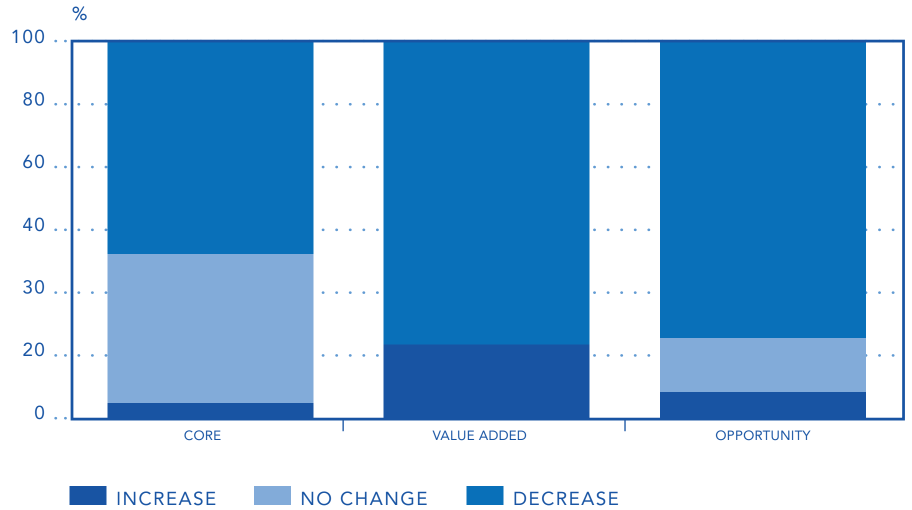
While banks have exercised some flexibility in the managed workout of existing loans, lending criteria and terms for new investments are stringent. The majority of fund managers indicated that the cost of debt has increased across all styles of investment (Figure 38, page 40). With stronger appetite from lenders for low risk assets, this is less marked for core funds than for value added and opportunity funds. Under Basel III, higher risk assets will warrant a higher capital charge and this risk weighting is reflected in the cost of debt. Fund managers are also refocusing on risk management and are adopting lower leverage ratios across funds (Figure 39, page 40). In part, this is driven by lower loan-to-value thresholds offered by banks and the higher marginal cost of debt. However, fund managers have refocused on risk management. The downturn demonstrated the downside risk associated with high leverage ratios particularly on high risk assets.

FIGURE 38 / CHANGE IN COST OF DEBT FOR FINANCING NEW INVESTMENTS



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

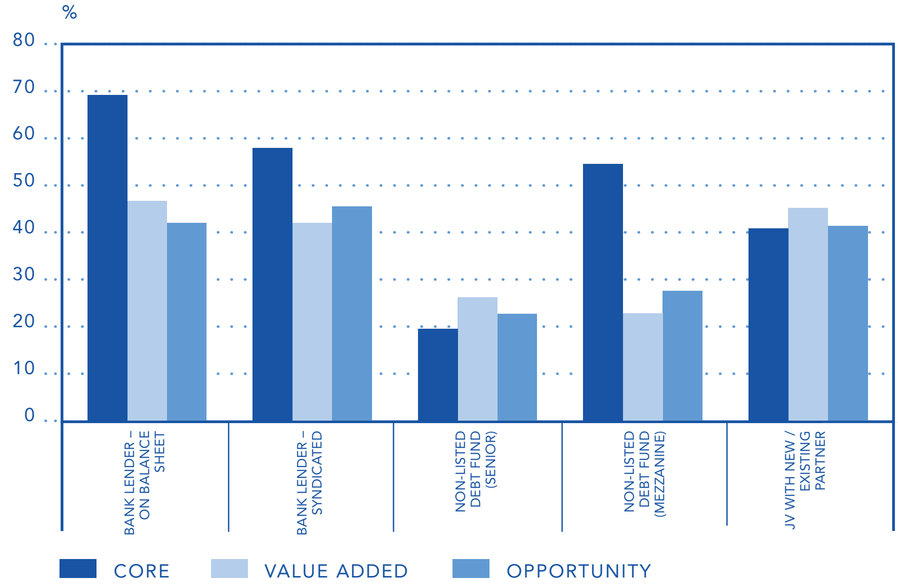
FIGURE 39 / CHANGE IN LOAN-TO-VALUE RATIOS FOR FINANCING NEW INVESTMENTS



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

For sources of debt for new investments, respondents were asked to score different types of capital providers on their availability of capital. Figure 40 illustrates that the highest availability of debt is from on balance sheet bank lenders for assets within core funds. Indeed, with 0 indicating lowest relative availability and 1 indicating the highest relative availability of capital, it is clear that bank lenders remain the primary source of debt. Interestingly, joint ventures with new and/or existing equity partners are an important recapitalisation solution for value added and opportunity funds, with comparable scores to those of bank lenders. Of course, unless such equity capital is in addition to existing allocations to real estate, the net effect of such recapitalisation lowers real estate's capital base. More positively, it does point towards increased collaboration and more innovative structuring solutions among market participants which in themselves have the potential to release latent value. Importantly, some large investors are acting as joint venture partners to non-listed funds and this has the potential to shift previously perceived boundaries within the industry. It is therefore important to consider changes in investor behaviour resulting from the scarcity of capital to gain a better understanding of the implications for the non-listed real estate sector.

FIGURE 40 / AVAILABILITY OF CAPITAL BY SOURCE OF CAPITAL

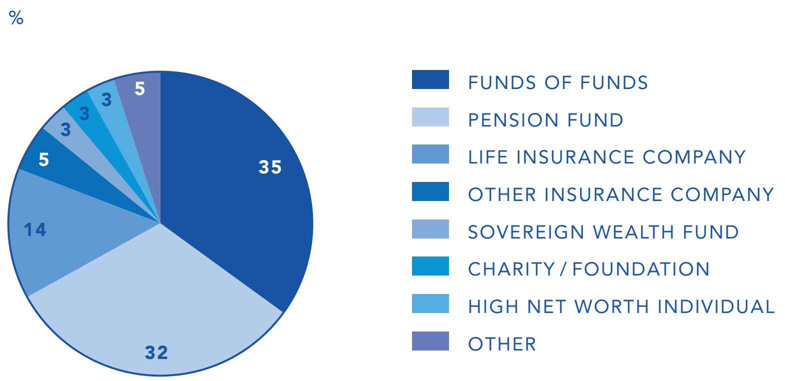


SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

Impact of scarcity of capital for investors

The investor survey was sent to 77 investors and 21 fund of funds managers. It attracted 37 responses representing a response rate of 48%. Figure 41 illustrates the breakdown of respondents by type of investor. Pension funds are the largest group of investors accounting for 31% of respondents, with all insurance companies representing a further 19%. Fund of funds investors account for the largest share of respondents at 35% and represent a large number of smaller investors, primarily small pension funds and HNWI investors.

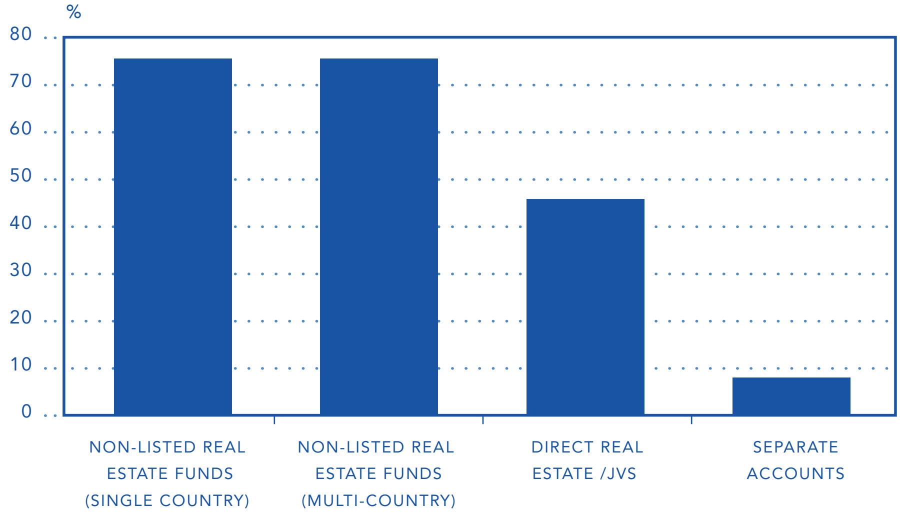
FIGURE 41 / BREAKDOWN OF SAMPLE BY CATEGORY OF INVESTOR



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

Respondents were asked to indicate which modes of private real estate investing are considered as part of their real estate allocation. Single country and multi-country non-listed real estate funds fall within the real estate allocation of 75% of investors (Figure 42). Investing in real estate directly, either solely or through a joint venture partnership, is permitted within the real estate allocation of 46% of investors. If fund of funds managers are excluded, this increases to 77%, although 15% of fund of funds managers may invest directly. Only 8% of investors may consider separate account mandates.

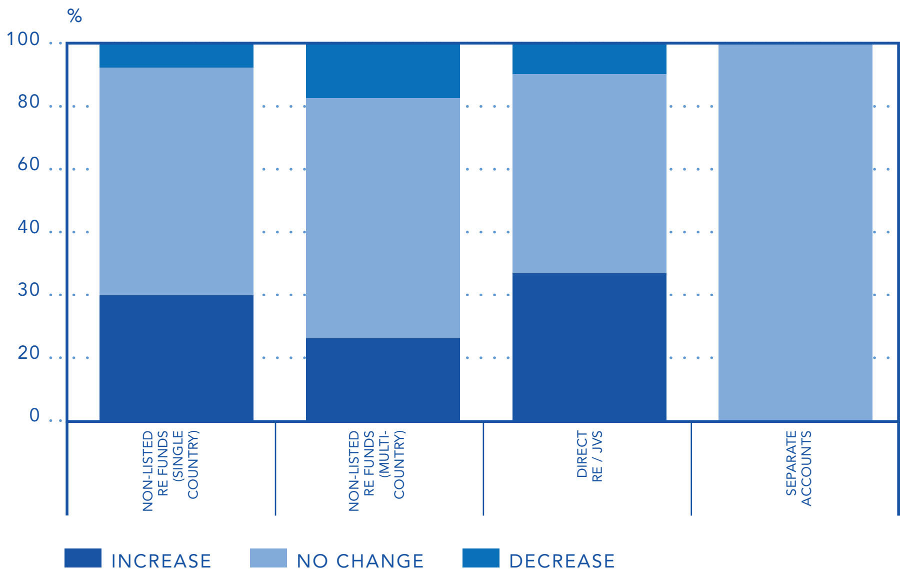
FIGURE 42 / SELECTED INVESTMENT MODES CONSIDERED WITHIN REAL ESTATE ALLOCATION (% OF INVESTORS)



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

The majority of investors indicated that across all modes of investing, allocations have remained stable since January 2010 (Figure 43). At 39%, direct investing and joint ventures have experienced the strongest increase in allocations, while allocations to multi-country non-listed funds have experienced the highest proportion of investors decreasing allocations. These results are broadly consistent with previous INREV Investment Intentions Surveys. Excluding investors not permitted to invest in a particular investment mode, there is no apparent correlation between investor scale and the change in allocations to direct or non-listed real estate funds.

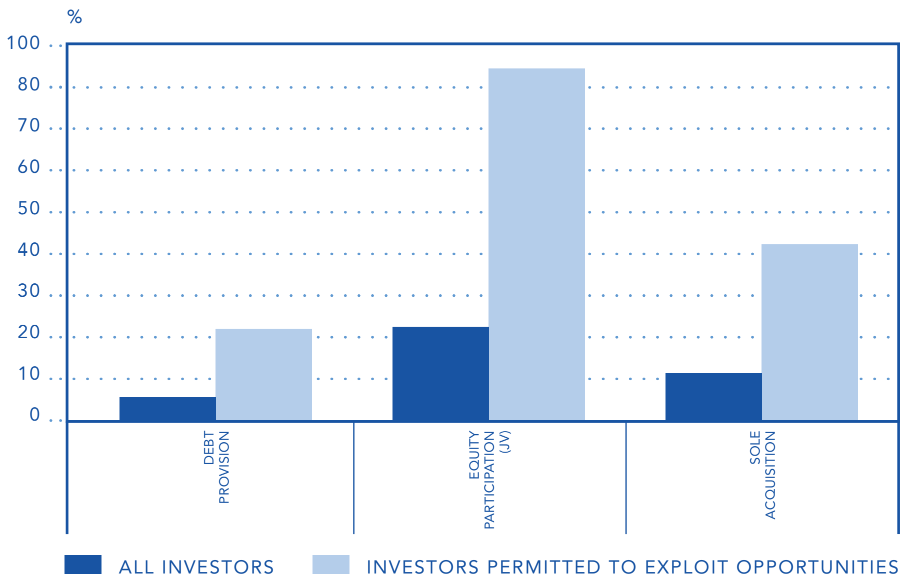
FIGURE 43 / CHANGE IN ALLOCATION TO INVESTMENT MODE SINCE JANUARY 2010



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

A quarter of investors indicated that the lower availability and higher cost of debt for third party investors has increased investment opportunities in direct real estate, new development and/or standing investments. Of these investors, 89% have pursued equity participation through joint venture partnerships, 22% have solely acquired assets that would otherwise have been unavailable while only 4% have provided debt (Figure 44). Investors indicated that previously they would have been unable to access this product given the dominance of specialist investors and/or developers in certain sectors and/or lacked the required sector specialist skills.

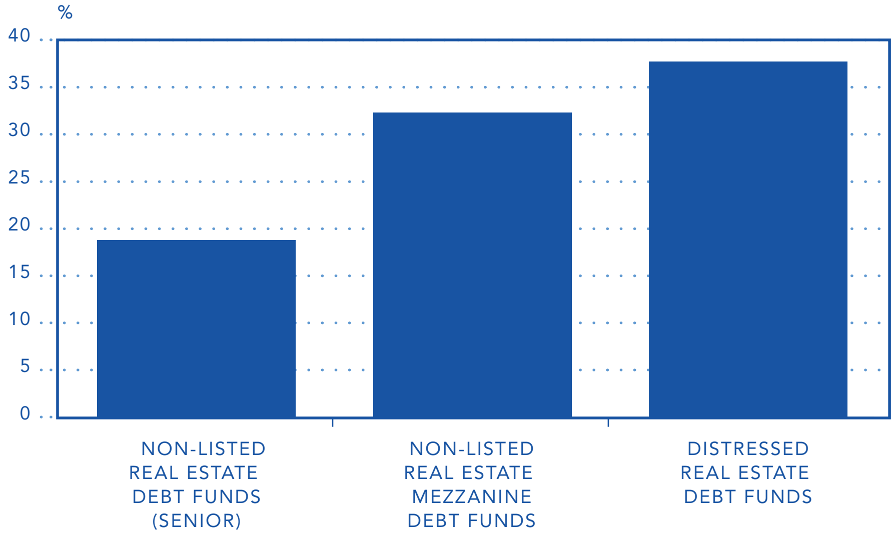
FIGURE 44 / SELECTED INVESTMENT MODES CONSIDERED WITHIN REAL ESTATE ALLOCATION (% OF INVESTORS)



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

There is some variation as to whether real estate debt funds are considered within the real estate allocation, depending on the characteristics of debt funds (Figure 45). Distressed debt funds are considered most, with 37% of investors including them within the real estate allocation strategy. Real estate mezzanine funds are considered by 32% of investors, while at 19%, senior debt funds are considered by a much lower number. However, of the respondents indicating the value of allocations to such funds, the highest allocations are made to senior debt funds and the lowest to distressed debt funds. While this appears counter intuitive it perhaps reflects the lower risk appetite of investors in the current market. The number of respondents indicating the value of investments in debt funds is low and therefore unreliable. However, where stated their value relative to the value of investments in non-listed real estate funds is consistent at 8%.

FIGURE 45 / REAL ESTATE DEBT INVESTING OPTIONS PERMITTED WITHIN REAL ESTATE ALLOCATION (% OF INVESTORS)



SOURCE: INREV CHANGES IN CAPITAL SOURCES SURVEY 2011

6 CHANGES IN THE SOURCE OF CAPITAL AND ITS IMPLICATIONS FOR THE NON-LISTED REAL ESTATE SECTOR

The legacy of the financial crisis continues to impact upon the sources of equity and debt capital for real estate over a short and long term horizon. However, its manifestation within the non-listed real estate sector is complex owing to the interaction of the underlying forces of changes in capital themselves and their interaction with wider trends in real estate investing.

Since 2008, the amount of dry powder, that is, un-invested capital, within non-listed funds is significant, although trends in its growth vary across investment styles. First, the slow re-pricing of the market and the banks preference for a managed workout of both non-performing loans and performing loans in breach of covenants meant that the expected flood of distressed assets never came to fruition. Funds raised to exploit this expected opportunity have struggled to secure opportunities. Some funds have revised strategies and return expectations while others have returned capital to investors.

Second, opportunity and value added funds raised prior to the crisis have been frustrated by an absence of debt for new investments and the impact of the crisis has refocused time and resources on managing existing portfolios. For certain assets within such funds, additional equity has been employed to recapitalise existing assets. Third, with investors refocusing on risk management, allocations to core funds have increased. However, given a low risk appetite such funds have adopted a narrow focus on prime, income secure assets on core markets. With low levels of market liquidity competition for such limited product has been intense, driving pricing to levels approaching the peak of the market. This has caused some funds and investors to withdraw. Fourth, while fund raising remains highly competitive, the sector continues to attract new capital. Estimates of dry powder across all European non-listed funds amount to €28.5 billion.

In addition, institutional investors have accumulated capital that has been allocated to the sector but not invested. Again, there are a number of reasons underlying this trend. As a long term investment, institutional investors in real estate commonly adopt a counter-cyclical investment strategy. This means that from the mid 2000s many institutions tactically withdrew allocations. Following the downturn, slow re-pricing, on-going market volatility and uncertainty, and the strong pricing of limited low risk prime assets has limited the deployment of such capital.

INREV's surveys of the institutional investor universe across five European markets suggest that this amounts to €95 billion of additional capital. Of course not all capital will be deployed over the short term horizon to 2014 and only a proportion will be allocated to non-listed. The surveys also indicated that allocations to real estate are expected to increase across all markets and that, within this, allocations to the non-listed sector will grow faster. In addition, the number of smaller pension funds investing in the sector is set to increase. This points towards an increase in the number of domestic single sector and diversified funds, which will match their likely strategies.

At the aggregate, pension fund allocations to non-listed real estate have been increasing, while insurance companies have been declining. However, there are marked differences across geographies with the non-listed real estate sector dominated by life insurance companies in France and Germany. Given this analysis, DTZ's estimate of €65 billion of equity available to non-listed real estate funds per annum from 2012 to 2014 is rational.

Over the near term, the process of de-leveraging remains the greatest challenge for the non-listed real estate sector. The persistence of the debt funding gap calculated on satisfying the amended loan terms of existing assets is minor in comparison to the crude estimate of the scale of de-leveraging that may be required to meet Basel III requirements (€89 billion versus €398 billion). Most recently, Societe Generale withdrew from real estate lending, citing a programme of bank wide balance sheet de-leveraging, while Eurohypo's suspension of lending assists in fulfilling their reduction of risk weightings by €30 billion objective.

Even bank lenders that are indicating that they intend to increase lending are simultaneously stating that they intend to reduce the size of loan books. That is banks are seeking to improve the quality of loan books at the same time as reducing their size. Since the downturn lending criteria have strengthened, terms of loans have become more onerous and the cost of debt has escalated. New lending is primarily limited to the largest real estate markets in the largest European economies, with a focus on prime, low risk assets. Importantly, this does not preclude opportunity investments, especially those bought at a strong discount and/or with strong income cover. The strength of the borrower and the strength of their relationship with lenders is crucial and the borrower's standing is at least equal to the underlying asset's credentials.

Given the low availability of debt, stricter lending criteria and higher returns for its provision, alternative sources of debt capital have increased. Non-listed debt funds now dominate the mezzanine debt market. Within the senior debt market, the expansion of the role of insurers dominates the market both directly and through non-listed senior debt funds. Debt capital available from these sources over the next three years is estimated to total €110 billion. At least part of this new supply of debt capital is expected to be at the expense of equity.

However, the impact of reduced equity may be less marked for non-listed real estate funds. At the aggregate, large insurers have reduced allocations to the sector, while allocations from pension funds have increased. Thus, the growth in the availability of debt is likely to be a net benefit, even if equity for the wider real estate sector declines. However, the potential replacement of bank lenders debt capital with insurer's real estate equity allocations to the sector would lower the overall capital base of real estate. Given the focus of institutional capital on core, prime markets, the impact on pricing is unlikely to be even across markets. Investor and debt providers remain focused on the largest real estate markets in largest core European economies, France, Germany and the UK and selected growth and recovery markets, for example Sweden and the Netherlands. Thus the polarisation in pricing between the core and periphery, and prime and secondary by country, market and asset quality is expected to escalate further in the short term.

This is further underlined by the sources of capital raised in non-listed real estate funds in 2010. Appetite remains strongest for domestic real estate funds and with the largest economies accounting for the largest proportion of investor capital, real estate markets in Germany, France, the UK and the Netherlands remain the primary target, together with lower risk growth economies, for example, Sweden. This is likely to increase further as the number of smaller pension funds allocating to the sector increase commitments. Although they dominate virgin investors to the sector, the number making commitments remains low amid heightened market uncertainty. However, over the near term they are likely to account for the strongest growth in equity capital. The smaller scale of commitments by such investors, coupled with the lower availability of debt and its higher cost will have implications for the structure of non-listed core funds. Ultimately, it is also expected to polarise into large, diversified funds and smaller, specialist vehicles.

The lower availability of debt capital is affecting existing funds in three ways. First, the marginal cost of debt has increased, impacting returns negatively. Second, lower loan-to-value ratios have required recapitalisation of many assets, requiring equity injections from existing or new fund capital, or from a third party source. Third, nearly 10% of fund managers failed to achieve refinancing on an existing asset due to the withdrawal of a lender from a market. As banks increase their focus on Basel III requirements, the inability to secure new terms with an existing or new lender may escalate. Over the next three years, approximately 50% of loans within non-listed funds are due to mature. Currently, the majority of funds have not used non-listed debt funds to refinance but their use may increase should banks withdraw further. Alternatively, fund managers may explore more innovative recapitalisation strategies with new equity partners. Indeed, entering joint venture partnerhsips was the preferred approach of fund managers recapitalising assets with an alternative source of capital to bank lenders.

APPENDIX: RESPONDENT COMPANIES

The following list comprises those fund managers, investors and fund of funds managers who kindly contributed to the surveys and gave permission for their company names to be published.

Aberdeen Property Investors
AltaFund
Altera Vastgoed NV
Amvest
APG Asset Management
ARCH Capital Management Company Limited
Archstone Management Germany S.à.r.l.
AREA Property Partners
Art-Invest Real Estate
ASR Vastgoed Vermogensbeheer
Aviva Investors
AXA REIM
Blue Sky Group
Bouwinvest
BPT Asset Management A / S
Caixagest
Capital Dynamics
Capman Real Estate
Clerestory Capital
Cordea Savills LLP
Corestate Capital AG
Corpus Sireo Investment Management Sarl
Cushman & Wakefield Investors
EII (European Investors Inc)
Eurindustrial
F&C Property Asset Management
Feldberg Capital GmbH
Franklin Templeton Investments
Generali Property Investments SGR
Gothaer Asset Management AG
HAHN Fonds Management GmbH
Henderson Global Investors
Hunter Property Fund Management
IBUS Asset Management BV
Imorendimento
ING Insurance Benelux
ING Real Estate Investment Management
IVG Immobilien
Jamestown US – Immobilien GmbH
Keva (The Local Government Pensions Institution)
Legal & General Property Ltd
MacFarlane Partners
MEAG
Mitsui Fudosan
Mn Services
Niam AB
Norfin, S.A.
NVERSEGUROS GESTIÓN, S.A., S.G.I.I.C.
Sociedad Unipersonal
Palatium Investment Management Limited
Paramount Group INC
PGGM Investments
Philips Pensioenfonds
Prelios SGR S.p.A.
Q Park
RREEF
Rynda Property Investors
Saxo Properties A / S
Schroder Property Investment Management
Limited
Sonae Sierra
Sparinvest Property Investors
Sponda Plc
STAM Europe
Standard Life Investments
Sveafastigheter
Syntrus Achmea Real Estate
The Crown Estate
Tishman Speyer
UBS Global Asset Management
Union Investment
Valad Property Group
Versicherungskammer Bayern
Vital