INREV RESEARCH & MARKET INFORMATION

INVESTOR UNIVERSE GERMANY SURVEY 2010

INREV

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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.

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ACKNOWLEDGEMENTS

This report would not have been possible without the input of the insurance companies, pension funds, pension schemes for professional occupations and other institutions that provided data and information on their asset and real estate allocations and strategies. The contribution and efforts of all investors participating in the survey are highly appreciated. Special thanks are also due to those investors that provided additional information in face-to-face and telephone interviews.

The majority of respondents wished their identities to remain anonymous.

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

EXECUTIVE SUMMARY

This study analyses the German institutional real estate market and the current and prospective real estate exposures of German institutional investors. It aims to provide indicative estimates on the size and composition of the total German institutional real estate universe with a particular focus on non-listed real estate investments. An additional research objective is to capture the underlying investment strategies of German institutions with respect to non-listed real estate vehicles.

The data for the study was collected from a sample of 35 German institutional investors through an online survey and supplementary face-to-face and telephone interviews. The sample comprises 14 life insurance companies ('*Lebensversicherungen*'), eight other insurance companies ('*sonstige Versicherungen*'), six pension schemes for professional occupations ('*berufsständische Versorgungswerke*'), five corporate and public pension funds ('*Pensionskassen und Pensionsfonds*') and two participants not attributable to one of the aforementioned investor types.

The sample has approximately €568 billion of assets under management across all asset classes, representing around 52% of the estimated German institutional universe of €1,100 billion. Property investments account for €32.5 billion of the sample's total assets, corresponding to a real estate exposure ratio of 5.7%. The German institutional real estate universe is estimated at €59 billion. The real estate exposure of the universe is at approximately 5.4%, slightly below the real estate exposure of the sample.

The current real estate exposures of German institutions are significantly lower than their assumed target allocations to the asset class, which are estimated at €84.7 billion. If all investors of the universe exploited their full real estate target allocations, an estimated additional €25 billion of capital would flow into real estate from German institutional investors.

On top of this outstanding €25 billion, an additional €1.2 billion is expected to flow into real estate within the next three years as German institutions are expected to increase their real estate exposures. This would lead to a combined institutional real estate market of €85.9 billion.

The current German real estate universe (€59 billion) is dominated by life insurance companies, which hold around two thirds (€37.8 billion) of the aggregated real assets of German institutional investors. The property investments of pension schemes for professional occupations account for around one sixth (€9.4 billion) of total real estate, followed by other insurance companies with €7.8 billion. Pension funds only hold a small share of the real estate universe (€3.5 billion), which is more a reflection of their size than of their appetite for real estate.

Pension schemes for professional occupations boast the highest real estate exposure ratios over all investor types (14% of total assets), followed by pension funds with 10%, life insurance companies with 5.5% and other insurance companies with approximately 3%.

Direct real estate holdings are the largest component of institutional property portfolios, accounting for around 58% of total real estate investments. Non-listed vehicles represent an estimated 30% of the property investments of the universe, followed by joint ventures with 8% and other forms of real estate with 4%. Across the sample, the majority of investors invest both directly and indirectly in real estate.

The German non-listed real estate universe is estimated at €18 billion (including fund of funds) and expected to grow to €24.4 billion over the next three years, provided that investors will have sufficient liquidity to reach their allocation targets. Life insurance companies are the largest investors in non-listed vehicles, accounting for around 70% of the universe. Other insurance companies and pension schemes for professional occupations are almost equally represented in the non-listed universe, holding 14%, respectively 12%, of the total. Pension funds only represent a small share (4%) of the non-listed universe.

Domestic investments are highly relevant for the real estate portfolios of German institutional investors, accounting for around two thirds of total real estate. Most of the domestic real estate investments of the sample are in direct property. This direct domestic exposure is supplemented by selected, domestic non-listed investments providing access to specific real estate sectors that are not directly available to investors because of lacking in-house resources and expertise.

Non-listed is the preferred route to invest in real estate abroad, representing around 77% of investors' non-domestic real estate portfolios. Only the very large life insurance companies and a number of the participating pension schemes for professional occupations have direct exposures to non-domestic real estate. Real estate in Germany, in contrast, is mainly acquired through the direct route.

Except for the very large life funds, all participating insurance companies pursue an indirect, predominantly non-listed, strategy for their non-domestic real estate investments. The interviews revealed that most investors found it easier to access new markets and to internally diversify their domestic portfolios by choosing the indirect, non-listed route. Investors said that non-listed real estate funds allowed them to buy in external expert management without having to build up own resources and structures abroad. This particularly holds true for smaller institutions with lower absolute real estate exposures and investors that are just starting to build up their real estate portfolios, who pointed out that the smaller lot sizes made non-listed a good method for international diversification.

Only a small number of investors said that access to leveraged investment was an important reason to choose the non-listed route. Considering the sample's large proportion of insurance companies, which are restricted in their use of leverage with respect to direct real estate investments, this finding is particularly interesting.

Those pension funds who responded to the survey chose a purely direct, domestic approach to real estate investment. A number of these respondents stated that internal reasons restrained them from investing in non-listed real estate vehicles. Others stated the lack of control to be the main obstacle of non-listed investment.

1 INTRODUCTION

This is the second report in a series of studies INREV is conducting to estimate the current and future size and composition of the European institutional non-listed real estate fund market. A study on the UK Investor Universe was published in March 2010.

The scope of this report is the current and future real estate exposures of the German institutional market as well as the underlying investment strategies of investors with a particular focus on non-listed real estate investments.

The study therefore meets two needs of information. The first relates to the size and composition of the total real estate investments of German institutional investors. Although several industry organisations have published studies on the real estate exposures of particularly German insurance companies in the past, the real estate allocations of other institutional investors, such as pension funds and pension schemes for professional occupations are still under-researched. Furthermore, the studies that have been conducted so far only provide information on the real estate allocations of those investors responding to the associated surveys. This is the first study analysing the total German institutional real estate and non-listed universe, providing indicative estimates on the size and composition of German institutions' total real estate and in particular non-listed property fund investments and their underlying investment strategies.

Secondly, in times of high uncertainty and market volatility, investors may have to rebalance their existing real estate portfolios. As a result of the denominator effect, i.e. the slump in prices on the stock and bond markets boosting real estate exposure ratios, many investors have reached or exceeded their maximum real estate allocation limits and may need to sell property fund holdings. Against this background, this study analyses not only the current non-listed real estate investments of German institutions, but also aims to give forecasts on the future development of the German institutional non-listed property fund market.

Section two of this report considers the size of the total German institutional investment universe, the share of real estate in investors' multi-asset portfolios and institutions' aggregate exposures to non-listed real estate funds. Section three presents the composition of the current real estate exposures and allocations of the sample of German institutional investors and derives estimates on expected figures for the total German real estate universe. A detailed analysis of institutions' non-listed real estate investments and allocations is presented in Section four, breaking down the sample's non-listed portfolios into different investment styles, property sectors, vehicles and regions. Section five discusses investors' attitudes towards non-listed real estate vehicles, pointing out the perceived attractions and obstacles of non-listed investments, as well as the investment strategies adopted by institutional real estate investors. The estimates on the future development of the size and composition of the total real estate and the non-listed universe are presented in Section six.

The Appendices reveal more detail on the survey methodology and the approach used to estimate the size of the total real estate and the non-listed universe.

1.1 Methodology

This study was conducted by the Chair of Real Estate Management at the European Business School, Germany, as commissioned by INREV.

The data for the study was collected in January and February 2010 through an online questionnaire and supplementary face-to-face and telephone interviews with investors. There were 107 institutions who were asked to participate in the survey, of which 35 responded. This comprised 14 life insurance companies, eight other insurance companies, six pension schemes for professional occupations, five corporate and public pension funds and two other investor participants. This represents a response rate of 33%, which is significant for studies of this type and positively contributes to the validity of the survey's findings.

In addition, desk top research on the assets and allocations of the sample and the universe was conducted by analysing published annual reports and accounts as well as the publications of the German Federal Financial Supervisory Authority (BaFin) and the German Central Bank. These additional sources of information provided valuable insights to validate the universe estimates.

1.2 Sample and universe

The sample's total assets (equities, bonds, real estate, alternatives, etc.) are €568 billion, which represents around 52% of the estimated German institutional universe. The sample's current real estate exposure is €32.5 billion or 5.7%, accounting for approximately 55% of the estimated real estate universe. Please see Appendix 1 for further details on the sample.

The universe includes all institutional investors who make multi-asset allocation decisions to meet a future liability. In particular, this includes life insurance and other insurance companies, corporate and public pension funds as well as pension schemes for professional occupations.

As the study focuses on the German institutional real estate market, German subsidiaries of non-domestic institutions are included while foreign subsidiaries of German institutions are excluded. The sample also comprises endowments, foundations, charities and other organisations making multi-asset allocation decisions.

This sample only includes two of these types of institutions. In order to protect their identities, their responses are only shown on an aggregate level specified as 'other'.

The double-counting of institutions was avoided by excluding funds that are managed externally on behalf of other institutional investors as well as funds where the managing institution has no discretion over the allocation of capital to real estate. Also excluded are funds that are managed by institutional investors on behalf of non-institutional, in other words private or retail, investors.

The research covers both domestic and non-domestic real estate. Real estate is defined as direct and indirect investments, including infrastructure, mezzanine and debt funds (excluding covered bonds, such as '*Pfandbriefe*'), REITs and interests in property companies, irrespective of whether such investments are included in investors' real estate allocations or other allocations. Real estate allocations, as defined by the provisions of the German Insurance Supervisory Act, are part of insurance companies' ('*Sicherungsvermögen*'), i.e. those assets that are liable for the claims of policyholders in the event of bankruptcy. The assets of the ('*Sicherungsvermögen*') must comply with certain investment objectives and restrictions with respect to security, profitability, liquidity and risk diversification in order to protect the capital contributions of the policyholders. Not all real estate investments qualify for inclusion in the real estate allocation of the ('*Sicherungsvermögen*'). Direct investments and German ('*Spezialfonds*') are typically included in the real estate allocation, whilst other fund structures, in particular some of the closed ended vehicles, do not always satisfy the requirements of the real estate allocation and are therefore included in other allocations, such as the ('*Beteiligungsquote*') participation ratio.

2 THE GERMAN INSTITUTIONAL UNIVERSE

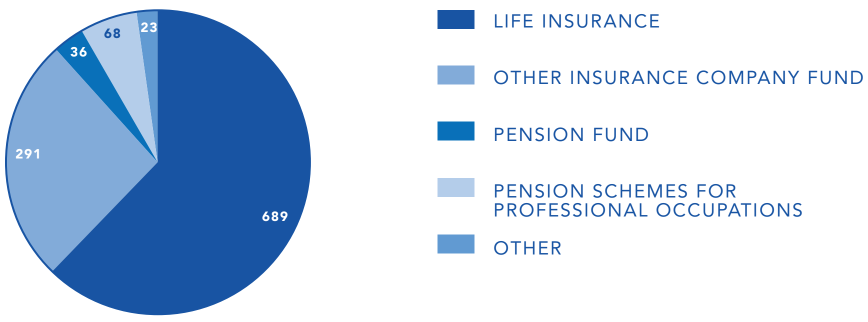
2.1 Multi-asset universe

The investors participating in the survey have approximately €568 billion of assets under management across all asset classes. This represents around 52% of the total German institutional investment universe, which is estimated at approximately €1,100 billion.

As illustrated in Figure 01, the German institutional universe is dominated by life insurance and other insurance companies, which together account for almost 90% of the total. Pension schemes for professional occupations represent around 6% of the universe, followed by pension funds with 3%. A small share of 2% is held by other institutional investors. This group comprises endowments, foundations, charities and other organisations making multi-asset allocation decisions. Further details on the universe estimates are available in Appendix 2.

FIGURE 01 / GERMAN INSTITUTIONAL TOTAL ASSETS BY TYPE OF INVESTOR

€ BILLION



2.2 The real estate universe

Figure 02 shows that the aggregated real estate investments of German institutional investors amount to an estimated €59 billion, of which €18 billion including fund of funds is non-listed. The property holdings of the sample represent around 55% (€32.5 billion) of the estimated real estate universe.

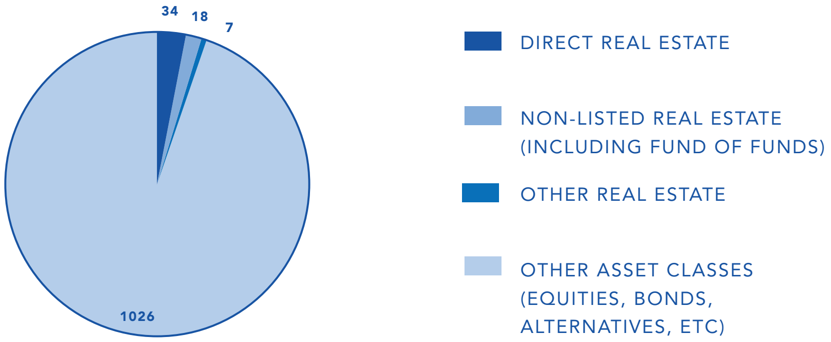
On average the real estate exposure of German institutions is around 5.4% of total assets, with non-listed vehicles accounting for approximately 1.6% of the multi-asset universe and 30% of the real estate universe.

The estimate of the real estate universe includes all direct and indirect property investments, irrespective of whether such investments are included in investors' real estate or other allocations. In Germany, due to the provisions of the German Insurance Supervisory Act, not all real estate assets are held as part of the real estate allocation.

Since the findings of the survey and additional research show that only a small share of investors' real estate portfolios is invested in infrastructure, mezzanine and debt funds, REITs and property companies, these investment forms are only shown on an aggregate level ('other real estate') in Figure 02.

FIGURE 02 / GERMAN INSTITUTIONAL TOTAL ASSETS BY TYPE OF INVESTMENT

€ BILLION

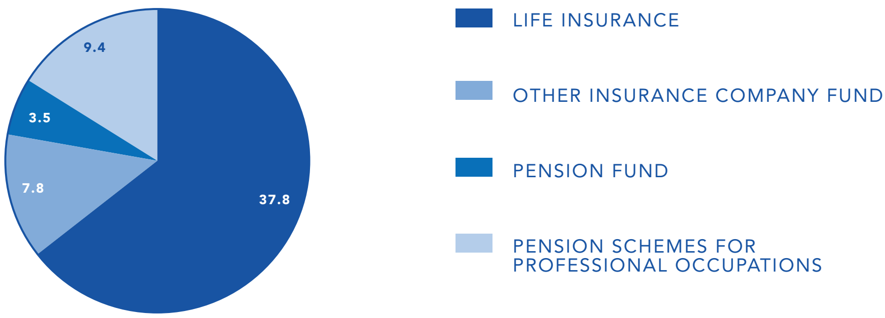


Life insurance companies account for almost two thirds (64%) of the total real estate universe (Figure 03). This is followed by pension schemes for professional occupations with 16% and other insurance companies with 13%.

Pension funds only hold a small share of the real estate investment universe. This is due to the fact that fund sizes are small when compared to those of insurance companies. Pension funds' appetite for real estate is, however, relatively large, as reflected by their estimated real estate exposure of around 10% of total assets. The interviews with respondents and supplementary research show that although many of the smaller pension funds have no or low real estate holdings, most of the larger pension funds invest a considerable share of their assets in real estate.

FIGURE 03 / GERMAN INSTITUTIONAL REAL ESTATE BY TYPE OF INVESTOR

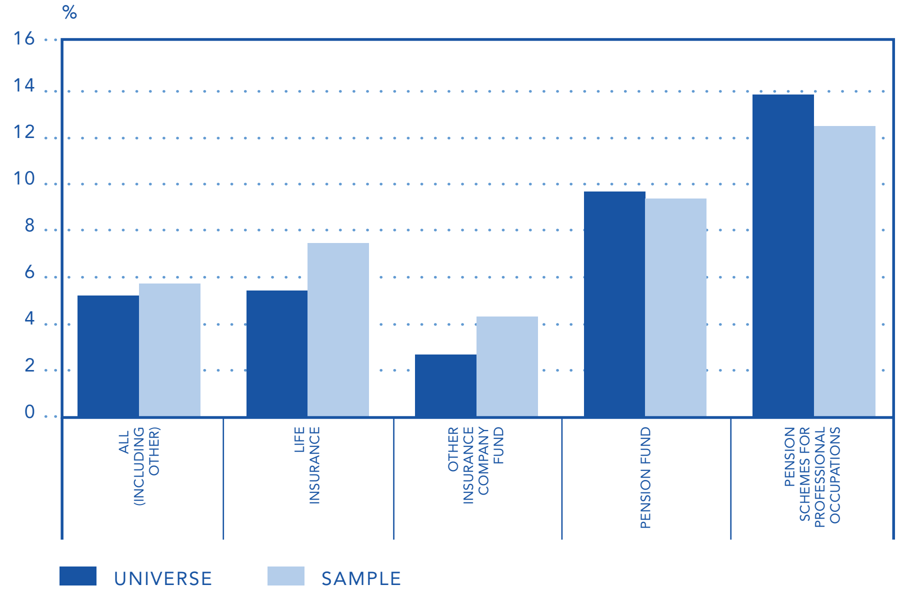
€ BILLION



2.3 Real estate exposures

Figure 04 shows the real estate exposures of the sample and the universe as a percentage of total assets. Investors have invested around 5.7% of their total assets in real estate, which is slightly higher than the real estate exposure of the universe of 5.4%. This deviation may be explained by the fact that a number of the smaller institutions that have no or low real estate holdings did not participate in the survey.

FIGURE 04 / PROPORTION OF TOTAL ASSETS IN REAL ESTATE



The participating pension schemes for professional occupations have the highest real estate exposure ratios across all investor types at 13%. On the basis of additional research, it is estimated that the universe of German pension schemes for professional occupations has an average real estate exposure of approximately 14%.

The property exposure of pension funds, as mentioned before, is quite high at almost 10%.

For the universe, it is estimated that German life insurance companies have invested around 5.5% of their total assets in real estate, while other insurance companies have allocated approximately 3% to this asset class. Life insurance companies and other insurance companies are well represented in the survey. To reflect the property exposure of the universe of this group, the results have been modified in line with the approach taken with the pension schemes for professional occupations. This is to reflect the fact that smaller insurance companies have lower real estate exposure ratios.

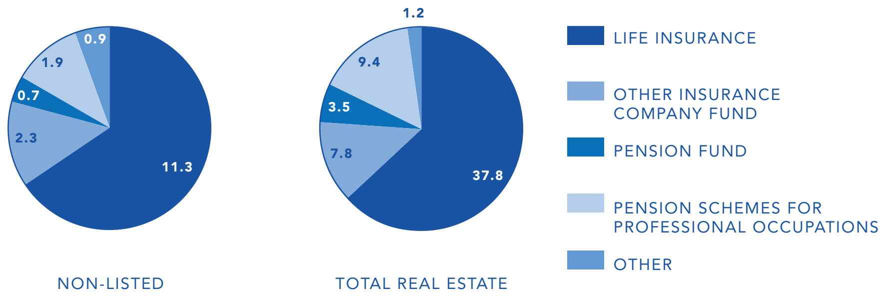
2.4 Non-listed real estate universe

The total non-listed real estate fund investments of German institutional investors (excluding 'other' investor types) are estimated at €16.3 billion. Life insurance companies are the largest investor group in non-listed real estate vehicles and account for around 70% of the total. Other insurance companies and pension schemes for professional occupations are almost equally represented, holding 14% and 12% respectively, of the non-listed real estate investments of German institutions. Pension funds only hold a small share (4%) of the total non-listed real estate fund investments of German institutional investors (Figure 05 and Figure 06). All of this is almost an exact mirror of the distribution of the different investors in the total real estate market.

One of the key findings of this study is that pension schemes for professional occupations have a larger share in both the total real estate and the non-listed property fund market than one would expect against the background of their share in the institutional multi-asset universe. For other insurance company funds, the opposite holds true. They play a smaller role in the real estate and non-listed real estate funds industry then they do in the overall institutional universe.

FIGURE 05 / GERMAN INSTITUTIONAL INVESTORS NON-LISTED VS. TOTAL REAL ESTATE

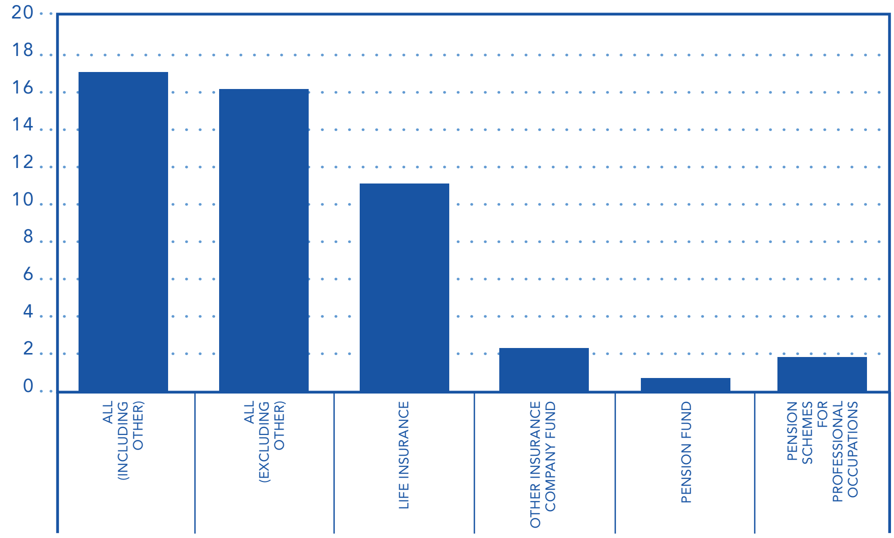
€ BILLION



Across all investor types, life insurance and other insurance companies have allocated the highest proportion of total real estate to non-listed real estate vehicles. Figure 05 shows that non-listed property funds account for around 30% of life insurance companies' and 29% of other insurance companies' real estate portfolios. Pension schemes for professional occupations and pension funds both invest an estimated 20% of total real estate in non-listed vehicles.

FIGURE 06 / NON-LISTED REAL ESTATE UNIVERSE BY TYPE OF INVESTOR

€ BILLION



3 REAL ESTATE ALLOCATIONS OF THE SAMPLE AND THE UNIVERSE

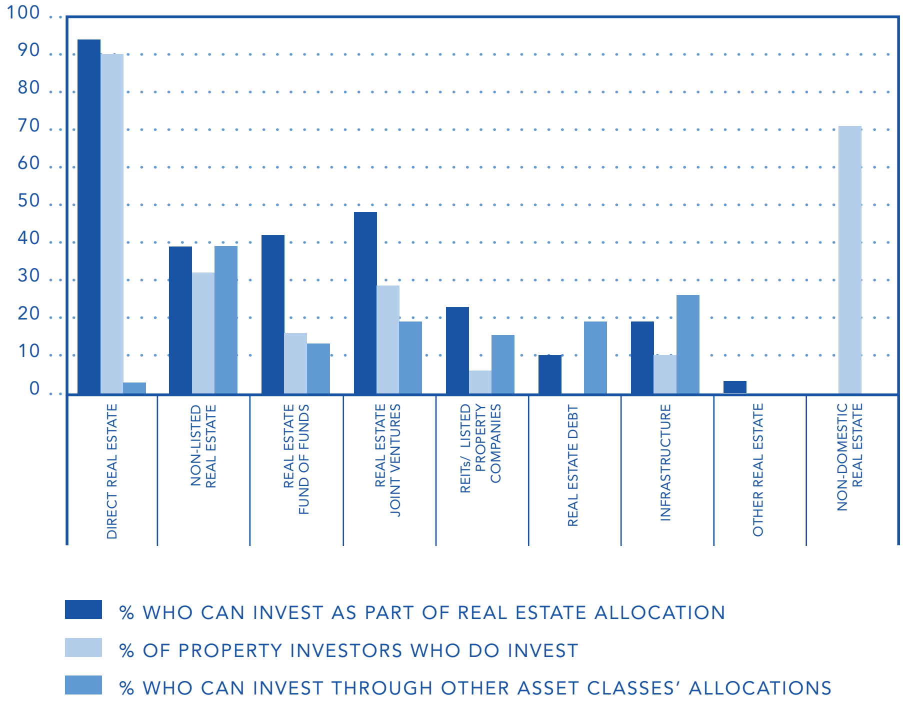
3.1 Real estate mandates and current allocations of the sample

Investors were asked which forms of real estate they had a mandate to invest in and what were their exposures. In general, investors said that restrictions on mandates were either stipulated by statutory provisions or by internal reasons, such as institutions' individual articles of incorporation.

As shown in Figure 07, almost all of the investors responding to the survey may invest in direct real estate as part of their real estate allocations. Around 90% of the sample currently uses this form to invest in real estate.

FIGURE 07 / REAL ESTATE INVESTMENTS THROUGH REAL ESTATE OR OTHER ALLOCATIONS

% OF RESPONDENTS



Investments in non-listed real estate funds are permitted for around 80% of the sample, of which 50% can invest through their real estate allocations and 50% through other allocations. However, only 32% of investors currently have an exposure to these type of investments.

More than two thirds of the sample (68%) are allowed to invest in real estate joint ventures, with around one third (29%) actually doing so. Just over half of investors (55%) can commit capital to real estate fund of funds, but only one sixth (16%) is currently doing so.

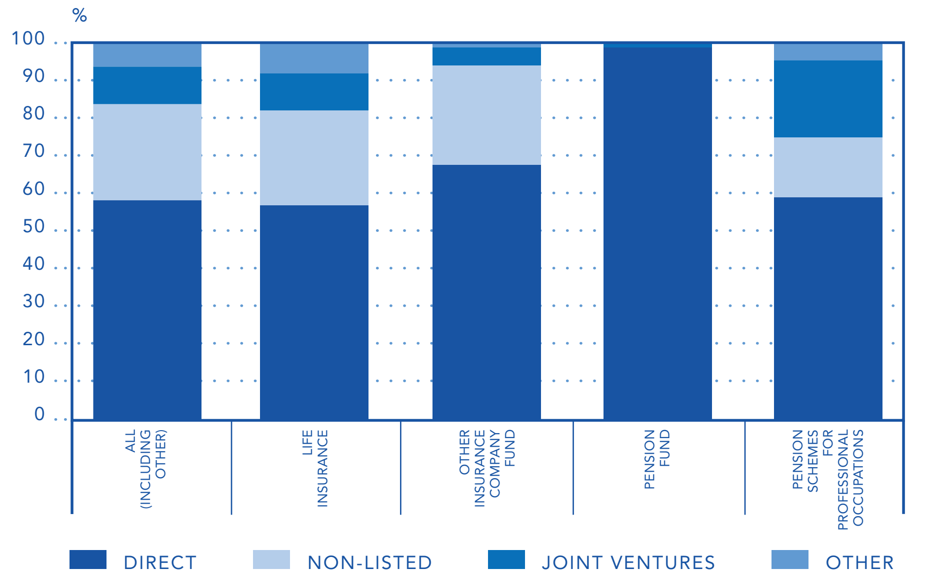
Almost half of the investors of the sample (45%) have permission to invest in infrastructure, but only 10% have made such investments. REITs and interests in listed property companies as well as real estate mezzanine or debt funds only play a small role in the sample's current real estate portfolios. One third of investors are permitted to include such investments in their allocations, but only very few are actually doing so.

More than two thirds of the responding investors (71%) have an exposure to non-domestic real estate.

3.2 Current real estate allocations by investor type

Figure 08 shows that direct real estate plays a major role in the portfolios of investors, accounting for almost 60% of total real estate. Interestingly, the participating pension funds are almost exclusively invested in direct assets and do not invest in non-listed real estate funds at all.

FIGURE 08 / DISTRIBUTION OF REAL ESTATE IN THE SAMPLE BY TYPE



This result is not deemed to be representative for the total pension fund universe. According to further research and the interviews with investors, non-listed real estate vehicles account for approximately 20% of the property portfolios of German pension funds. A low share of the participating pension funds' real assets is invested in joint ventures.

At 57.2%, life insurance companies still have a significant exposure to direct real estate, but it is the lowest across the groups. Non-listed real estate funds account for 24% of total property, followed by joint ventures with 10% and other real estate with 9%.

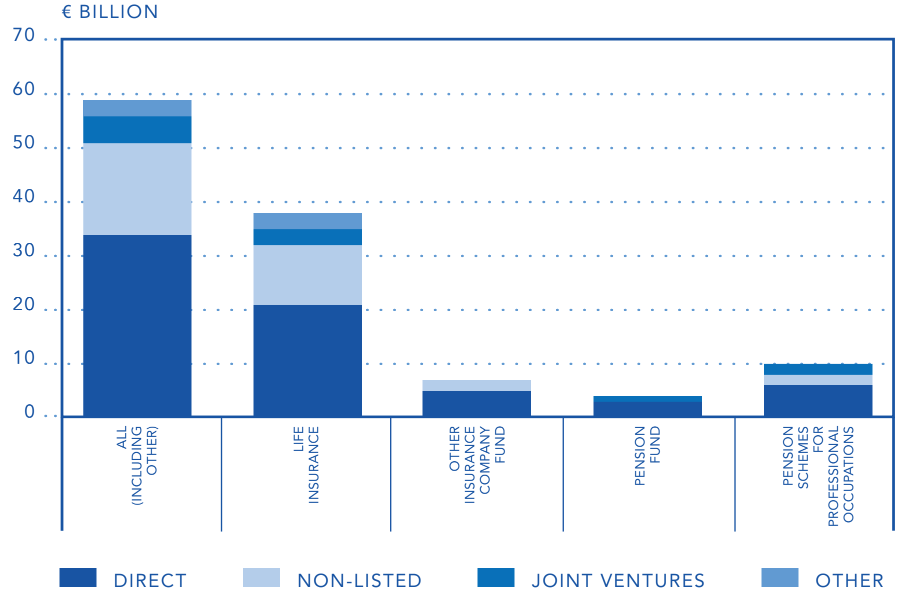
Other insurance companies have invested almost 69% of their real assets in direct property, followed by non-listed vehicles, which account for around one quarter of the total real estate exposure. Joint ventures and other real estate only play a small role for other insurance companies.

With an exposure of almost 60%, direct real estate also dominates the property portfolios of the pension schemes for professional occupations. This investor group has the most significant exposure to joint ventures, amounting to almost 20% of real assets.

Interestingly, the majority of the joint ventures are non-domestic. Non-listed property funds account for roughly 16%.

The responses of the investor sample have been reweighted and augmented with further research to estimate the size and composition of the total real estate investments of German institutions, which are illustrated in Figure 09.

FIGURE 09 / REAL ESTATE EXPOSURE BY TYPE



This re-emphasises that life insurance companies have the largest real estate holdings of all investor groups. Life insurance companies hold almost two thirds (64%) of German institutional real estate, the majority of which is invested in direct property. As indicated before, pension funds only hold a small share of the total real assets of German institutional investors.

Overall, German institutions choose a predominantly direct approach for their real estate investments. Non-listed property funds, joint ventures and other forms of real estate rather serve as supplements to the direct portfolios.

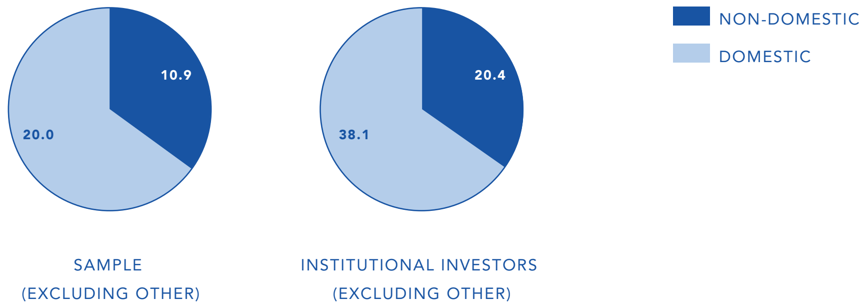
3.3 Current domestic and non-domestic real estate exposures

Figure 10 shows that domestic investments dominate the real estate portfolios of the sample, accounting for 65% or €20 billion of respondents' real assets and 3.5% of their total assets. Non-domestic real estate represents around 35% or €10.9 billion of the real estate allocations and 1.9% of the multi-asset exposures of the investors participating in the survey.

The total real estate investments of German institutions (excluding 'other' investor types) are estimated at €58.5 billion, of which 65% (€38.1 billion) is invested domestically and 35% (€20.4 billion) is invested in overseas. Therefore, domestic property investments represent around 3.5% of the €1,100 billion German multi-asset universe. Non-domestic investments account for approximately 1.9% of the total German universe.

FIGURE 10 / NON-DOMESTIC AND GERMAN REAL ESTATE

€ BILLION

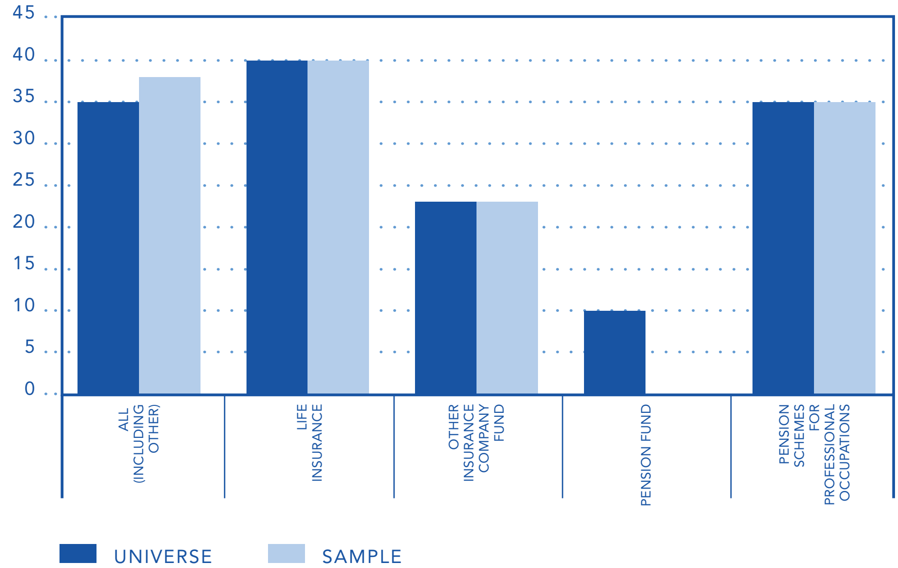


Around 71% of investors have an exposure to non-domestic real estate. Non-listed is the preferred route to invest in real estate abroad, representing around 57% of the sample's non-domestic real estate portfolios. Joint ventures and direct investments are less common, accounting for 15% and 12% respectively.

Almost all of the life insurance companies and pension schemes for professional occupations in the sample have an exposure to non-domestic real estate at 40% and 35% respectively. One key finding of the survey is that pension funds are reserved when it comes to investing abroad. While none of the pension fund investors of the sample have an exposure to non-domestic real estate, additional research and the interviews show that the total pension fund universe invests an estimated 10% of total real estate in non-domestic property (Figure 11).

FIGURE 11 / NON-DOMESTIC REAL ESTATE EXPOSURE

% OF REAL ESTATE THAT IS NON-DOMESTIC



4 NON-LISTED REAL ESTATE ALLOCATIONS

4.1 Target and maximum allocations of the sample

Investors were asked whether their allocations to non-listed real estate complied with allocation targets or were restricted by investment limits. Figure 12 below summarises the responses, to give the difference between all investors and those currently invested in non-listed vehicles. Target, minimum and maximum allocations, if any, are expressed as a percentage of total real estate.

FIGURE 12 / ALLOCATIONS TO AND RESTRICTIONS ON NON-LISTED REAL ESTATE INVESTMENTS

% OF RESPONDENTS

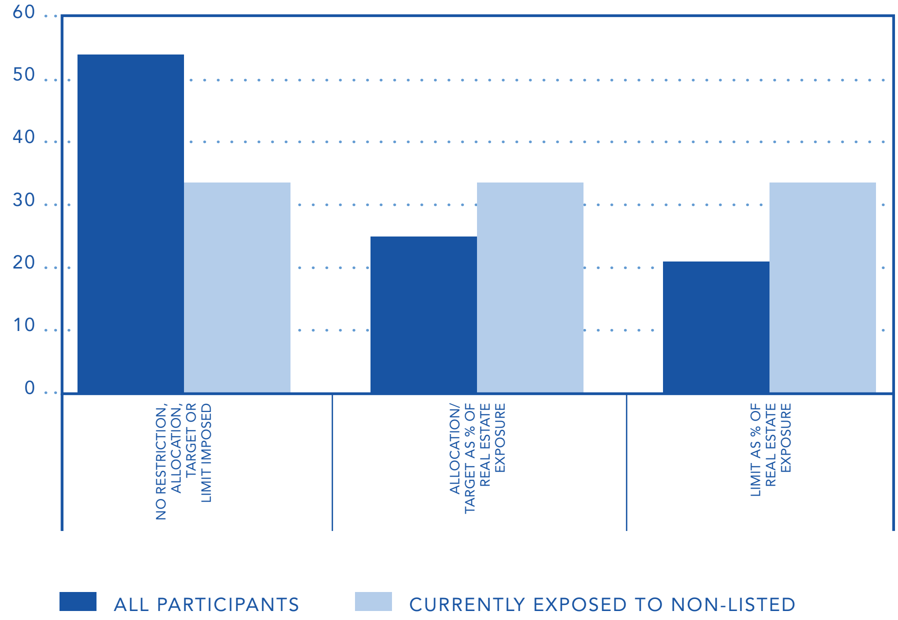


Figure 12 shows that more than half of the respondents have no defined target or minimum and maximum allocation amounts for their investments in non-listed real estate funds. Around one quarter has decided to allocate a certain amount of their total real estate investments to non-listed vehicles and is restrained by this target when committing capital. Maximums are in place for one fifth of investors. Across the sample, the majority of investors are relatively independent in their allocations to non-listed property funds and instead define an overall allocation target for real estate.

This observation is reversed when the sample is focused on narrowing those investors that hold non-listed funds. It seems that once an investment in non-listed property has been made, investors further define their allocation strategies, targets and restrictions.

Figure 12 above shows that around two thirds of these investors have imposed explicit targets and limits.

4.2 Current allocations to non-listed vehicles by property types, investment styles, vehicles and regions

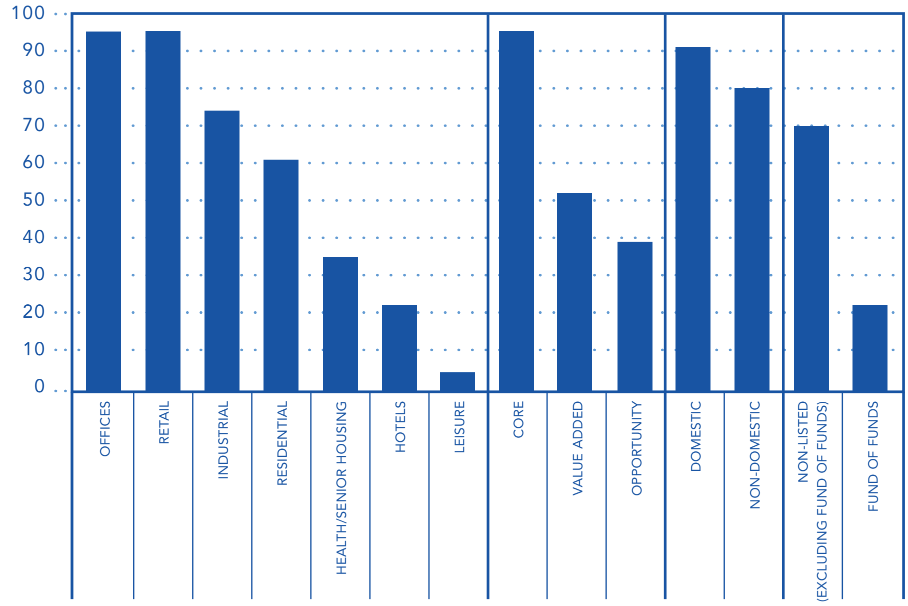
Those survey participants with an exposure to non-listed real estate vehicles were asked how these investments were broken down into the different property types, investment styles, vehicles and regions (domestic versus non-domestic).

As shown in Figure 13 below, almost all of the respondents said that they were invested in core funds (96%), followed by value added funds (52%). A considerable proportion of 39% of the sample is invested in opportunity funds.

Most non-listed property investors (96%) have an exposure to the office and retail sector, while industrial (74%) and residential (61%) are the other main sectors for investments. Around 35% have an exposure to health/ senior housing and 22% to hotels.

FIGURE 13 / TYPES OF NON-LISTED INVESTMENTS

% OF RESPONDENTS WITH A NON-LISTED EXPOSURE



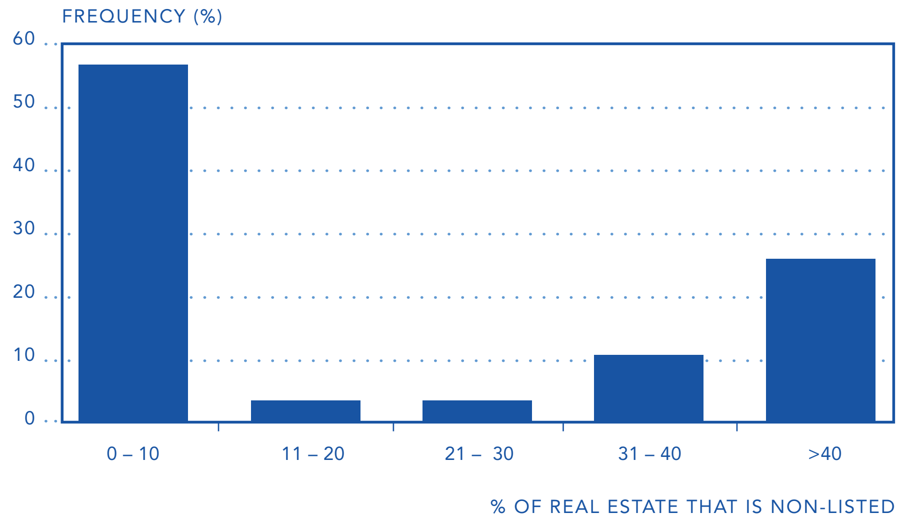
The large majority (91%) of the sample has an exposure to non-listed vehicles investing in Germany. More than three quarters (78%) of the respondents are also exposed to non-domestic real estate through their existing non-listed property investments.

More than two thirds of the respondents (70%) invest in direct non-listed property funds, while around one fifth (22%) prefer fund of fund structures for their investments in non-listed real estate.

4.3 Variations in exposures to non-listed real estate

Figure 14 illustrates the non-listed real estate exposures of those investors of the sample that have both direct and indirect property holdings.

FIGURE 14 / FREQUENCY DISTRIBUTION OF NON-LISTED EXPOSURE OF DIRECT REAL ESTATE INVESTORS IN THE SAMPLE



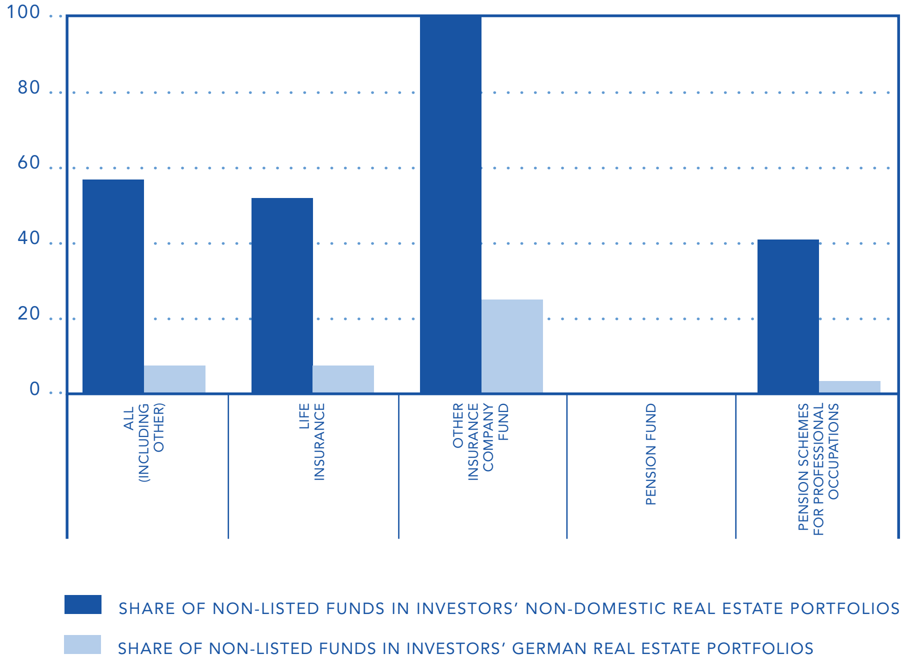
The majority of respondents have invested up to 10% of their total property holdings in non-listed real estate funds. Only a few investors have non-listed real estate exposures between 11% and 30%. Interestingly, more than one third of investors have very high allocations to non-listed property. Just over 10% of the sample have committed between 31% and 40% to non-listed funds, while around 25% have an exposure of more than 40%. Very large investors in terms of total assets have the highest exposures to non-listed real estate funds. For exposures between 0% and 30%, there is no clear relationship between the size of investor and size of allocation.

4.4 Non-listed exposure in non-domestic real estate portfolios

Investors with an exposure to both domestic and non-domestic real estate were asked about the share of non-listed funds in their non-domestic property portfolios. Figure 15 summarises the responses and shows that most German institutions choose the indirect, non-listed route when investing in real estate abroad.

FIGURE 15 / NON-LISTED EXPOSURE IN DOMESTIC AND NON-DOMESTIC PORTFOLIOS OF RESPONDENTS

% OF REAL ESTATE THAT IS NON-LISTED



As shown in Figure 15, almost 60% of the current non-domestic real assets of the sample are held through non-listed vehicles. Real Estate in Germany, in contrast, is mainly acquired through the direct route. Non-listed property funds account for only 7% of investors' domestic property portfolios.

Only one of the responding investors having an exposure to non-listed funds is exclusively invested in non-listed real estate in Germany.

Other insurance companies have adopted a pure non-listed strategy for their non-domestic real estate investments. Life insurance companies and pension schemes for professional occupations have also allocated a considerable proportion of their non-domestic property investments to non-listed real estate funds (52% and 41%, respectively). Interestingly, a number of the pension schemes for professional occupations prefer joint ventures over non-listed real estate when investing abroad.

Figure 16 (page 20) shows that about 77% of German institutions' non-domestic real estate investments are made through non-listed vehicles. In contrast, non-listed funds account for only 23% of the domestic real estate investments of German institutional investors. Overall, an estimated 28% of the total real estate of German institutional investors (excluding 'other' investors) is invested in non-listed real estate vehicles.

FIGURE 16 / NON-LISTED EXPOSURE IN DOMESTIC AND NON-DOMESTIC REAL ESTATE PORTFOLIOS

% OF NON-LISTED REAL ESTATE

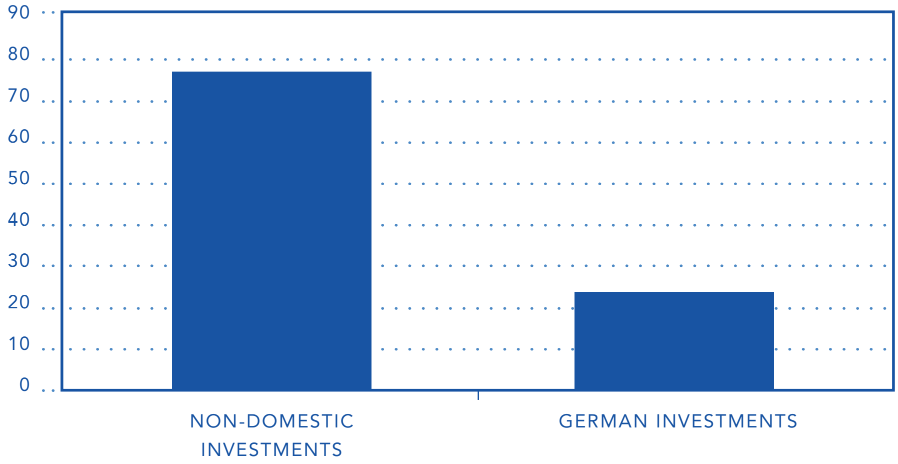
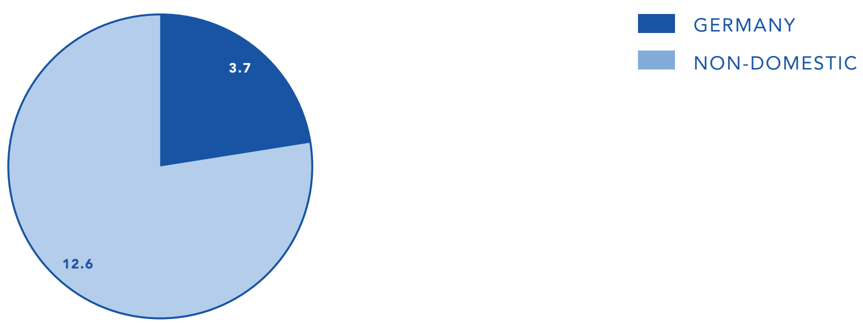


Figure 17 shows the absolute estimates for non-listed real estate investments in Germany (€3.7 billion) and abroad (€12.6 billion). The total non-listed market (excluding 'other' investors) is estimated at €16.3 billion.

FIGURE 17 / NON-LISTED REAL ESTATE – GERMANY VS. NON-DOMESTIC

€ BILLION



5 THE PROS AND CONS OF NON-LISTED REAL ESTATE FUNDS

5.1 The attractions of non-listed real estate vehicles

The investors having an allocation to non-listed real estate vehicles were asked to reveal their three most important motives for investing in this type of real estate.

FIGURE 18 / SAMPLE: MAIN REASONS FOR INVESTING IN NON-LISTED REAL ESTATE

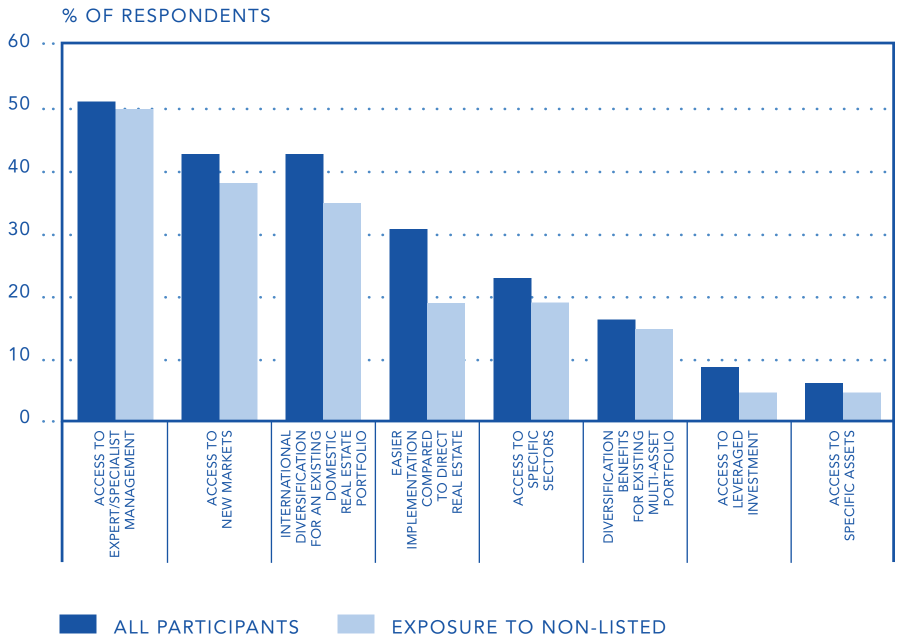


Figure 18 shows that more than half of the participating investors consider access to management expertise to be among the three major attractions of non-listed real estate funds.

More than 40% of respondents regard non-listed real estate as useful to explore new markets and to internationally diversify their domestic property holdings. This in line with the earlier finding that most German institutions choose the non-listed route when investing abroad. Only the very large life insurance companies and a number of the participating pension schemes for professional occupations have direct exposures to non-domestic real estate.

Almost one third of the investor sample considers non-listed property funds to be easier to implement than direct real estate investments. The interviews revealed that this was perceived to be of particular importance for non-domestic investments. Investors said that the non-listed route allowed them to buy in external expert management without building up own structures, expertise and resources abroad. Interestingly the proportion opting for easier implementation drops down to less than 20% for those investors that have an exposure to non-listed real estate vehicles.

Around one quarter of the respondents like non-listed property funds for their ability to provide access to specific sectors, which would not be available directly. Investors said in the interviews that non-listed investments removed the need to build up costly in-house expertise, which would be otherwise required to achieve an exposure to certain out-of-reach sectors.

One sixth considers the diversification benefits for the multi-asset portfolio to be a major attraction of non-listed real estate vehicles.

Less than 10% of the sample said that access to leveraged investment was an important reason to choose the non-listed route. Considering the sample's large proportion of insurance companies, which are restricted in their use of leverage with respect to direct real estate investments, this finding is particularly interesting. The German Insurance Supervisory Act restricts insurance companies in their use of leverage with respect to any business that is not related to the insurance business. Whilst most of the non-listed fund structures are exempted from this provision and thus provide access to leveraged investment, insurance companies are not allowed to take on debt to finance direct real estate investments.

Only 6% of the participants consider access to specific assets to be a major attraction of non-listed real estate investments. This might be a result of the current market situation, where the majority of vehicles that are open for investors are blind pool funds.

5.2 Obstacles of investing in non-listed real estate

Those investors not being exposed to non-listed property funds were asked to give reasons for their reluctance to invest in this type of real estate.

The majority of respondents stated the lack of control to be among the main obstacles of non-listed real estate investment. Against the background of most investors of the sample (and the universe) favouring direct investments, as reflected by a direct exposure of almost 60% of total real estate, this finding is not astonishing.

Two investors stated that internal reasons were hindering an exposure to non-listed real estate funds.

Furthermore the lack of liquidity of non-listed vehicles was stated to be one of the relevant obstacles of non-listed investment. Considering the number of German open ended funds that recently suspended redemptions, this finding does not come as a surprise. However, the fact that direct real estate dominates the property portfolios of the sample allows for interesting conclusions on the perceived illiquidity of non-listed property funds.

Internal costs, management efforts and lack of resources were also stated as arguments against non-listed investments.

5.3 Investment strategies

The responses to the survey and the interviews reveal a number of different real estate strategies. The majority of respondents pursue a predominantly direct real estate investment approach, combined with other forms of property investments serving as supplements. However, real estate strategies differ from another with respect to the allocations to non-listed vehicles and other forms of real estate.

Almost all of the participating investors follow a predominantly direct core-plus strategy when it comes to real estate investment. The extent to which direct property investments are topped up by non-listed funds and joint ventures depends on the resources and expertise available in-house and the size of the overall real estate portfolios of institutions. On average around 60% of the real assets of the sample are direct investments.

Respondents offered a number of reasons for this high proportion of direct property holdings. Most prefer having control over investments while a number also stated tax reasons, such as the allowance for depreciation of direct property as opposed to tax-exempt ('*Spezialfonds*'). ('*Spezialfonds*'), in turn, may distribute saved depreciation capital as dividends.

The majority of respondents have assembled large domestic direct portfolios over time, with the trend now clearly going towards a reduction of the domestic exposure and an increase in non-listed funds, such as by transferring direct holdings into German ('*Spezialfonds*').

Almost all participating life and other insurance companies invest both directly and indirectly. The interviews show that most of the domestic real estate investments of these two investor groups are in direct core property. This direct domestic exposure is combined with selected, domestic non-listed investments that provide access to specific real estate sectors, which would not be available when choosing the direct route. This high proportion of direct core properties is not surprising as the German Insurance Supervisory Act obliges these institutions to strictly adhere to the principle of security when making real estate investment decisions. Furthermore, insurance companies require their investments to deliver stable cash flows in order to meet their contractual obligations to deliver a certain actuarial interest rate to their policyholders.

Value added and opportunistic-style investments are less common. The institutions that invest in these risk-/return profiles favour non-listed property funds to do so, in particular when it comes to non-domestic investments. This is reflected by the large number of investors considering access to expert management to be one of the major benefits of non-listed real estate vehicles. However, these investments only serve as supplements as the associated higher risk/higher return activities do not allow for ongoing cash flows and predictable profit distributions.

Except for the very large life funds, all participating insurance companies pursue an indirect, predominantly non-listed, strategy for their non-domestic real estate investments. Most investors found it easier to access new markets and to internationally diversify their domestic portfolios by choosing the indirect, non-listed route.

This also holds true for smaller investors, particularly some of the other insurance companies and pension schemes for professional occupations. Investors with lower absolute real estate exposures and investors that are just starting to build up their real estate portfolios said that the smaller lot sizes made non-listed a good method for international diversification. Many of the investors with smaller real estate portfolios also pointed out that they had no resources and structures available to build a well diversified, direct international real estate portfolio. Non-domestic, direct investments are thus reserved for the larger investors with sufficient resources and expertise to benefit from economies of scale.

The participating pension schemes for professional occupations follow a slightly different strategy when it comes to their real estate investments. While direct, domestic property holdings also dominate the real estate portfolios of this investor group, real estate abroad is mainly acquired by using joint ventures. Investors justified this by saying that joint ventures provided access to expert management, specific markets and sectors without having to build up extensive own investment structures – provided that joint venture partners were selected with care. The interviews revealed that pension scheme investors in particular are willing to compromise on parts of the diversification benefits offered by non-listed funds in exchange for having more direct control over investments and superior alignment of interest, as offered by joint ventures.

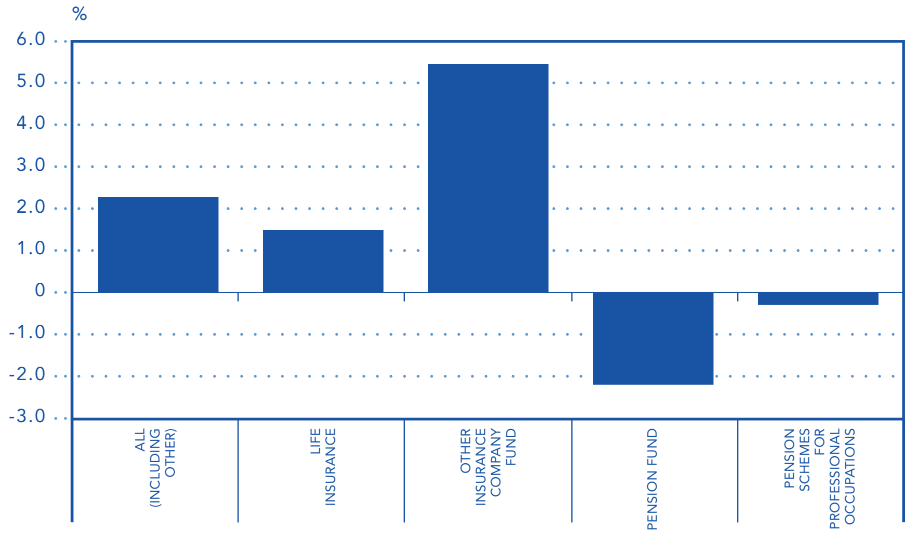
The pension funds who responded to the survey chose a purely direct, domestic approach to real estate investment. The responses to the survey and the interviews showed that the lack of control is considered to be an obstacle of non-listed investments, followed by internal reasons.

6 THE FUTURE REAL ESTATE AND NON-LISTED UNIVERSE

6.1 Future changes in exposures and allocations to real estate

Participants were asked if and to what extent their current exposures differed from their defined target allocations to real estate. Figure 19 summarises the responses and shows that across the whole sample, real estate exposures are currently at 2.3 percentage points below the targets defined by investors.

FIGURE 19 / DIFFERENCE BETWEEN CURRENT TARGET ALLOCATION TO REAL ESTATE AND CURRENT EXPOSURE OF THE RESPONDENTS



The largest deviations between current exposures and target allocations were observed at other insurance company funds. This investor group is most under-weighted with regards to its targets and has to increase its real estate holdings by 5.5 percentage points to reach its defined real estate target allocations of 7.7% of total assets. Investors stated in the interviews that the lack of attractive investment opportunities was the main reason for this large deviation. This hinders not only direct real estate investments, but is also slowing down the investment activity of the funds to which they committed capital in recent years.

Life insurance companies' current real estate exposures are also below their target allocations, with the deviation amounting to 1.5 percentage points. This investor group targets a property exposure of 7% of total assets.

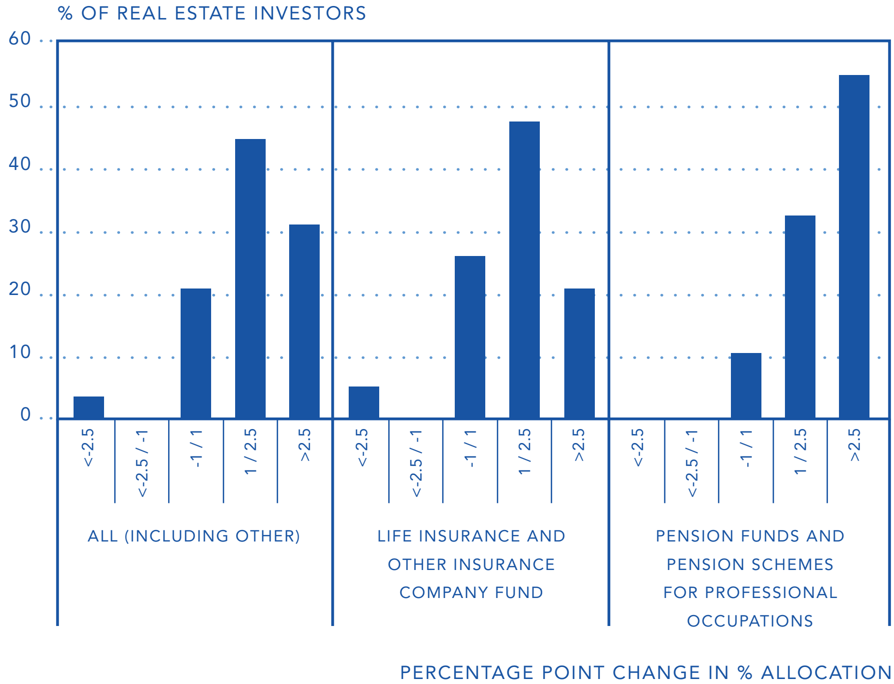
In contrast, pension funds and pension schemes for professional occupations, the two investor groups with the highest current real estate exposure ratios of the sample, said that they were over-exposed to the asset class. While pension funds have to reduce their current property exposures by 2.2 percentage points to be in line with defined target allocations (7.7% of total assets), pension schemes for professional occupations are only slightly above targets, with the deviation amounting to 30 basis points. The interviews revealed that the slump in prices on the stock and bond markets boosting real estate exposure ratios was the main reason for the current over-weight of property investments in these two investor groups' multi-asset portfolios.

The above findings re-emphasise that pension schemes for professional occupations are the investor group with the highest appetite for real estate (13.6% of their total assets). Pension funds and other insurance companies target a similar proportion of their total assets for property investments (7.7%), while life insurance companies target a slightly lower real estate exposure of 7%.

If all investors responding to the survey invested the full amount of their property allocations, the sample's average real estate exposure ratio would step up to 7.7% of total assets, as compared to a current average exposure of 5.7%.

Investors were also asked if and to which extent their property allocations were likely to change within the next three years. As shown in Figure 20, more than three quarters of respondents anticipate an increase in allocations by more than one percentage point, while only a small number of investors plan to decrease property exposures in the future.

FIGURE 20 / EXPECTED CHANGE IN TARGET/ALLOCATION TO REAL ESTATE IN THE NEXT THREE YEARS



Pension funds and pension schemes for professional occupations, which are suffering from the impacts of the denominator effect, plan to make room for new property investments by significantly increasing their real estate allocations within the next three years. More than half of the responding pension funds and pension schemes intend to raise their real estate exposure ratios by more than 2.5 percentage points, while around one third intend to increase their real estate holdings by one to 2.5 percentage points. None of the participating pension funds and pension schemes for professional occupations plan to significantly decrease their property allocations within the given time frame.

Almost half of the life insurance companies plan to invest an additional 1% to 2.5% of total assets in real estate, while around one fifth even intend to increase real estate exposures by more than 2.5 percentage points within the next three years. Around one quarter of the participating life insurance companies expect only slight deviations between their current and future real estate allocations (-1% to 1% of allocations) and 5% expect future real estate ratios to decrease.

The responses of the investor sample have been reweighted and augmented with further research to estimate the size of the current real estate exposures and target allocations of the universe. As indicated before, it is assumed that German institutions have currently invested €59 billion or 5.4% of their total assets (€1,100 billion), in real estate. Current exposures to the asset class are significantly lower than the expected real estate target allocations, which are estimated at €84.7 billion, i.e. 7.7% of institutions' total assets (Figure 21, page 28).

If all investors of the universe exploited their full real estate target allocations, an estimated additional €25 billion of capital would flow into real estate from German institutional investors. Further research and the interviews conducted with investors led to the conclusion that this large difference of 42% by volume between current exposures and target allocations is mainly caused by:

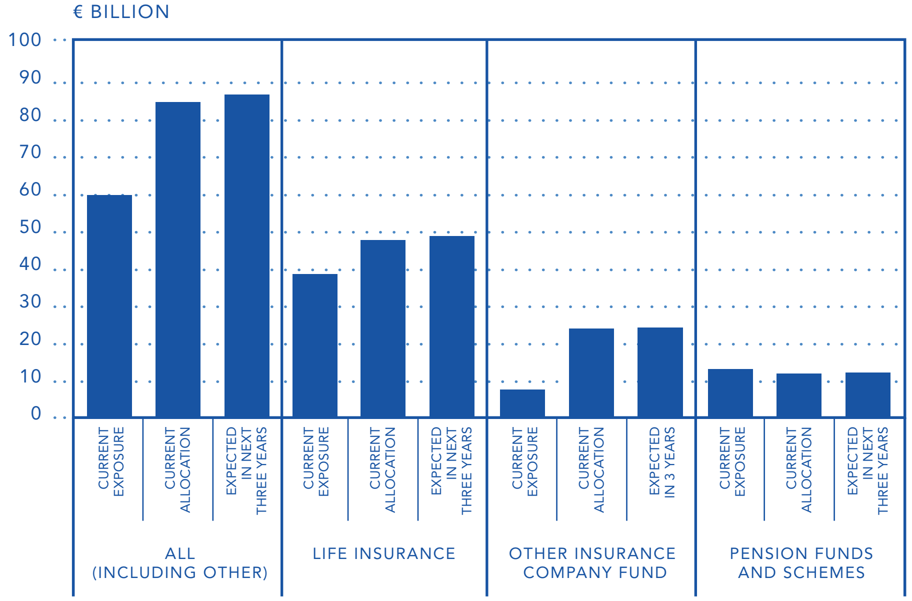
- Institutions that have not invested in real estate so far, but have already incorporated such investments in their allocation strategies and are currently working on building up property portfolios.
- Institutions that have suspended all real estate related investment activities during the downturn and were not able to fulfil their allocation targets.
- Institutions that have committed capital to non-listed funds, which has not yet been drawn down because of a lack of attractive investment opportunities in recent times.

On top of this outstanding €25 billion, an additional €1.2 billion is expected to flow into real estate within the next three years as German institutions are expected to increase their real estate exposures. This would lead to a combined institutional real estate market of approximately €85.9 billion. This estimate is based on the assumption that there will be no capital growth in investors' multi-asset portfolios and sufficient liquidity to enable institutions to fulfil their real estate investment targets. When compared to the estimated current property holdings of the universe, this would lead to an additional €26.2 billion (44%) of capital flowing into real estate within the next three years.

In terms of absolute numbers, the majority of these additional capital flows will come from other insurance companies (Figure 21, page 28), which are expected to invest another €16.2 billion in property over the next three years. Life insurance companies are assumed to contribute around €10.9 billion to the expected growth of the real estate universe.

Pension funds and pension schemes for professional occupations, in contrast, are expected to dispose of around €0.7 billion of real assets. This assumption is derived from the responses to the survey. The participating pension funds and pension schemes of the liberal professions are currently over-exposed to property and intend to increase their real estate allocations to incorporate parts of their current over-exposure in their multi-asset allocation strategies. However, the interviews have revealed that this increase in target allocations does not fully compensate the current over-exposure of these two investor groups, thus leading to expected dispositions within the next three years.

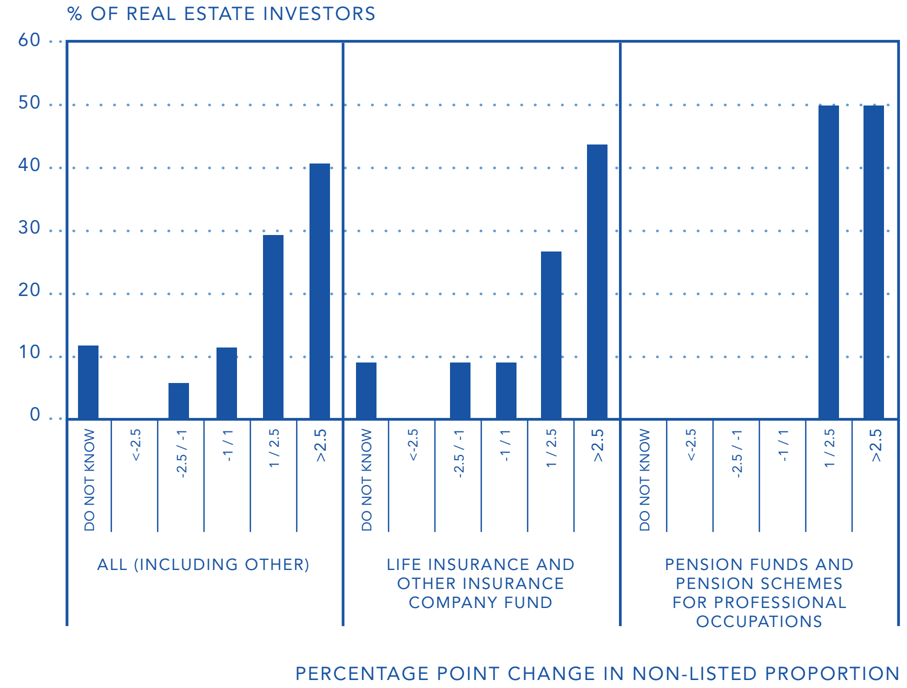
FIGURE 21 / CURRENT AND EXPECTED EXPOSURES TO REAL ESTATE



6.2 Future changes in exposures and allocations to non-listed real estate

The survey participants were asked if and to which extent they expected the proportion of non-listed real estate funds in their property portfolios to change within the next three years. Figure 22 shows that more than two thirds of investors expect the share of non-listed funds to increase in the near future, while none of the respondents expects a significant decrease by more than 2.5 percentage points.

FIGURE 22 / EXPECTED CHANGES IN THE NON-LISTED REAL ESTATE PROPORTION



Around half of the pension funds and pension schemes for professional occupations stated that they were planning to increase the proportion of non-listed real estate funds by more than 2.5 percentage points. The remaining half expects an increase of one to 2.5 percentage points. None of the participating pension funds and pension schemes thinks the proportion of non-listed real estate vehicles will fall below current exposures.

Pension schemes for professional occupations plan to further expand their investments in non-listed funds, which currently account for 16% of total real estate. The interviews revealed that the planned transfer of a considerable proportion of direct real estate holdings to German Spezialfonds was one of the key drivers for the planned increase in the non-listed property exposure of this investors group. Some pension schemes also stated that they expected the draw-down of their uncalled capital commitments to boost real estate exposure ratios in the future.

The majority of the life and other insurance companies participating in the survey also plan to increase the share of non-listed vehicles in their real estate portfolios. Almost half of the respondents expect increases by more than 2.5% of total real estate, whilst slightly more than one quarter believes that increases in the range of one to 2.5 percentage points are likely. Around 10% of the responding life and other insurance companies did not make future allocation plans with respect to their non-listed real estate investments so far.

Drawing from the interviews and supplementary desktop research, these figures have been re-weighted to estimate the future size of the total non-listed real estate fund investments of German institutions.

As reflected in Figure 23 (page 30), German institutional investors (excluding ‘other’ investor types) have currently invested €16.3 billion in non-listed real estate funds, of which €3.7 billion (23%) is invested domestically and €12.8 billion (77%) in non-domestic property. Based on the assumption that investors will have sufficient liquidity to fulfil their non-listed real estate allocation targets and that there will be no capital growth in institutions’ multi-asset portfolios, the total non-listed property exposure of German institutions will grow to €24.4 billion over the next three years. This corresponds to an increase of €8.1 billion (50%), which will be mainly derived from the transfer of institutions’ direct holdings to (‘*Spezialfonds*’), smaller institutions seeking for international diversification through investments in non-listed funds and first-time real estate investors preferring the non-listed route because of the diversification benefits of smaller lot sizes. Due to the current predominance of domestic real estate in the direct portfolios of German institutions, the transfer to (‘*Spezialfonds*’) is expected to boost the share of domestic investments in the non-listed portfolios of investors to 30%. The proportion of real estate investments abroad will then drop to 70% of institutions’ non-listed property portfolios.

FIGURE 23 / CURRENT AND EXPECTED NON-LISTED REAL ESTATE FUND MARKET

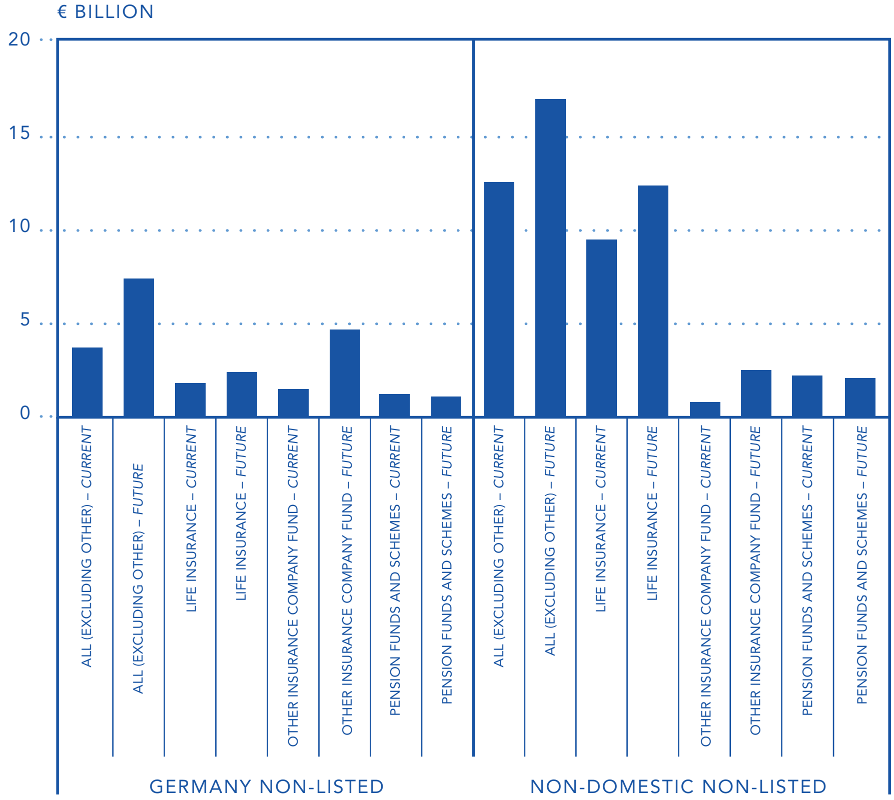


Figure 23 shows that other insurance companies are expected to contribute €4.9 billion to the assumed growth of the non-listed real estate market, thereby tripling their current non-listed real estate holdings to €7.2 billion. Life insurance companies will also increase their exposures to non-listed property funds over the next three years. If they are able to meet their assumed allocation targets, life insurance companies will invest another €3.4 billion in non-listed real estate vehicles.

Based on current target allocations, pension funds and pension schemes for professional occupations are expected to slightly decrease their exposures to non-listed real estate funds. As indicated before, these two investor groups are expected to dispose of parts of their real estate holdings, while at the same time slightly increasing their current real estate allocation targets. Drawing from the interviews with investors, it is assumed that disinvestments will mainly be from the direct portfolios. Pension funds and pension schemes are expected to reduce their current non-listed real estate exposures by around €160 million, which represents 23% of the total dispositions expected from these two investor groups.

APPENDIX 1: SURVEY METHODOLOGY

The data for the study was collected in January and February 2010 through an online questionnaire and supplementary face-to-face and telephone interviews with German institutional investors. There were 107 institutions with at least €250 million of assets under management who were asked to participate in the survey (36 life insurance companies, 16 other insurance companies, 19 pension schemes for professional occupations, 31 corporate and public pension funds and five other investors). Of this, 35 investors completed the online questionnaire. This corresponds to a response rate of 33%.

The final sample comprises 14 life insurance companies, eight other insurance companies, six pension schemes for professional occupations, five corporate and public pension funds and two other participants. Most of the investors are large funds with more than €2.5 billion of assets under management, while investors with less than €1 billion of assets are slightly under-represented. Only two of the respondents have no property exposure at all. Three quarters of the investors participating in the survey are not members of INREV.

Nine institutional investors of the sample provided additional data and information on their real estate exposures, allocations and underlying investment strategies in telephone and face-to-face interviews. The interviews typically lasted 30 to 45 minutes and were conduc-ted with either chief investment officers or senior investment professionals.

The sample's total assets (equities, bonds, real estate, alternatives, etc.) are €568 billion, representing around 52% of the estimated German institutional universe of €1,100 billion. The sample's current real estate exposure is €32.5 billion (5.7%), accounting for approximately 55% of the estimated real estate universe of €59 billion.

The corporate and public pension funds responding to the survey have no non-listed real estate fund investments at all.

Further research was conducted to ensure the findings were representative. An analysis of the target group's published annual reports and accounts and of the publications of the German Federal Financial Supervisory Authority (BaFin) and the German Central Bank provided valuable data for the estimation of the size and composition of the real estate and the non-listed universe in general and particularly the property exposures of pension fund investors.

APPENDIX 2: ESTIMATION OF THE REAL ESTATE AND NON-LISTED UNIVERSE

Current real estate universe

The universe estimates are based on the results of the survey as well as on information gathered from regulatory reports published by the German Central Bank (e.g. '*Kapitalmarktstatistik*').

Five steps have been necessary for the estimates on the real estate universe:

1. Estimates concerning the total assets of life funds, other insurance company funds, pension funds as well as pension schemes for professional occupations have been taken from recent publications of the German Central Bank. The universe estimate for the investor category 'other' (i.e. participants not attributable to one of the aforementioned investor types) relies on research available to the public.

2. An estimate of the total property universe can be derived from multiplying the total assets with the current real estate exposures (in percent) of each investor type. The findings of the survey are the primary source of information for the estimates of the current real estate exposures of the universe. Adjustments have only been made in the case of 'other investors' because this group was under-represented in the sample.

3. For the (absolute) proportions of the different forms of real estate (direct, non-listed, joint-ventures and other forms of real estate) in investors' property portfolios, a similar method was applied. Again, the findings of the survey are the primary source of information for the proportional exposure to each type of real estate. However, in the case of non-listed investments, the findings of the survey have been augmented with information gathered from supplementary sources (i.e. German Central Bank) and from the interviews conducted with investors. Estimations on the universe for the proportion of the different types of real estate have been made in cases where the survey findings contradicted with the information provided by the aforementioned sources. For example, the pension funds of the investor sample have allocated nearly 100% to direct real estate, while non-listed funds account for 0%. However, it can be concluded from the regulatory reports as well as from the interviews that this finding is not representative as most investors hold a position in ('*Spezialfonds*'). It is not clear how this discrepancy occurred (e.g. if participants neglected to include this information in their non-listed position).

4. The universe estimates of the proportion of domestic and non-domestic real estate of each investor group are also derived from the survey findings. Adjustments have been made only in the case of pension funds. The proportional estimates have been applied to the total real estate universe for each group, thus deriving a universe estimate for both non-domestic and German real estate.

5. Finally, the estimate of the proportion of non-domestic and German real estate in each investor group's non-listed property portfolio is also primarily based on the findings of the survey and supplemented by information gathered during the interviews (especially for pension funds). The universe proportions were applied to the non-domestic and German real estate universes for each investor group in order to derive an estimate for both, non-domestic non-listed real estate and German non-listed real estate.

All estimates are presented in detail in Table A01, Table A02 and Table A03 (page 35 – 36).

Current real estate target allocations of universe

The estimate of the current real estate target universe is derived from two sources of information: (1) the estimated universe's total assets and (2) the difference between the real estate target allocation and the actual real estate exposure of each investor group. The product of these two variables yields the implied extra million, which – when added to the assets of the current real estate universe – indicates the current real estate target universe.

The estimates are presented in detail in Table A04 (page 36).

Prospective real estate universe

The prospective real estate universe is derived from (1) the current real estate target universe and (2) the estimates provided by participants with respect to the expected growth rate of the proportion of real estate in investors' multi-asset portfolios over the next three years.

The estimates are presented in detail in Table A05 (page 37).

Prospective non-listed real estate universe

In the same way as above, participants of the survey also provided estimates of expected changes in the proportion of non-listed real estate. These estimates have been applied to the current target non-listed universe in order to derive the prospective non-listed real estate universe.

The estimates are presented in detail in Table A06 (page 37).

TABLE A01 / TOTAL ASSETS AND PROPERTY UNIVERSE

	TOTAL ASSETS UNIVERSE *€ MILLION*	SAMPLE SIZE TOTAL ASSETS *€ MILLION*	SAMPLE PROPERTY *€ MILLION*	SAMPLE NON-LISTED *€ MILLION*	SAMPLE PROPERTY AS % OF ASSETS	ASSUMED UNIVERSE PROPERTY AS % OF ASSETS	ESTIMATED UNIVERSE PROPERTY *€ MILLION*
LIFE INSURANCE	689,000	397,697	21,821	5,330	5.5	5.5	37,804
OTHER INSURANCE COMPANY FUND	291,000	106,770	2,865	715	2.7	2.7	7,809
PENSION FUND	36,000	17,370	1,695	0	9.8	9.8	3,513
PENSION SCHEMES FOR PROFESSIONAL OCCUPATIONS	68,000	32,400	4,486	725	13.8	13.8	9,415
OTHER	23,000	13,600				5.0	1,150
TOTAL	**1,107,000**	**567,837**	**32,443**	**8,253**	**5.7**	**5.4**	**59,691**

TABLE A02 / DIRECT, NON-LISTED AND PROPERTY UNIVERSE

	SAMPLE % OF PROPERTY DIRECT	SAMPLE % OF PROPERTY NON-LISTED	SAMPLE % OF PROPERTY OTHER	ASSUMED UNIVERSE % OF PROPERTY DIRECT	ASSUMED UNIVERSE % OF PROPERTY NON-LISTED	ASSUMED UNIVERSE % OF PROPERTY OTHER	ESTIMATED PROPERTY UNIVERSE *€ MILLION* DIRECT	ESTIMATED PROPERTY UNIVERSE *€ MILLION* NON-LISTED	ESTIMATED PROPERTY UNIVERSE *€ MILLION* OTHER
LIFE INSURANCE	57	24	18	55	30	15	20,792	11,341	5,671
OTHER INSURANCE COMPANY FUND	69	25	6	65	30	5	5,076	2,343	390
PENSION FUND	99	0	1	75	20	5	2,635	703	176
PENSION SCHEMES FOR PROFESSIONAL OCCUPATIONS	60	16	24	60	20	20	5,649	1,883	1,883
OTHER				10	80	10	115	920	115
TOTAL	**58**	**25**	**16**	**57**	**29**	**14**	**34,267**	**17,190**	**8,235**

TABLE A03 / ASSETS INVESTED IN GERMANY AND NON-GERMANY PROPERTY UNIVERSE

	SAMPLE % OF PROPERTY EX-GERMANY	ASSUMED UNIVERSE % OF PROPERTY EX-GERMANY	ESTIMATED PROPERTY UNIVERSE *€ MILLION* GERMANY	ESTIMATED PROPERTY UNIVERSE *€ MILLION* EX-GERMANY	SAMPLE % OF EX-GERMANY NON-LISTED	ASSUMED UNIVERSE % EX-GERMANY NON-LISTED	ESTIMATED UNIVERSE EX-GERMANY NON-LISTED *€ MILLION*	ESTIMATED UNIVERSE GERMANY NON-LISTED *€ MILLION*
LIFE INSURANCE	40	40	22,813	14,991	84	84	9,518	1,823
OTHER INSURANCE COMPANY FUND	23	23	6,037	1,772	35	35	819	1,524
PENSION FUND	0	10	3,162	351	0	80	562	141
PENSION SCHEMES FOR PROFESSIONAL OCCUPATIONS	35	35	6,091	3,324	89	89	1,675	208
OTHER		50	575	575		80	736	184
TOTAL	**38**	**35**	**38,678**	**21,013**	**83**	**77**	**13,310**	**3,880**

TABLE A04 / ESTIMATION OF THE CURRENT REAL ESTATE TARGET UNIVERSE

	UNIVERSE TOTAL ASSETS *€ MILLION*	CURRENT UNIVERSE REAL ESTATE *€ MILLION*	TARGET PERCENTAGE LESS CURRENT % EXPOSURE FOR THOSE WITH REAL ESTATE		REAL ESTATE UNIVERSE IMPLIED TARGET *€ MILLION*
			PERCENTAGE POINTS	*IMPLIED EXTRA € MILLION*	
LIFE INSURANCE	689,000	37,804	1.5	10,335	48,139
OTHER INSURANCE COMPANY FUND	291,000	7,809	5.5	15,919	23,728
PENSION FUND	36,000	3,513	-2.2	-801	2,712
PENSION SCHEMES FOR PROFESSIONAL OCCUPATIONS	68,000	9,415	-0.3	-198	9,217
OTHER	23,000	1,150	-0.6	-138	1,012
TOTAL	**1,107,000**	**59,691**	**2.3**	**25,117**	**84,808**

TABLE A05 / ESTIMATION OF THE FUTURE REAL ESTATE UNIVERSE

	UNIVERSE REAL ESTATE TARGET	EXPECTED PERCENTAGE GROWTH IN THE NEXT THREE YEARS		REAL ESTATE UNIVERSE IN THE NEXT THREE YEARS
	€ MILLION	*PERCENTAGE POINTS*	*IMPLIED EXTRA € MILLION*	*€ MILLION*
LIFE INSURANCE	48,139	1.1	530	48,669
OTHER INSURANCE COMPANY FUND	23,728	1.1	261	23,989
PENSION FUND	2,712	2.0	54	2,766
PENSION SCHEMES FOR PROFESSIONAL OCCUPATIONS	9,217	2.0	184	9,401
OTHER	1,012	0.0	0	1,012
TOTAL	**84,808**	**1.2**	**1,029**	**85,837**

TABLE A06 / ESTIMATION OF THE FUTURE NON-LISTED REAL ESTATE UNIVERSE

	CURRENT UNIVERSE NON-LISTED REAL ESTATE TARGET	CURRENT INVESTORS-CHANGE IN NON-LISTED REAL ESTATE		NON-LISTED REAL ESTATE IN THE NEXT THREE YEARS	NON-LISTED REAL ESTATE UNIVERSE IN THE NEXT THREE YEARS	ESTIMATED UNIVERSE EX-GERMANY IN THE NEXT THREE YEARS	ESTIMATED UNIVERSE GERMANY IN THE NEXT THREE YEARS
	€ MILLION	*PROPORTION OF REAL ESTATE IN PERCENTAGE POINTS*	*IMPLIED EXTRA € MILLION*	*€ MILLION*	*€ MILLION*	*€ MILLION*	*€ MILLION*
LIFE INSURANCE	14,442	2.0	289	48,669	14,731	12,362	2,369
OTHER INSURANCE COMPANY FUND	7,118	1.5	107	23,989	7,225	2,526	4,699
PENSION FUND	542	0.5	3	2,766	545	436	109
PENSION SCHEMES FOR PROFESSIONAL OCCUPATIONS	1,843	2.0	37	9,401	1.880	1,637	207
OTHER	810	0.0	0	1,012	810	648	162
TOTAL	**24,755**	**1.8**	**436**	**25,191**	**25,191**	**17,645**	**7,546**

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