INREV RESEARCH & MARKET INFORMATION

INVESTOR UNIVERSE COMPARISON STUDY

NOVEMBER 2012

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.

CONTENTS

ACKNOWLEDGEMENTS

This report would not have been possible without the input of the insurance companies, pension funds and other investors 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 of the survey wished their identities not to be disclosed.

The participating institutions are not responsible for the opinions expressed in this report.

EXECUTIVE SUMMARY

The results of the Investor Universe Comparison Study show that non-listed property funds will play an important role as investors' real estate allocations grow across Europe.

The study, which brings together information on the investor universes of seven European countries, shows that real estate allocations will grow by an average of 27%. German investors will lead this expansion with allocations expected to grow 43.3% followed by France at 37.7% as well as strong increases from the UK and Sweden.

As part of this growth, non-listed real estate funds are estimated to grow by 39.2%. Italian investors estimate growth of 81.1% in the coming years, although they currently have a small base from which to grow. French investors are also very positive and expect a 55.9% increase while Dutch investors expect growth of 29.8%.

This growing interest in non-listed real estate funds also signals a further commitment to non-domestic investment. The results show that investors have a tendency to use non-listed real estate funds as a tool for international diversification which is particularly the case for German, Dutch, Swedish and Finnish investors, holding more than half of their non-listed property fund investments abroad. Therefore, as future growth is linked to non-listed real estate funds, there is also a likely increase in non-domestic investment.

It is currently the case that a preference for direct real estate investment means there is a consequent focus on domestic investment. The majority of countries allocate less than one third of their real estate investment non-domestically. The exception to this is the Netherlands where more than half of the investments are non-domestic.

Non-listed real estate is the second most preferred real estate investment structure, among these countries, accounting for an average of over a quarter of the total investment in real estate. Dutch and Italian investors set the higher allocation benchmark with 34.2% while Swedish investors allocate the lowest portion at 9.7%.

Polarisation between investors is evident in all countries where the insurance industry dominates the real estate market for Germany, Sweden, France and Italy and the pension industry dominates the UK, the Netherlands and Finland. Interestingly enough, the larger investors in each of the countries allocate the smaller portion of their investments to real estate.

In terms of style the majority of countries share the largest exposure to core with the exception of the UK which is more exposed to value added. By sector, retail and office are the preferred choice although Italian investors appear to opt for office and residential.

Although investors believed that the lack of control and liquidity were the most concerning drawbacks of non-listed real estate funds, they are compensated by the access to expert and specialist management as well as access to new markets, sectors and international markets.

The Investor Universe Comparison Study contrasts the series of Investor Universe Surveys undertaken on the UK, Germany, the Netherlands, Sweden, France, Finland and Italy. The report accounts for more than half of the total universe of assets under management in seven of the largest markets of Europe and two thirds of the total real estate market size.

1 INTRODUCTION

This report is the final in a series of country-based surveys that analyse the current and future investment real estate allocations of institutional investors with a special focus on non-listed real estate funds. The aim of this report is to compare the results obtained in the previous studies on the UK, Germany, the Netherlands, Sweden, France, Finland and Italy. This also allows the comparison of strategies behind these investors and their drivers.

Chapter 2 gives an overview of the market sizes of the seven countries as well as the sample coverage. This section also compares institutional investors' allocations to real estate. Chapter 3 further focuses on these real estate allocations as well as the differences between investment approaches, types of investors as well as domestic versus non-domestic investing.

Chapter 4 focuses on the non-listed real estate allocations of the seven countries. It looks at the proportion of total domestic and non-domestic allocations as well as compares style and sector preferences. Finally, after analysing the preferences behind each strategy, chapter 5 compares the perceived advantages and disadvantages which drive investments into non-listed real estate funds.

1.1 Methodology

INREV has conducted this comparison study based on its country surveys, which were commissioned as part of Investor Universe series. These were undertaken by: Paul Mitchell Real Estate Consultancy Ltd in the UK in 2010; The Chair of Real Estate Management at the European Business School in Germany in 2010; ALMAZARA in the Netherlands in 2010; Evidens in Sweden in 2011; Prof. Eric Pichet in France in 2011; KTI Finland in Finland in 2011, and Prof. Giacomo Morri in Italy in 2012.

The data for this report was taken from the country surveys, which gathered their information through desktop research, interviews and online questionnaires. The organisations surveyed are institutional investors such as pension funds and insurance companies which make multi-asset allocations.

Although each country has specific categories of institutional investors, three inclusive classifications have been established for this comparison survey. These are the pension industry, insurance industry and Other. The category "Other" covers those investor types which are not comparable across the country surveys, such as charities, public entities, sovereign wealth funds, etc. Although in the majority of cases this group is considerably smaller than the other two, the French "Other" category represents 19.6% of the country's total assets under management (AUM).

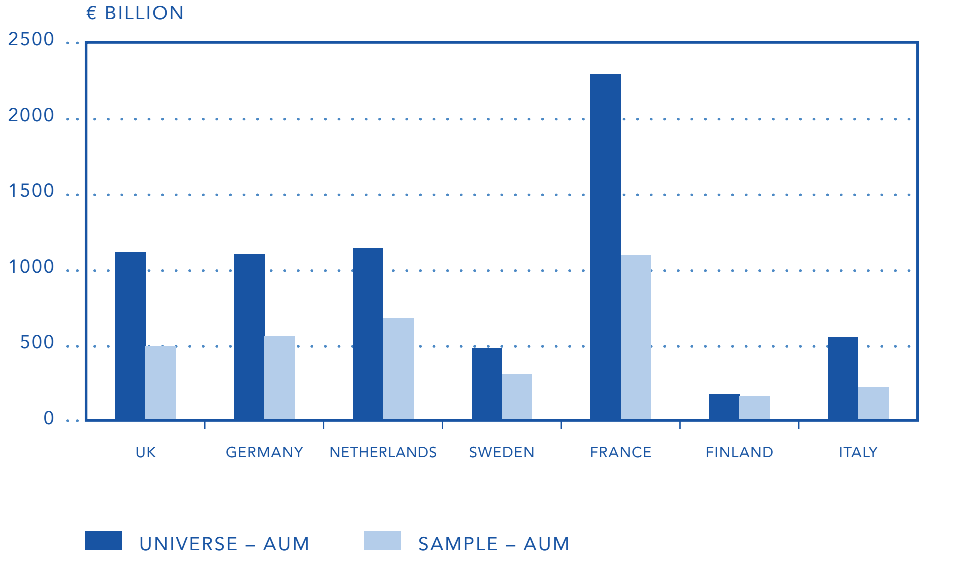
It should be noted that as individual studies were conducted in different time periods, this could have an impact on the overall results.

2 UNIVERSE AND SAMPLE

This comparison study is based on the responses of 218 institutional investors with total allocations of €3569 billion AUM. They represent an average of 56% of the total universe of AUM which amounts to €7188.9 billion. The sample's allocation to real estate represents a total of €340.9 billion, which is 68.9% of the total real estate allocation in these countries.

As the sample is based directly on the results of the country reports, it is important to understand the coverage of these countries as shown in Figure 01.

FIGURE 01 / TOTAL INSTITUTIONAL INVESTORS' ASSETS UNDER MANAGEMENT (AUM) UNIVERSE AND SAMPLE



The UK survey collected information from 39 schemes which comprised 26 pension funds, eight with-profits life funds, two other insurance company funds, and three charities or similar. The sample's total assets (equities, bonds, real estate, etc.) amount to £447 billion, representing over a third of the estimated universe. Based on the exchange rate at the time of the original analysis, the sample size has been calculated as €500.3 billion. Their real estate investments of €43.7 billion represented almost half of the UK institutional real estate universe.

The report on Germany collected information from 35 schemes which comprised 14 life insurance companies, eight other insurance companies, six pension schemes of the professional occupations, five corporate and public pension funds, and two other investor participants. The sample's total assets are €568 billion, which represent around 51.3% of the estimated German institutional universe. The sample's real estate exposure at the time was €32.5 billion, accounting for approximately 54.4% of the estimated real estate universe.

The Dutch institutional universe survey received information from 50 schemes, including 43 pension funds, one charity/similar real estate fund and six insurance company funds. These accounted for €684 billion total AUM and represent around 59.9% of the universe. These investors allocate €72.2 billion of their portfolio to real estate which also represents 59.5% of the estimated universe.

Sweden comprises 22 schemes which are nine life insurance funds, four state pension funds, three insurance company funds, three pension funds, two health insurance funds and one charity. Total AUM is SEK 2,808 billion, or €316.4 billion based on the exchange rate at the time of original analysis, representing 64.7% of the universe. The sample's investment in real estate is €23.6 billion, covering 59.9% of the real estate allocations.

A total of 15 French institutional investors provided data. These comprised seven life insurance companies, two other insurance companies, two pension schemes, two public entities and two other entities, including one charity. These entities represent approximately €1,100 billion or 47.8% of the total AUM in the French market. This amount does not take into account information from interviews with consultants, which would increase the sample size to €1,400 billion, making the full data sample around 61% of the French institutional universe. The sample's allocation to real estate amounts to €119.5 billion and is equivalent to 91.9% of the total French allocation to real estate.

The Investor Universe Finland incorporated the responses of 27 Finnish institutional investors. This comprised four pension insurance companies, ten other pension schemes, seven life insurance companies, five other insurance companies and one other institution. This sample accounts for €165 billion or 91.7% of the total Finnish institutional universe. Similarly the sample also covers 91.7% of the total institutional investment in real estate.

The Italian survey was based on a sample of 30 investors: seven bank foundations, nine insurance companies, seven private pension foundations and seven other pension funds. The sample represents €232.6 billion total AUM, which equals 41.4% of the universe. The real estate allocation accounts for €29.4 billion, which is 76.4% of the estimated real estate universe.

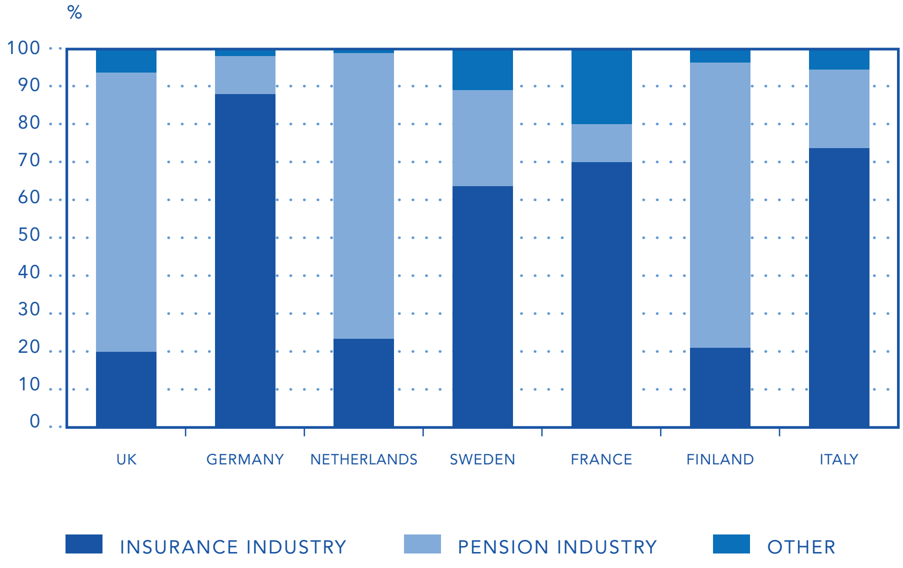
2.1 Institutional investors universe

Figure 02 (page 07) shows the distribution of AUM by the three categories Insurance industry, Pension industry and Other. The investments are concentrated in the first two groups with the exception of France.

The UK, the Netherlands and Finland are dominated by investments from the pension industry, which represent between 73.5% and 75.6% of their total AUM. At the other end of the spectrum, the insurance industry dominates in Germany, Sweden, France and Italy. In these countries between 64.1% and 88.5% of total AUM are allocations from the insurance industry.

France is the only country where the Other category represents a substantial proportion of the universe at 19.6%. For France, this includes public entities, which represent 14% of the total French market. These include a range of organisations specific to France such as the Caisse des dépôts et consignations (CDC) and others such as those dedicated to the dismantling of nuclear plants.

FIGURE 02 / TOTAL ASSETS UNDER MANAGEMENT BY TYPE OF INVESTOR



3 REAL ESTATE

3.1 Real estate investment by investor type

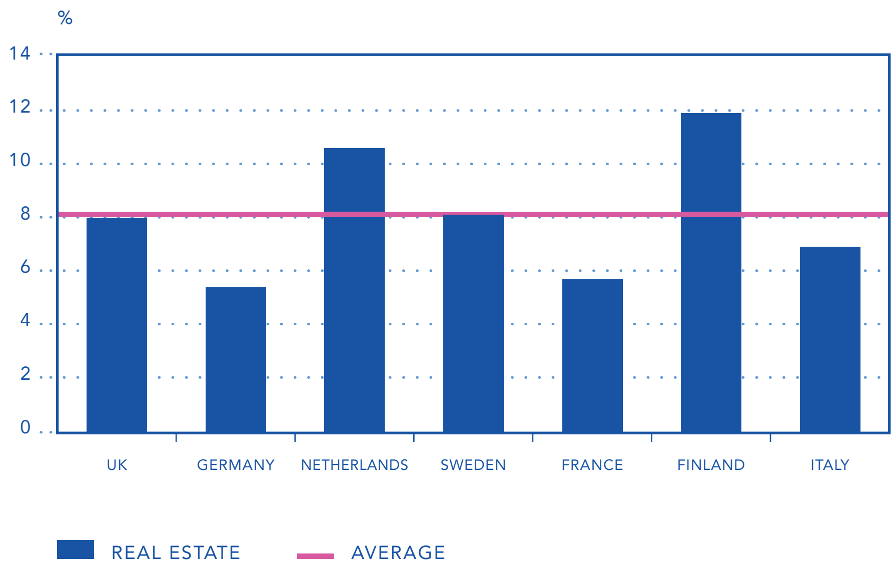
Total real estate allocations are the largest for French and Dutch investors at €130 billion and €121.2 billion respectively. UK and German investors follow with €89.9 billion and €59.7 billion. Allocations to real estate in Sweden, Italy and Finland are the smallest at €39.5 billion, €38.5 billion and €21.9 billion respectively. These figures come as no surprise as they are closely related to the size of the countries' overall institutional market.

It is interesting to see how these country figures translate to the percentage allocated to real estate as part of a total multi-asset portfolio. Figure 03 shows that these real estate investments represent between 5.4% and 11.9% of the total AUM in the individual countries. Therefore the average allocation to real estate amongst these countries is 8.1%.

German investors have the lowest allocation to real estate at 5.4% of total AUM followed by France at 5.7%. Finland has the highest allocation at 11.9% while Dutch investors are not far behind with an allocation of 10.6% of their total AUM.

UK and Swedish investors stay within the average of this group with 8% and 8.1% respectively while Italian investors allocate 6.9%.

FIGURE 03 / REAL ESTATE AS PART OF TOTAL AUM



The average allocation to real estate by the insurance industry in the sample is 7.7% and 10.2% by the pension industry. Analysing these allocations in the UK, Germany, France and Italy highlight opposing trends to those observed in the total AUM figures. The dominance by individual sector contribution shown in Figure 02 remains the same but the percentage allocations to real estate by each investor group is very different. As Figure 04 (page 09) shows, it is the case that in many countries the smaller investor group allocates a larger portion of total investments to real estate.

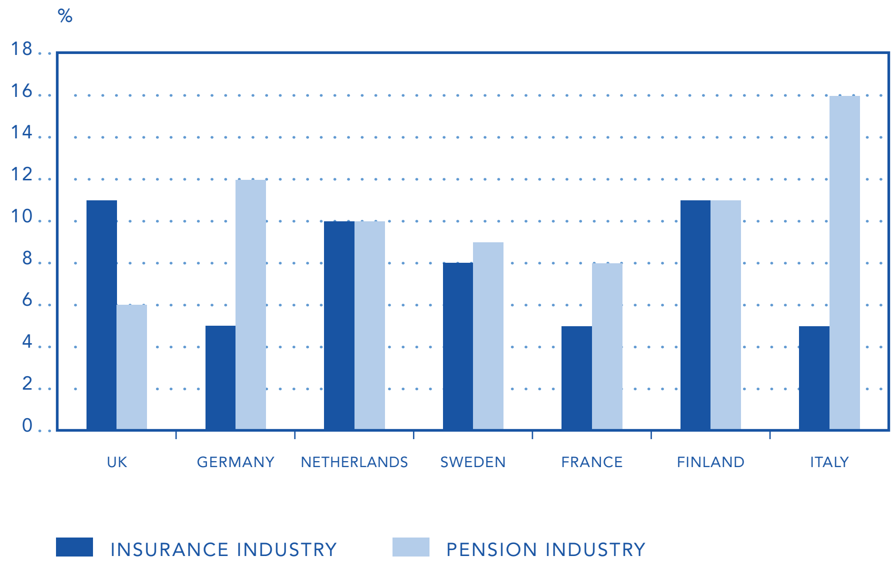
The Italian pension industry allocates more than 15% of its total portfolio to real estate led by private pension foundations which allocate 31.8% of their total investments to real estate. However, in the country as a whole the insurance industry dominates as they represent 49.3% of total allocation to real estate but for insurance companies this is just 4.6% of their allocations. Historically the Italian government required the pension industry to invest in real estate and they have also used property investments to hedge inflation as the euro was adopted and uncertainty created volatility.

Although the French real estate market is insurance industry-focused, the pension industry allocates more at 8.3% compared with 5%. The French insurance industry has a strong preference for government bonds which is encouraged by the French government. Public entities, included in the Other investors category, share this appetite for government bonds.

In Germany, the insurance industry accounts for over 76.4% of the total allocations to real estate. On the other hand , the German pension industry invests approximately 12.4% of their investments in real estate while the insurance industry invests 4.7%. This strong preference of the pension industry for real estate is mostly accounted for by large pension funds as the smaller ones have little or no investment in this sector.

UK pension industry investors have lower levels of interest in real estate, allocating 5.9% of their total investments to that sector while the insurance industry has the higher exposure at 10.9%. Approximately one third of the smaller pension funds do not have any allocation to real estate and often cite the management time taken up by the investment as outweighing the diversification benefits.

FIGURE 04 / REAL ESTATE ALLOCATION BY TYPE OF INVESTOR



3.2 Comparison of real estate allocations by investment type

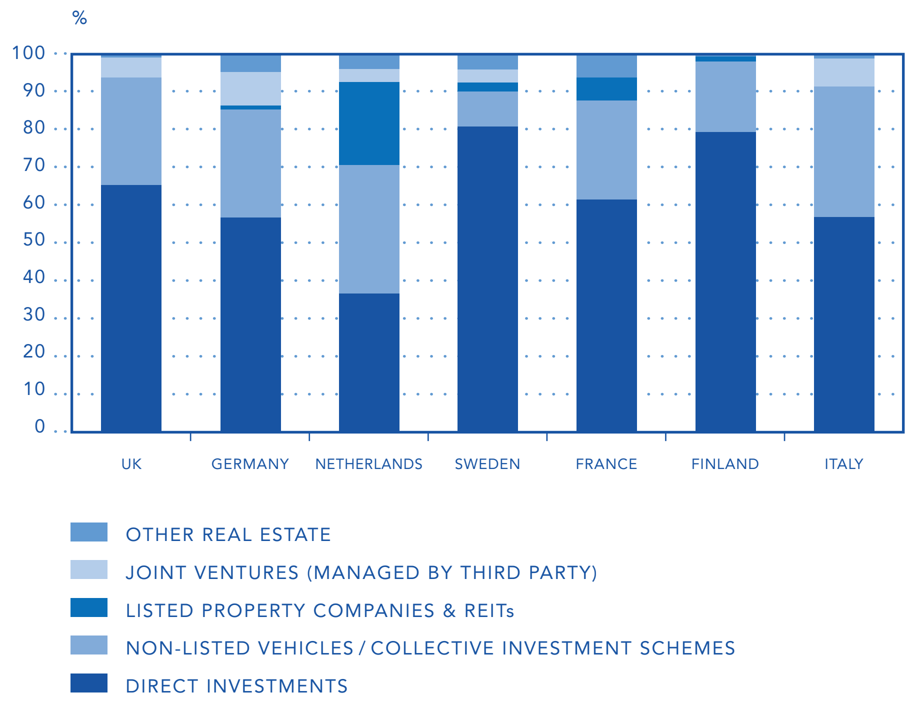
Figure 05 shows that direct investment is the preferred means of investment type throughout the seven countries. Sweden and Finland have similar direct allocations at 80.3% and 79.1% of their investments respectively while the UK, Germany, France and Italy at lower levels ranging between 56.8% and 65.6%.

The Netherlands, on the other hand, presents a more balanced distribution between the three main investment types. Although direct investment is still dominant at 37.2%, non-listed funds are allocated 34.2% and listed property 21.8%. The size of the allocation to non-listed real estate is driven by large pension funds, which are also the largest institutional investors in the country. On the contrary small Dutch pension funds in particular have direct investments only for their own operational use and only one third of the medium-size pension funds invest directly.

The Netherlands is the only country where listed property companies account for more than 10% of allocations. However, the low allocations to listed real estate in the other countries could be explained by the fact that for many investors listed real estate falls within their equities portfolios and is therefore not reflected in their real estate allocations. The remainder of the real estate allocations of these countries are distributed between joint ventures, listed property companies and REITs and other real estate investment types.

In Italy investors allocate 34.1% of total investments to non-listed real estate and there are also strong allocations of 28.8%, 28.6% and 26.2% for Germany, UK and France respectively. Clearly lower than their European neighbours, Finland and Sweden's non-listed real estate allocations represent 18.4% and 9.7% of their total real estate investment respectively.

FIGURE 05 / TYPES OF REAL ESTATE INVESTMENT



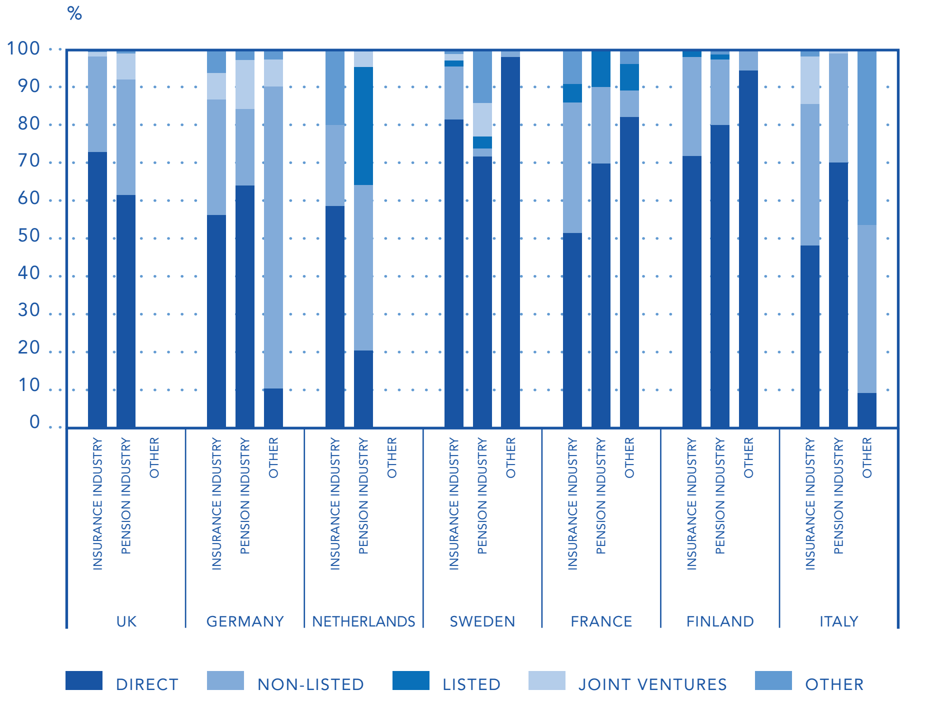
3.3 Real estate by investment and investor type

Figure 06 combines the information analysed so far. It confirms a clear preference of the vast majority of investors for direct investment. In general, it also appears that the insurance industry prefers to allocate a larger proportion of their real estate investments through non-listed funds compared with the pension industry. The UK and the Netherlands are the only exceptions.

With the exception of Other investors, the pension industry in the Netherlands is the only investor group which does not allocate the majority of its real estate investments directly. Its pension industry makes 43.4% of their investments through non-listed property funds. This constitutes the largest investment of non-listed property funds undertaken by a single investor group in the overall sample. Small pension funds allocate 75% of their real estate investment to non-listed property funds while 41% of the large pension funds do the same as do 60% of medium-sized pension funds.

The French insurance industry invests 51.9% of its overall allocation directly and just over one third through non-listed real estate funds. Other investors in France have the greatest preference for direct real estate, concentrating 82.8% of their allocations in this investment approach.

FIGURE 06 / TYPE OF REAL ESTATE INVESTMENT BY INVESTOR TYPE



The UK pension industry, the German pension industry and the Dutch pension industry favour joint ventures with the larger sums invested by a single investor type to this approach. However, these amounts represent 6.7%, 13.1% and 4.1% of their individual allocation to real estate.

Germany and Italy have a similar distribution of direct investment for each of the investor groups. This is particularly the case for the insurance industries which share the same order of preference for allocations to the different types of real estate. While they both prefer investing directly, around one third of their allocations are done through non-listed property funds with joint ventures in third place.

Sweden is an insurance industry-led market and Finland is a pension industry-led market and these investor groups allocate 81.4% and 80% respectively of their real estate investment to direct investment. Similarly these two groups invest an average of 15.6% of their real estate investments in non-listed real estate vehicles. The two countries also have similar investment preferences within their other investors groups which allocate 98% and 95% of their investments directly.

3.4 Real estate domestic versus non-domestic investing

Six out of seven of the analyzed markets have a strong preference for domestic investment as Figure 07 (page 13) shows. The UK, Sweden, France, Finland and Italy undertake over 80% of their investment domestically. The most active country non-domestically is the Netherlands, where international investing represents 57.4% of allocations. Germany is the second most active but at 35.2%, its proportion of non-domestic investment is low compared with the Netherlands.

The high levels of domestic investment by the majority of the countries could be linked to the preference for direct investment. Direct investing provides more control and historically it has been the main route for investing. In addition, in-house knowledge of the domestic market encourages investors to invest locally and this preference is strengthened if there is a sizable domestic market where diversification can be achieved.

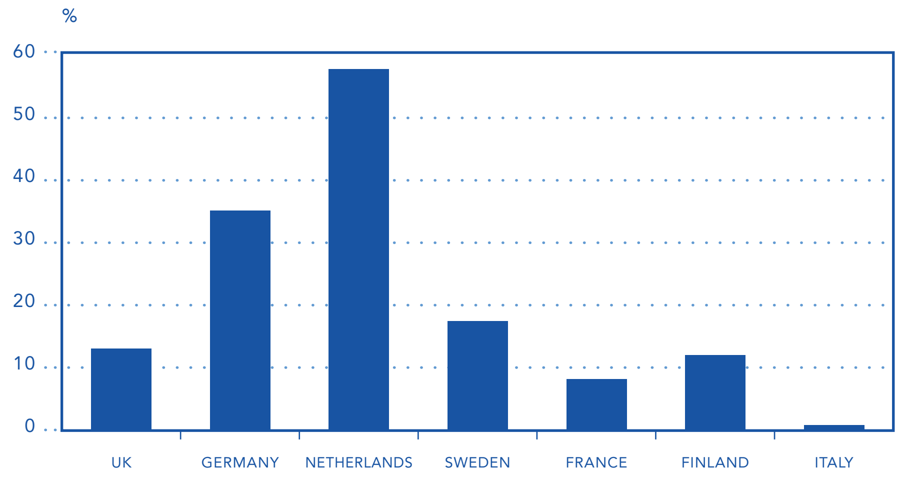
The Dutch pension industry is well established and their large size in a relatively small national real estate market in part explains their strong non-domestic investment activities. All of their listed real estate investments are non-domestic while they invest at home and abroad through non-listed property funds. The Dutch insurance industry prefers domestic investment but 22% of its investments are non-domestic.

Despite the overall interest in German non-domestic investment, pension funds appear to be conservative in terms of their activity and invest only 10% of their total real estate abroad. International investing is the realm of pension schemes of the liberal professions, the insurance industry and Other investors.

Italy, France and Sweden are the least exposed in terms of foreign real estate investment. Italy is almost exclusively domestic with 99.3% of their real estate investments done locally. However, Italian investors are becoming more interested in non-listed property funds to be able to expand internationally. France's low allocation of 8.1% to international markets is led by the insurance industry, which invests approximately a tenth of its investment non-domestically.

One third of the Finnish investors have non-domestic exposure but despite this 88.1% of the investment are still done domestically. Many Swedish investors ventured into direct non-domestic real estate investments in the 1980s and for most this was not successful. This legacy appears to have demotivated investors from investing non-domestically, particularly doing it directly. Around 17.5% of the real estate investment was undertaken non-domestically, of which 42.7% is non-listed and 40% is direct.

FIGURE 07 / NON-DOMESTIC REAL ESTATE ALLOCATION



3.5 Target allocations to real estate for the next three years by type of investor

The size of the investor universe of the countries analysed is expected to grow in the next three years by an average of 27%. It should be noted that the three year period asked about is based on the dates on which the reports were published, which vary between 2010 and 2012. As Figure 08 (page 14) shows the largest growth is expected in Germany with a 43.9% increase in investor allocations. This is followed by France where growth is estimated at 37.7%. Coincidentally the UK and Sweden expect real estate allocations to grow by 21.3% while growth of 20.6% is expected for Finland. Finally, the Netherlands is the country which foresaw the least growth at 17.4%.

Italy is not included in the figure below due to the lack of information on growth of each investor group. However, Italian investors expect 28.5% growth for the real estate allocations as a whole.

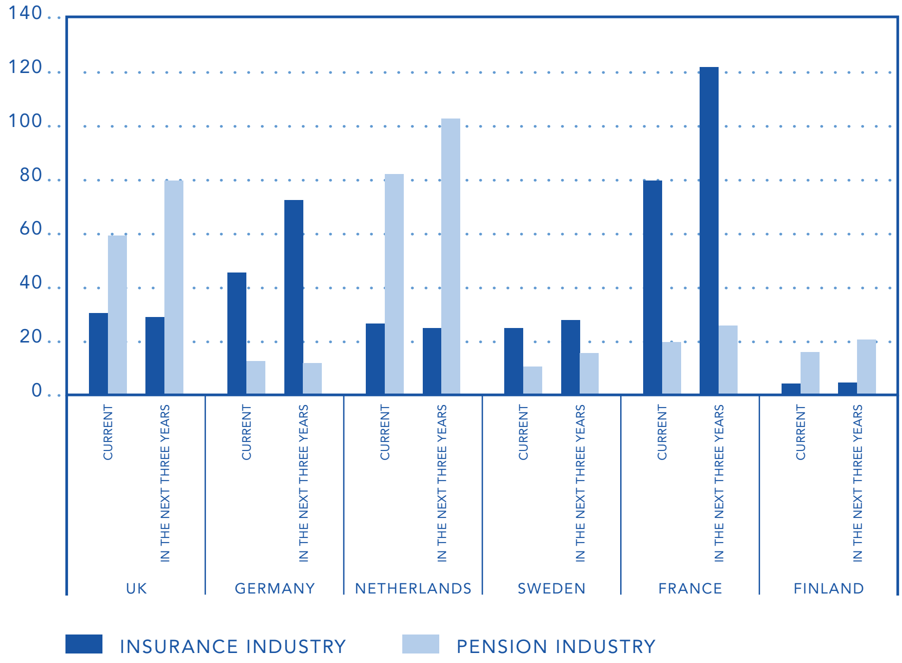
Looking more closely at the figures shows that the expected growth in real estate allocations in the UK and the Netherlands will come from the pension industry with the insurance industries in both countries expected to decrease their allocation by 5% and 4.8% respectively. Both countries share a similar expected absolute growth by pension funds which amounts to a 34.9% and 24.9% increase from their existing size.

In contrast, Germany expects the pension industry to decrease its participation in the market by 5.4%. Conversely, the allocation of the insurance industry is expected to grow by 59.4%. France also expects a significant increase in allocations of 52.5% from the insurance industry. French investors expect to see no decrease in size by its investor types, although the Other category is expected to see marginal growth at 3.3%.

In Sweden, the pension industry is more positive about its growth expectations and anticipate a 47.5% increase in their real estate allocations. The insurance industry is less positive but still expecting 11.9% growth.

FIGURE 08 / CURRENT EXPOSURE TO REAL ESTATE AND EXPECTED IN THE NEXT THREE YEARS

€ BILLION



4 NON-LISTED REAL ESTATE FUNDS

4.1 Non-listed real estate investment as part of domestic and non-domestic investment

All the countries with the exception of the Netherlands invest between 0.8% and 38.1% of real estate AUM non-domestically so it is important to understand how much of this is non-listed property funds. The average allocation to non-listed real estate funds is 25.5% of the total real estate allocations. Table 01 shows how this breaks down for each of the markets with the Netherlands and Italy having the highest proportions of non-listed real estate fund allocations.

TABLE 01 / ALLOCATIONS TO NON-LISTED REAL ESTATE FUNDS

	UK	GERMANY	NETHERLANDS	SWEDEN	FRANCE	FINLAND	ITALY
	€ BILLION	€ BILLION	€ BILLION	€ BILLION	€ BILLION	€ BILLION	€ BILLION
TOTAL NON-LISTED REAL ESTATE INVESTMENT	25.8	16.3	41.7	3.8	34.0	4.0	13.2
	%	%	%	%	%	%	%
ALLOCATION TO NON-LISTED REAL ESTATE AS PERCENTAGE OF REAL ESTATE INVESTMENT	28.7	27.3	34.4	9.7	26.2	18.2	34.3

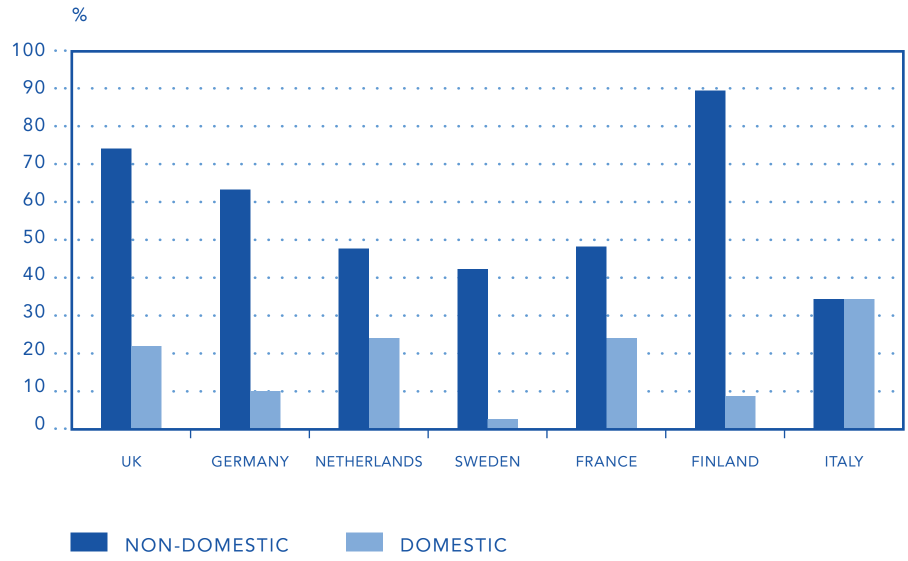
Finland has the highest allocation to non-listed real estate funds as part of non-domestic real estate allocations, representing 89.3%. The UK non-listed real estate participation in the domestic market is also much smaller than in its non-domestic market, capturing 21.9% of the domestic investment and 74% of the non-domestic investment. Germany uses non-listed property as an international diversification tool representing 63.3% of non-domestic allocations and just 10% of domestic allocations. Just 8.6% of the Finnish domestic investment is made through non-listed property funds.

Even though the Netherlands has an overall preference for non-domestic real estate markets, non-listed real estate funds are also used domestically. Most insurance companies use them domestically when they lack the expertise in specific sectors. This results in non-listed real estate funds representing 47.7% of the non-domestic allocations and 23.9% of domestic. This split is similar to that seen in France, despite the fact that the overall real estate market is more domestically focused.

Sweden already has a major focus on direct investments with 80% of allocations, with the majority being for the domestic market. Non-listed real estate only represents 2.6% of the domestic market allocations and 42.3% of international investments.

Italian investors have an equally strong preference for domestic investment through non-listed real estate as in the whole of real estate. Since the portion allocated non-domestically is also similar, non-listed real estate represents 34.3% of the total domestic and non-domestic allocation to real estate.

FIGURE 09 / NON-LISTED REAL ESTATE AS PART OF TOTAL DOMESTIC AND NON-DOMESTIC INVESTMENT



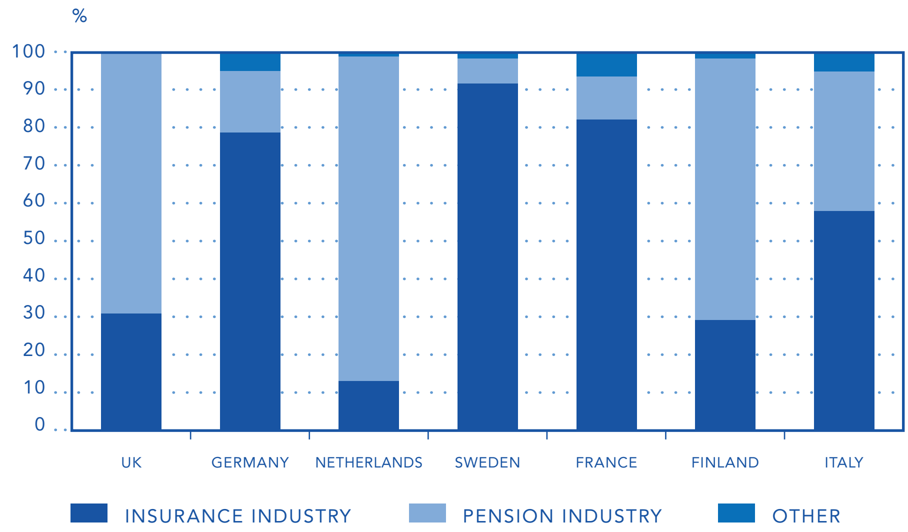
4.2 Non-listed real estate by investor

The participation of investors in non-listed real estate follows the same trends as exposures to real estate as a whole. Yet, most countries show differences when it comes to type of investors allocating to non-listed real estate. As Figure 10 (page 17) shows, Sweden is the country where this difference is the most significant. The investment from the Swedish insurance industry is 92.7% while that undertaken by the pension industry is 5.4% of the total allocation to non-listed real estate. This can be explained by the fact that a large proportion of the Swedish pension funds are owned by a single owner, which in turn is the biggest property owner in the country.

Germany, France and Italy also show an insurance industry dominance in the non-listed property funds sector. In France, this can be explained by the fact that it is mostly larger investors within the insurance industry taking advantage of the non-listed property fund options. Smaller investors prefer direct investment and, more precisely, investments within Paris. The non-listed exposure for the pension industry in France is almost in line with its representation level in the real estate sector as a whole. However, Other investors accounted for only 6% of this sector.

German and Italian Other investors have a larger proportional share in non-listed real estate funds compared with their total exposure to real estate. The UK, Netherlands and Finland all have pension industries that have a greater allocation to the non-listed real estate sector than in the real estate sector as a whole.

FIGURE 10 / NON-LISTED REAL ESTATE ALLOCATIONS BY TYPE OF INVESTOR



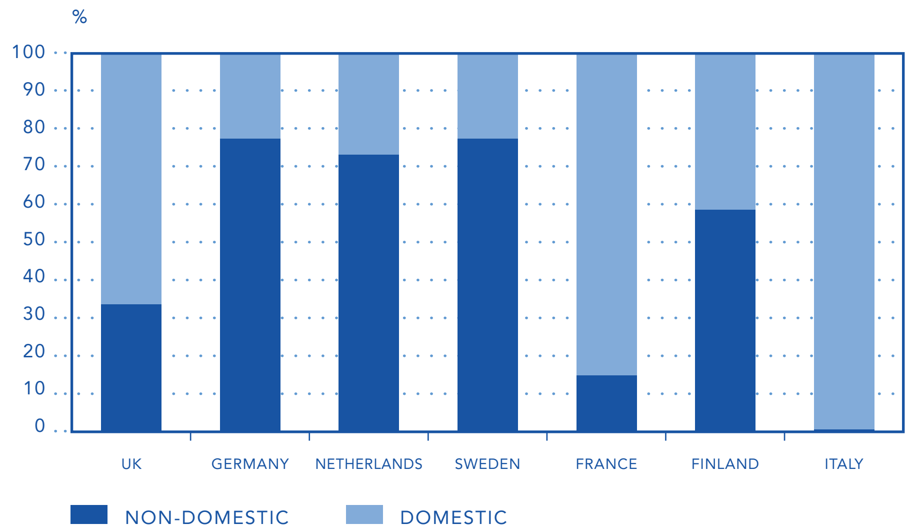
4.3 Domestic versus non-domestic non-listed real estate fund allocations

In countries where allocations are predominantly domestically, then non-listed is the primary non-domestic investment option. Figure 11 shows that this is the case for Germany where 77.4% of non-listed allocations are non-domestic. Similarly high proportions for Sweden at 77.3%, the Netherlands at 73% and Finland at 58.6%.

In the UK, France and Italy, non-listed real estate investment is mainly used for domestic investing representing 66%, 85% and 99.3% of non-listed allocations. These reasons for these preferences are explained in the final chapter of this report.

These trends could also be determined by the amount of real estate expertise and knowledge in the markets. If an investor is more likely to have expertise in a domestic market they can more confidently invest directly. Non-listed funds are more likely to be used to invest abroad with the support of outside expert management.

FIGURE 11 / NON-LISTED REAL ESTATE INVESTMENT BY DOMICILE



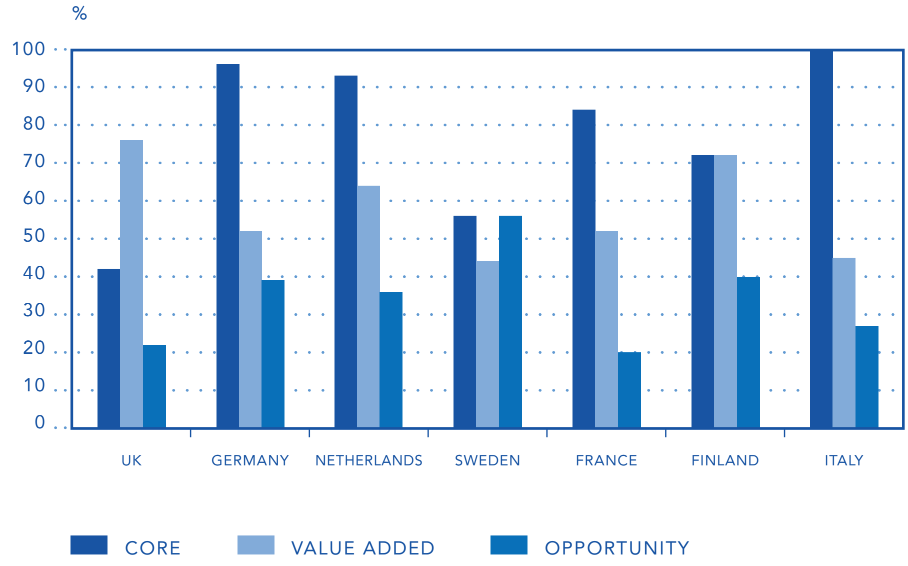
4.4 Non-listed real estate exposure to different styles

Institutional investors were questioned about their exposure to the three investment styles: core, value added and opportunity. Almost all investors surveyed have allocations to core while 100% of Italian investors have core exposure. As shown in Figure 12, the UK is the sole exception to this tendency. This strong exposure to core funds is also confirmed by the INREV Investment Intentions Survey, which has concluded for the past three years that core funds are the preferred style among investors in non-listed property funds.

UK investors have the largest exposure to value added at 75.8% while more than 50% of German, Dutch, French and Finnish investors is also allocated to some value added funds. Finnish investors are as equally exposed to value added as they are to core investments while the Italian and Swedes are in line with value added exposures of 45.5% and 44.4% respectively.

At 50%, Swedish investors have the largest proportional allocation to opportunity funds. At the other end of the spectrum, only 20% of French investors are exposed to opportunity funds. This is similar in the UK, where just 24.2% of investors have allocations to opportunity funds.

FIGURE 12 / EXPOSURE TO NON-LISTED REAL ESTATE BY STYLE



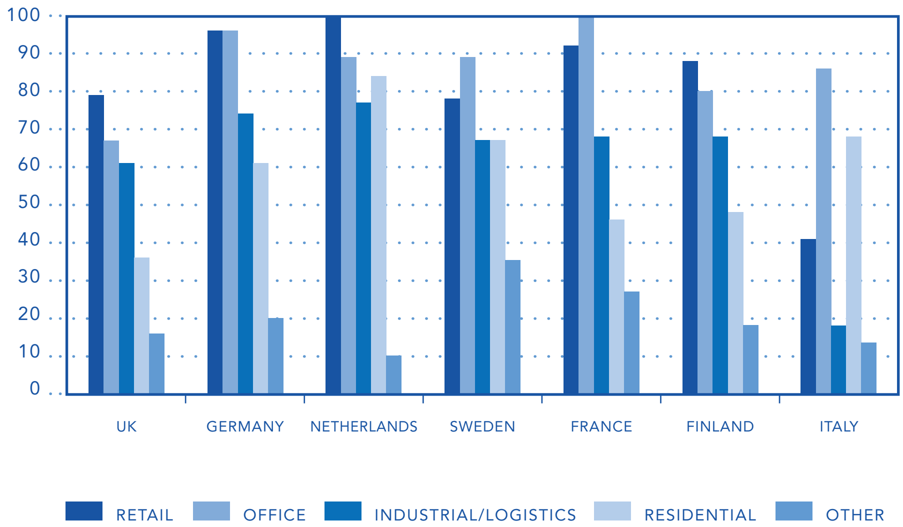
4.5 Non-listed real estate exposure by sector

As Figure 13 shows, most European investors have high exposure to the retail and office sector with the exception of Italian investors. Instead, Italian investors have a larger allocation to the residential sector, which is partly explained by the requirement for bank foundations to invest in social housing. Nevertheless, residential assets are prone to reduce due to the enforcement of legislation that limits allocation to real estate. On the other hand office and retail sectors are also perceived as the most attractive sectors in the long-term.

The most even exposure to the four preferred sectors can be observed in the Netherlands. Dutch investors show a preference for retail property. However, there is significant exposure to office, industrial and residential as well. French investors favour offices but otherwise their preferences are somewhat more diversified. For example, France and Finland invest more consistently in hotels than in residential property. Overall France, Sweden and Italy are predominantly office focused while the UK, Netherlands, and Finland are retail oriented and Germany invests equally in retail and in office.

FIGURE 13 / EXPOSURE TO NON-LISTED REAL ESTATE BY SECTOR

% OF RESPONDENTS



4.6 Current and future allocation to non-listed real estate

The respondents of each of the surveys were asked if and to what extent they expected their allocation to non-listed real estate to change in the future. The results of this question are presented in Figure 14 (page 20). All the countries expect non-listed funds to grow, although at different rates.

Although the Italian survey was conducted during a particularly turbulent economic context in 2012, Italian investors are the most positive in terms of future projections. They expected 81.1% growth for non-listed real estate fund allocations even though the expected growth of total real estate in Italy is not the largest among the sample countries. This non-listed growth is mainly due to changes within national fund tendencies, which is looked at in more detail in the Investor Universe Italy. French investors are also very positive about growth and expect a 55.9% increase. Dutch investors expect 29.8% growth in the non-listed real estate funds sector. However, due to the universe size, their overall allocations would remain the largest in this sample as Dutch investors already invest a large portion of their portfolios into funds.

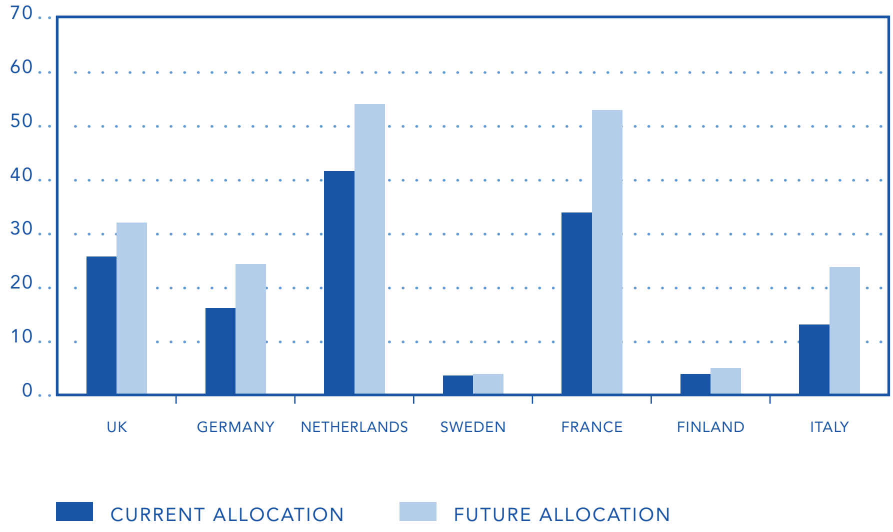
The UK and Finland expect a similar growth rate of 24.6% and 28% while German investors expect an increase of almost 50% in its non-listed property funds sector. Sweden anticipates a small increase at 5.2%. This would see Sweden maintain its place having the lowest allocation to non-listed funds.

Section 3.5 showed that allocation figures are expected to increase for the whole real estate sector. Therefore, it can be concluded that non-listed property funds will play an even more important role in the expected growth in allocations for real estate.

This positive view on non-listed real estate funds can also be attributed to the fact that the vast majority of investors are under allocated compared to target allocations to real estate. The exceptions are life funds in the UK, pension funds in Germany, state pension funds in Sweden, life insurances in Finland and Other investor types in France.

FIGURE 14 / CURRENT AND FUTURE ALLOCATION TO NON-LISTED REAL ESTATE

€ BILLION



5 ADVANTAGES AND DISADVANTAGES OF INVESTING IN NON-LISTED REAL ESTATE

The reports in the series also looked at the advantages and disadvantages of investing in non-listed real estate funds. The interview and survey participants were asked to choose from a list of characteristics attributed to non-listed real estate funds the main reasons for and against investing through funds.

Six of the seven countries respondents' agreed that access to expert or specialised management is the main attraction of non-listed property funds. This benefit was chosen by 67% of the UK respondents, 51% from Germany, 84% from France, 75% from the Netherlands, 89% from Sweden and 46% from Italy. It was highlighted that the particular appeal is the fact that it relinquished the need to build in-house expertise or structures, which could become costly.

TABLE 02 / ADVANTAGES OF INVESTING IN NON-LISTED REAL ESTATE

	UK		GERMANY		NETHERLANDS		SWEDEN		FRANCE		FINLAND		ITALY	
	RANKING	%	RANKING	%	RANKING	%	RANKING	%	RANKING	%	RANKING	%	RANKING	%
ACCESS TO EXPERT / SPECIALIST MANAGEMENT	1	67	1	51	1	75	1	89	1	84	4	36	1	46
ACCESS TO NEW MARKETS	2	36	2	43	4	32	2	56	3	64	2	60	6	18
ACCESS TO SPECIFIC SECTORS	1	67	4	23	5	27	3	44	5	52	6	16	3	29
ACCESS TO SPECIFIC ASSETS	3	30	6	6	7	5	6	11	2	68	7	12	6	11
EASIER IPLEMENTATION COMPARED TO DIRECT REAL ESTATE	4	27	3	31	2	48	4	33	6	48	8	8	2	43
INTERNATIONAL DIVERSIFICATION FOR AN EXISTING DOMESTIC REAL ESTATE PORTFOLIO	2	36	2	43	6	25	1	89	4	56	1	64	4	21
DIVERSIFICATION BENEFITS FOR EXISTING MULTI-ASSET PORTFOLIOS	6	6	5	17	3	36	5	22	3	64	5	24	1	46

Access to new markets, new assets and new sectors are also evidently considered as primary incentives. Finland, Sweden, Germany and the UK considered the access to new markets as the second most important reason at 60%, 56%, 43% and 36% of respondents respectively. However, the UK investors also list international diversification for an existing domestic real estate portfolio equally as important, followed by the possibility to access specific assets. These preferences expose the UK investors' preferred use of non-listed property fund investments to improve the diversification of their direct exposure. This confirms the results of section 4.3, which shows that non-listed property funds are commonly used for non-domestic investments

The UK is not the only country which shows a strong appreciation for international diversification for existing domestic real estate portfolios. A majority of Finnish and Swedish investors at 89% and 64% respectively also consider this characteristic as the most important. Over 43% of the German investors also consider this characteristic attractive as do 56% of French investors. Non-listed real estate funds are particularly useful for German investors as only large life insurance companies and some pension schemes of the liberal professions have direct exposure to non-domestic real estate.

In line with country specific characteristics, 56% of the Finnish respondents rate access to leverage as one of the main reasons to invest. The Finnish legal and regulatory system limits the usage of leverage to certain types of insurance companies. German insurance companies are also regulated to restrict leverage. Nonetheless only 10% of respondents rate this as one of the most appealing aspects.

An even more particular case is the 46% of Italian investors stating that taxation benefits are the main reason to invest through non-listed real estate funds. However, the investors supporting this characteristic are mostly private pension foundations, since they can avoid paying non-recoverable VAT on property acquisitions through this investment method.

When asked about the drawbacks of non-listed real estate funds, investors from France, Germany and the Netherlands consider the lack of control as the greatest challenges. Although this is not stated as the most important obstacle for the other investors in the sample, an important portion of them mention it as a concern. This concern is logical as there is a clear preference for direct investment in these countries.

The UK and Italian investors rate lack of liquidity as their main concern. Some UK investor said they are planning to reduce their allocation to non-listed real estate funds as they have not matched their risk and liquidity expectations. More than 85% of the Italian respondents are concerned about liquidity when investing through non-listed real estate funds. This can be explained by the fact that the market for funds in Italy is relatively new which increases uncertainty around issues such as liquidity.